The Royal Children's Hospital Melbourne

Annual Financial Report 2016–17

Contents

The Royal Children's Hospital Melbourne
50 Flemington Road Parkville Victoria Australia 3052
www.rch.org.au
ABN 35655720546

The Royal **Children's** Hospital Melbourne

Our vision and values

VISION

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

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

RCH patient Bailey

Chairman's report

Over the past year, The Royal Children's Hospital (RCH) has continued to build on its reputation as a world-leader in paediatric care.

It is pleasing to report that we have delivered a surplus of $2.95m this year, our best financial result in more than a decade, while also investing in initiatives that will ensure our ability to respond to the rapidly transforming healthcare sector.

As we move to the final stages of the hospital's 2013–18 Strategic Plan, there is much to reflect upon. The RCH was right to identify information technology, innovation and sustainability as key factors underpinning the delivery of great care and these factors will continue to play an important role in our future growth and sustainability strategies.

It has been extraordinarily gratifying to see the success of the Electronic Medical Record (EMR), with a number of clinical, financial and productivity benefits realised since its implementation in April 2016.

International recognition followed a detailed assessment by the Healthcare Information and Management Systems Society (HIMMS), which evaluated the hospital's use of digital technologies and the EMR to improve patient care and efficiency. The assessment saw the RCH become the first healthcare service in Australia to achieve a stage six rating for its EMR in both inpatient and outpatient areas. Just over one year since implementing our EMR, we are already now turning our attention to achieving a stage seven rating, the highest HIMMS rating possible.

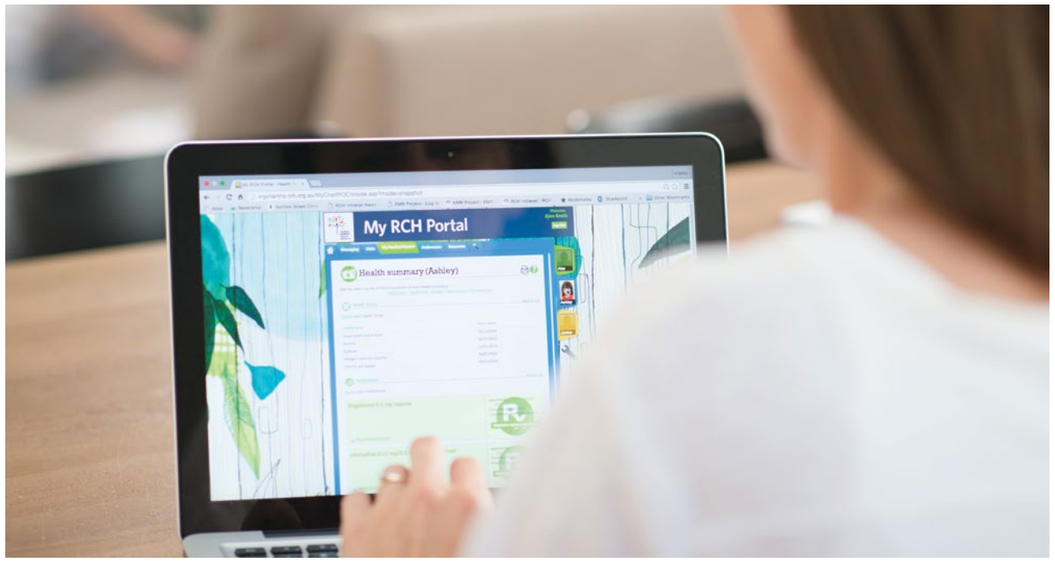
The RCH achieved several other accolades this year, being nominated for a record number of Victorian Public Healthcare Awards, including the Premier's Large Health Service of the Year.

Teams from across the organisation were nominated in both clinical and non-clinical categories. Of the 23 submissions put forward, 10 were shortlisted, and two took out top honours; My RCH Portal winning the *'Excellence in community engagement'* award, and Dr Penelope Bryant taking out the *'Improving healthcare through clinical research by an individual early in their career'* category.

It was a tremendous honour for all those involved in the projects and initiatives that were nominated and a great reflection on the hospital at large to have submitted so many entries.

'...the RCH became the first healthcare service in Australia to achieve a stage six rating for its EMR in both inpatient and outpatient areas.'

I am also proud to see the growth of our social media footprint and use of digital technology in general to enhance our community and educational reach. Having an audience of 100,000 on Facebook allows us to share important, informative healthcare information. It also provides an excellent channel for sharing the results of our quarterly Australian Child Health Poll, which has in the past year used real data from Australian families to inform the national conversation around new and emerging health issues such as use of over-the-counter medications, flu vaccination and screen time.



Meanwhile the hospital continues to deliver great care in a safe, world-class paediatric facility. But while our facilities, equipment, staff and technology are undoubtedly among the best, this year we also found out how they withstood and responded to extreme pressure.

The tragic events of Bourke Street in January 2017 will be forever marked in Melbourne's and our hospital's history. We admitted five patients, sadly losing the youngest. The fact we were unable to save the most innocent of victims remains difficult, but I would like to commend our leadership and our staff, as well as those from hospitals throughout the city, for the way they handled the events of that day. We saw the deployment of a healthcare system second to none, staffed by doctors and nurses who fully deserve the trust placed in them on a daily basis.

Likewise the 'Thunderclap Asthma' event of November 2016 also pushed our hospital and health services across Victoria, to the limit. Again, our staff, particularly those in the Emergency Department, pulled together and responded with aplomb, seeing around 450 patients in the first 24 hours of the event.

I would like to thank the staff, the RCH Executive and my fellow Board members for their hard work over the last year. I would also like to pay tribute to our outgoing CEO Professor Christine Kilpatrick, who after nine years at the helm, left in April 2017 to take up a new opportunity at Melbourne Health.

Christine oversaw an incredible period of transformation and growth throughout her time here, successfully managing the relocation to the new hospital in 2011 and of course, the implementation of the EMR in 2016.

For many of us, Christine's ongoing commitment to workplace culture was a standout and while her legacy will be evident in many areas, most notably it will live on in the Compact.

Following Christine's departure, the Board moved to appoint our Chief Operating Officer, John Stanway, as Interim CEO.

Since taking over, John's extensive experience in hospital administration and his deep knowledge of the RCH, in particular, has been crucial to the smooth transition in leadership we have experienced.

John has played an integral role in leading many of our most important projects over the past year, including the implementation of the EMR and the establishment of our world first Complex Care Hub.

This historic set of pledges first developed by doctors and administrators is now being supported by the future delivery of a Compact for all staff, to further strengthen our culture, and ultimately, translate into improvements in patient experience and outcomes.

I am enormously proud of the RCH team, our staff and volunteers, for continuing to deliver such significant transformations, and hope that in doing so we can continue to do justice to the deep trust and respect of our community here in Victoria, and beyond. I hope you will enjoy reviewing this report.

Rob Knowles AO
Chairman

CEO's report

Over the past year, The Royal Children's Hospital (RCH) has focused on finding innovative solutions to help meet the increasing demand for our services.

In 2016–17, while the RCH confronted the dual challenges of an increasingly complex and demanding healthcare sector, we continued to deliver great care for both our patients and their families.

This year there were:

- 85,991 presentations to our Emergency Department
- 322,291 Specialist Clinic appointments, almost 70,000 more than last year
- 12,483 elective surgeries
- 4,656 emergency surgeries
- 48,552 children admitted to our wards

The RCH also actively supported care in the community, with an average of 437 children receiving care from RCH@Home and Palliative Care services every day.

Our transplant teams were also busy, with the hospital performing seven heart transplants and seven kidney transplants. With our partners at the Austin Hospital we also performed 16 liver transplants and, with our Alfred Hospital colleagues, four lung transplants.

Our Emergency Department (ED) remained one of the busiest of all hospitals in Victoria. Children from birth to four years represent the fastest growing demographic group in Victoria so it is not surprising our ED—and the broader RCH team—need to develop new ways of managing this demand.

Figures show our hospital is not only dealing with some of the highest presentations across the state (often more than 300 children are seen in our ED on any given day), but we are also caring for the state's sickest patients across any age group, with the RCH reporting the highest acuity patients for many of the reportable quarters.

'In May this year, our new Fast Track service became fully operational… it now provides an additional 10 treatment spaces in a dedicated area for patients with low complexity illness and injury.'

Throughout 2016–17, we have implemented a number of strategies to manage this increasing demand and this will continue to be a focus in the year ahead.

In May this year, our new Fast Track service became fully operational in the ED area. Enabled by a State Government grant and funds from our own Foundation, it now provides an additional 10 treatment spaces in a dedicated area for patients with low complexity illness and injury. Through promoting the rapid assessment and treatment of these children, access to emergency care for all patients is improved, with access and flow benefits throughout the hospital as a result.

We are also working on partnering with hospitals in key growth areas of the state and building paediatric care capacity with primary care providers, GPs and our partner hospitals.

Addressing this increasing demand—which seems set to continue for the foreseeable future—requires a multi-tiered and collaborative approach and I am confident the initiatives started in 2016–17 will deliver greater results for the state's young people and their families.

A busy year was also recorded in our operating theatres where we implemented new surgical care and waitlist models to be able to effectively meet—and then better—our surgery targets as outlined in our Statement of Priorities (SoP). We achieved our SoP waitlist target and then, in consultation with the Department of Health and Human Services, worked towards a more advanced target in the latter half of the reporting period. We successfully delivered surgery on 100 per cent of our longest-waiting patient cohort and reduced our time-to-treatment performance for the top 20 per cent of our most complex patient groups.

To put our surgical activity in context, we 'turn over' our total waitlist seven times in each year and add nearly 50 per cent in new patients to the surgical wait lists each month.

On average, the RCH has added 755 children to the elective surgery waiting list per month this financial year, up from 698 children per month last year. The length of stay for patients at the hospital has also decreased by 10 per cent, allowing patients to come home to their families eight hours earlier on average.

These initiatives have been developed with the active participation of staff across the hospital who are all keenly focused on our commitment to deliver great care.

At the RCH we do this at a number of levels, the most obvious of which is at the bedside, taking care of our most vulnerable children. However, we know that to continually deliver great care requires constantly raising the bar.

It requires investment in new technology, equipment and programs, in new research and in our staff. We understand that we need to do our very best today, while continuing to find ways to push beyond that and future-proof for tomorrow.

Our Electronic Medical Record (EMR) has played a big part in this. April 30, 2017 marked one year since the RCH became Australia's first major public paediatric hospital to successfully implement an EMR for both inpatients and outpatients.

'My RCH Portal has been enthusiastically adopted by almost 5,000 families who, with direct access to their medical records, can now manage and schedule appointments, get test results, renew scripts and review clinic notes.'

RCH surgeon Sebastian

CEO's report (continued)

RCH patient Jed

'The Complex Care model is further evidence of our commitment to our patients and their families, ensuring they are supported along the continuum of their care.'

I was particularly proud when in March this year, the RCH became the first healthcare service in Australia to achieve a stage six rating for its EMR in both inpatient and outpatient areas, following a detailed assessment by the Healthcare Information and Management Systems Society (HIMMS).

The EMR's unique online patient engagement interface, My RCH Portal has been enthusiastically adopted by almost 5,000 families who, with direct access to their medical records, can now manage and schedule appointments, get test results, renew scripts and review clinic notes.

This year we also launched the My RCH app—an interactive guide designed to help patients and families better prepare for their hospital experience. Almost 4,000 families have since downloaded the app, which is also attracting some international interest, with significant numbers of downloads also occurring in China, Japan, USA and the UK.

We are now looking forward to accelerating our digital transformation even further by establishing our first Digital Command Centre. The Centre will unleash the potential of the EMR by providing real-time data to continue to drive improvements in efficiency, productivity and ultimately, patient care.

While this initiative will undoubtedly help us better manage increasing demand and access challenges for our hospital, this remains one of our most pressing issues and other initiatives and new ways of doing things are required now.

This year the RCH also undertook significant planning aimed at enhancing the way we care for our most medically complex patients.

The Complex Care Hub will incorporate a number of our existing programs and provide a single, key point of contact for clinicians and families. The patient and family focused model of care also provides 24/7 access to clinical advice and support, ultimately delivering a more comprehensive and cohesive service for all patients and families requiring our care.

The Complex Care model is further evidence of our commitment to our patients and their families, ensuring they are supported along the continuum of their care. This way of operating—our way of doing business—will be embedded into our hospital operating model throughout the coming year when we build on what has been achieved in 2016–17 and expand the service.

Our Specialist Clinics have continued to provide superior access to outpatient care in the community and, over the last year, we delivered almost 200 clinics across regional Victoria and Tasmania, in specialities including oncology, cardiology, neurology and genetics, via partnerships with GPs and community health services.

I have also been pleased to see our policies and practices pertaining to the safety, protection and welfare of children, continue to be strengthened. Following on from the Royal Commission into Family Violence, the RCH is now working with The Royal Women's Hospital and Bendigo Health to enhance the identification of, and responses to, suspected or disclosed cases of family violence in a healthcare setting.

With hospitals being identified as among the best positioned services to identify and respond to family violence, this is an incredibly important initiative. Pilot training is currently underway in our Newborn Intensive Care Unit and ED, with the aim of developing a training package and appropriate resources that can be rolled out to frontline hospital staff dealing with paediatric care across Victoria.

Internally, there was also significant work undertaken to improve our corporate systems, with an upgrade to our financial management system, the roll-out of a new online payroll system and plans now progressing to move our procurement system online later in 2017.

The skill and commitment of our support staff has been integral to the delivery of these programs and we will continue to rely on them as we continue to implement efficiency and productivity programs going forward.

Our biggest challenge going forward, and it is a challenge shared by all healthcare providers, is how to continue to innovate in order to respond to the increasing demand for our services. Working together to work smarter and deliver great care for our patients. We've continued to demonstrate we are up for the challenge and I am proud to present you evidence of that in this year's Annual Financial Report.

On a personal level, I would like to note the departure of my good friend and mentor, Professor Christine Kilpatrick, who vacated the CEO role in April this year and allowed me the privilege of stepping into the role.

While I have only held the position for two months of this reporting period, I have been with the hospital for more than a decade and am thoroughly looking forward to using my extensive operational experience to continue to drive further improvements in hospital performance and patient care, and support all staff of the RCH.

I would also like to thank my executive colleagues who have worked tirelessly to deliver these great results.

I thank all RCH staff, volunteers and our friends and partners at The Royal Children's Hospital Foundation for their outstanding support and dedication this year. It is through their ongoing commitment, passion and skill that we can continue to deliver truly great care at The Royal Children's Hospital.

John Stanway
Interim Chief Executive Officer

RCH Staff Awards

At our 146th Annual General Meeting and Staff Awards night in November, we celebrated the incredible work of team members across the organisation.

The recipients of the 2016 awards were:

Dr Tom Connell
CHAIRMAN'S MEDAL

Sarah Temby
CEO GREAT CARE AWARD FOR EXCELLENT CLINICAL OUTCOMES

Katie Philp
CEO GREAT CARE AWARD FOR POSITIVE EXPERIENCE

Dr Penelope Bryant
CEO GREAT CARE AWARD FOR TIMELY ACCESS

Staff Influenza Vaccination Team
CEO GREAT CARE AWARD FOR ZERO HARM

Stephen Pinzone
ALLIED HEALTH AWARD

Mary Sheedy
ADMINISTRATIVE EXCELLENCE AWARD

May Chan
MARY PATTEN AWARD

Dr Georgina Tiller
DR WILLIAM SNOWBALL AWARD

Dr Bryn Jones
CONSUMER CHOICE AWARD

Board member profiles

Chairman Hon Rob Knowles AO

Hon Rob Knowles AO was Victorian Minister for Health from 1996 until 1999 and MLC for Ballarat from 1976-1999. He has also served as Chairman of Food Standards Australia and New Zealand, as a member of the National Health & Hospital Reform Commission and as a former Aged Care Complaints Commissioner. He is currently a Director with Beyond Blue Ltd, Drinkwise Australia Ltd, Global Health Ltd, IPG Ltd, the Silver Chain Group of Companies and St John of God Healthcare Ltd. He is also a Commissioner with the National Mental Health Commission.

Dr Christine Cunningham

BA, BLit, MSc, PhD, GAICD

Dr Christine Cunningham is a statistician and researcher with a doctorate from the University of Melbourne and a Master's Degree in Science. Christine currently works as a consultant researcher, particularly in the areas of service outcomes and governance.

Christine has held a variety of clinical, policy, analysis and research roles. She has also served on the Board of Northeast Health Wangaratta, a sub-regional public health service, where she was Chairman from 2009-2014. Dr Cunningham is currently on the board of Goulburn Ovens TAFE.

Ms Jacinda de Witts

B.Ec, LLB (Hons), Grad Dip Corp & Sec Law

Ms Jacinda de Witts is a Partner with the legal firm of Hive Legal and has over 20 years' private practice experience. Jacinda also has extensive experience advising private sector and government clients on a broad range of commercial, corporate and regulatory matters, in particular in the health sector. She has a Bachelor of Economics and a Bachelor of Laws (with first class honours) from the University of Sydney and a Graduate Diploma in Corporations and Securities Law from the University of Melbourne.

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 volunteers for the Anglicare Friends Program and is a mentor for the Lord Mayor's Charitable Foundation's Youth in Philanthropy program.

Mr Max Findlay

Mr Max Findlay has extensive industry specific experience, including approximately 20 years of marketing and general management experience in the industrial and manufacturing industries. He joined Programmed Maintenance Services in August 1988 and held roles including Business Development Manager and General Manager before being appointed Managing Director in March 1990, from which he retired in 2008. Mr Findlay's prior experience included 11 years with Australian Consolidated Industries, three years with Smith & Nephew and five years with James Sephton Plastics. He has a Bachelor of Economics and Politics from Monash University and is a Fellow of the Australian Institute of Company Directors. Since retiring from Programmed Maintenance Services, Mr Findlay has been involved in a number of public and private company boards.

Mr David Lau

BPharm, MClinPharm, GCHealthSysMgt, FSHP, MAICD

Mr David Lau is Industry Lead for Health at Optus, responsible for the development and implementation of health sector strategies, business and product development, and thought leadership. David's background is as a clinician, hospital executive, and consultant. Amongst various roles, he has been 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 and Visy, before joining Riverwood International Corp, serving as Managing Director for three years from 1995 to 1997. Riverwood's Australian operation was a 600 employee, five plant, $125 million revenue folding carton business, owned by the listed US multinational corporation. Mr Mandel is currently a non-executive director of a number of companies in the technology and biotech spaces, as well as in the sport and not-for-profit sectors.

Dr Linden Smibert

MBBS, FRACGP, FAICD

Dr Linden Smibert is an experienced director with many years on a number of boards in the health and education sectors. Her interests encapsulate her clinical background with a sound understanding of corporate governance, strategy, change management, financial management, quality control, risk and safety, all of which are necessary at the RCH. She is also a medical practitioner and is currently on the board of Vincentcare Victoria.

Mr Peter Yates AM

B.Com (Melb), Master of Science (MGT) (Stanford), MAICD, Doctorate of the University (Murdoch)

Mr Peter Yates is Deputy Chairman of The Myer Family Investments Ltd and a Director of AIA Australia Limited. He is Chairman of the Royal Institution of Australia, the Australian Science Media Centre, the Faculty of Business and Economics at Melbourne University, The Royal Children's Hospital Foundation, the Shared Value Project and the NHMRC Centre for Personalised Immunology at ANU and Deputy Chairman of Asialink.

Peter is a Director of the Centre of Excellence for Quantum Computation and Communication Technology at UNSW, the Australian Chamber Orchestra and the Australian Research Council.

From 2004–07 Peter was Managing Director of Oceania Capital Partners and held the position of Chief Executive Officer of Publishing and Broadcasting Limited from 2001–04. Until 2001 he worked in the investment banking industry including 15 years with Macquarie Bank. He holds a Doctorate of the University from Murdoch University, a Masters degree from Stanford University Graduate School of Business and a Commerce degree from University of Melbourne. He speaks Japanese, having studied at Keio University in Tokyo.

Peter has been a director of Publishing and Broadcasting, Crown Ltd, Foxtel Ltd, The Nine Network, Ninemsn, Ticketek, Veda Ltd, Oceania Capital Partners Ltd, the National Portrait Gallery, The Melbourne International Arts Festival, Centre for Independent Studies, MOKO.mobi and the Australia-Japan Foundation.

In the June 2011 Queen's Birthday Honours, Peter was awarded a Member of the Order of Australia for service to education, to the financial services industry and to a range of arts, science and charitable organisations.

Board sub-committee membership

Audit and Corporate Risk Management Committee

David Mandel (Chair)
Jacinda de Witts
Max Findlay
Dr Linden Smibert

Community Advisory Committee

Hon Rob Knowles AO (Chair)
Dr Christine Cunningham
Petrina Dorrington

Finance Committee

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

Max Findlay (Chair)
Robert Green (External Member)
David Lau
David Mandel

Intellectual Property Committee

[Required by RCH By-Laws]

Whole of Board

Quality and Population Health Committee

Dr Christine Cunningham (Chair)
Jacinda de Witts (part-year)
Petrina Dorrington
Dean Griggs (External Member)
David Lau
Dr Linden Smibert

Remuneration Committee

Hon Rob Knowles AO (Chair)
Dr Christine Cunningham
Max Findlay

RCH nurse Siobhan

Executive staff

Interim Chief Executive Officer
John Stanway
BEc, Grad Dip IR, FAICD

Acting Chief Nursing Officer and Executive Director Nursing & Allied Health
Rosemary Aisbett
BHSc (Nursing), PeriOperative Cert, Dip Man, RN

Executive Director Communications
Alison Errey
GradDipPublicAdmin, MJour

Chief Medical Officer and Executive Director Medical Services & Clinical Governance
Professor Peter McDougall
MB BS, MBA, FRACP, GAICD

Executive Director Strategy & Organisational Improvement
Jane Miller
BAppSc (Speech Path), GradDipNeuro, MHlthMgmt, GAICD

Executive Director Corporate Services
David Morton
BSc, Dip Ed

Chief of Surgery
Mike O'Brien
PhD, FRCSI(Paed), FRACS(Paed), MAICD

Chief of Critical Care
Associate Professor Ed Oakley
MBBS FACEM

Chief of Medicine
Associate Professor Matthew Sabin
MRCPCH (UK), FRACP, PhD

Acting Chief Operating Officer
Bernadette Twomey
RN, ADN, BHS(Ngs), PgDipHSc(Mgmt), MN(Hons), GAICD

Acting Chief Financial Officer
Andrew Whittingham
B.Sc. (Hons), ACMA, CPA

Executive Director People & Culture
Simone Zelencich
Grad Dip Admin, MBA, M.Ed, GAICD

Workforce data

Labour category	June Current month FTE		June YTD FTE	
	2016	2017	2016	2017
Nursing	1,238	1,459.44	1,244.40	1,471.44
Administration and Clerical	639.80	697.42	646.60	701.42
Medical Support	371.40	396.62	373.70	402.62
Hotel and Allied Services	180.70	217.05	180.70	219.05
Medical Officers	126.40	122.90	126.40	123.90
Hospital Medical Officers	364.40	459.23	364.40	467.23
Sessional Clinicians	112	138.29	112.60	139.29
Ancillary Staff (Allied Health)	292.90	328.99	293.60	329.99
Total	**3,325.60**	**3,819.94**	**3,342.40**	**3,854.97**

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.

Organisational chart

The Royal Children's Hospital Board

Chief Executive Officer John Stanway

General Counsel (including Medico Legal Office)

Chief Operating Officer Bernadette Twomey

Chief of Medicine
Associate Professor Matthew Sabin

- Allergy and Immunology
- Children's Cancer Centre
- Clinical Haematology
- Adolescent Medicine
- Dermatology
- Developmental Medicine
- Endocrinology and Diabetes
- Gastroenterology and Clinical Nutrition
- General Medicine
- Mental Health Program
- Metabolic Medicine
- Nephrology
- Neurology
- Paediatric Integrated Cancer Service (PICS)
- Rehabilitation
- Respiratory and Sleep Medicine
- Palliative Care
- Victorian Forensic Paediatric Medical Service

Chief of Surgery
Mike O'Brien

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

Chief of Critical Care
Associate Professor Ed Oakley

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

- Ambulatory Services
  - Complex Care Hub
  - Specialist Clinics
  - Day Medical Centre
- Laboratory Services

Chief Nursing Officer and Executive Director Nursing & Allied Health
Rosemary Aisbett

- Nursing and Administration Workforce
- Nursing Education and Research
- Emergency Management and Planning
- Inpatient Wards
- Hospital in the Home
- Allied Health
  - Audiology
  - Educational Play Therapy
  - Music Therapy
  - Gatehouse
  - Nutrition
  - Occupational Therapy
  - Orthotic and Prosthetic Unit
  - Physiotherapy
  - Speech Pathology
  - Social Work, Aboriginal Health and Pastoral Care
- Infection Prevention and Control
- Interpreter and NESB Services

Executive Director People & Culture
Simone Zelencich

- Early Learning
- Human Resources
- Library
- Payroll
- Workforce Development
- Workplace Health, Safety and Wellbeing

Chief Medical Officer and Executive Director Medical Services & Clinical Governance
Professor Peter McDougall

- Children's Bioethics Centre
- Medical Education
- Medical Workforce Unit
- RCH Global
- Research, Ethics and Governance

Executive Director Strategy & Organisational Improvement
Jane Miller

- Centre for Adolescent Health
- Centre for Community Child Health
- Decision Support
- Education Institute
- EMR Team
- Health Information Services
- Internal Audit Coordination
- Pharmacy
- Risk and Information Management Systems
- Strategy and Improvement

Executive Director Corporate Services
David Morton

- Biomedical Engineering
- Corporate Business Services
- Equipment Distribution Centre
- Facilities
- Food Services
- Information and Communication Technology
- Procurement and Supply
- Support Services

Executive Director Communications
Alison Errey

- Archives
- Corporate Communications
- Creative Studio
- Family Services and Volunteers
- International Patients

Chief Financial Officer
Andrew Whittingham

- Finance
- Management Accounting

Statutory statements

The Royal Children's Hospital (RCH) has cared for the children of Victoria since it was founded in 1870. It is internationally recognised as a leading centre for paediatric treatment, teaching and research. The hospital is accountable to the people of Victoria, through the Minister for Health.

Powers and duties

The powers and duties of the RCH are prescribed by the *Health Services Act 1988*.

Nature and range of services

The RCH provides a full range of paediatric clinical and surgical services, including neonatal care, cardiac, plastic and craniofacial, orthopaedic and neurosurgery, adolescent health, mental health, cancer and renal services and health promotion programs. It is the national paediatric heart, liver (with Austin Hospital) and lung (with Alfred Hospital) transplant centre, and up until 30 June 2017, was one of two nationally funded centres for the Norwood Procedure and Staged Surgical Palliation for Hypoplastic Left Heart Syndrome (as on 1 July 2017, this procedure will be performed in three states, Victoria, New South Wales and Queensland). The hospital is the paediatric major trauma centre for Victoria, Tasmania and southern New South Wales. The hospital is the major teaching and research centre with key campus partnerships with Murdoch Children's Research Institute and the University of Melbourne.

Freedom of Information

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

Nominated Officers

Ms Emma Carnovale, General Counsel

Ms Annabelle Mann, Senior Legal Counsel (to April 2017)

Ms Laura Hartmann, Senior Legal Counsel (from April 2017)

Ms Judith Smith, FOI Officer

Mr Ricky Huynh, FOI Reviewer

Ms Felicity Hood, FOI Reviewer

Requests received	2016–17	2015–16
Total requests	616	650
Access granted in full	291	398
No information available	31	28
Application withdrawn	50	64

Privacy

Kathy Cassin, Manager of Health Information Services, is the RCH Privacy Officer. Since the Health Records Act became legally binding on 1 July 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 which reflect the legislative requirements.

Communication regarding privacy is published via the RCH intranet using 'Intranet News' items and videos known as Short Cuts, and department education and presentations are conducted on request. These activities play an important role in building a solid foundation of privacy knowledge in the hospital. In May 2017 national Privacy Awareness Week was promoted via an intranet news post, and in early June 2017 a Short Cut titled 'EMR Audits' was published. The Short Cut explained the audits are conducted to determine if staff are accessing patient information appropriately.

The Privacy Officer continues to address general staff enquiries in relation to privacy. Privacy is part of the culture at the RCH and this will continue with the current ongoing education in place.

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.

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.

The RCH has regard to this policy in relevant significant business activities.

Ex-gratia payments

There were nil ex-gratia payments for FY2016–17.

Victorian Industry Participation Policy

The RCH complies with the intent of the *Victorian Industry Participation Policy Act 2003* (VIPP). The Act requires wherever possible local industry participation in supplies, taking into consideration the principle of value for money and transparent tendering processes. In FY2016–17 there was one contract, Payroll Services, requiring VIPP compliance. Valued at $5.8m and local in nature, this was a metropolitan contract with 100 per cent local content.

Workplace Health and Safety

The RCH Workplace Health and Safety (WHS) governance structure, systems and processes have been progressively reviewed, refreshed and implemented throughout the hospital to enable the effective management of organisational risks, as well as to support the provision of Great Care and the RCH as a great place to work.

The RCH WHS strategy 2016–17 commits the RCH to providing a work environment that is safe, well maintained and accessible. This plan also outlines how the RCH will improve workplace health and safety, while continuing the momentum towards eliminating workplace injuries and illnesses.

Ensuring the health, safety and wellbeing of everyone in our hospital is a vital part of our work; as with the clinical care we provide to our patients, our approach to workplace health and safety is underpinned by the values of unity, respect, integrity and excellence. In support of the RCH Strategic Plan 2013–18, the WHS Strategic Plan outlines our plan for contributing to the delivery of great care by ensuring our people are happy, safe and well.

By placing health, safety and wellbeing at the centre of everything we do, we contribute significantly to the great care we provide, and ensure we are working towards a zero harm environment.

Staff health and wellbeing

The health and wellbeing program complements the RCH safety first culture and provides a range of opportunities for staff to improve their mental and physical wellbeing in a supportive environment. The 2016–17 program continued to focus on the physical and psychological wellbeing of employees and includes:

- Employee Assistance Program (EAP): short term counselling for all employees including crisis counselling support for teams
- Aboriginal Employee Assistance Program: delivered by consultants who specialise in Aboriginal issues
- Peer Support program
- Wellbeing seminars
- Staff massage program
- Mindfulness, wellbeing and performance workshops
- Mature Age Workforce Project (Transition to Retirement)
- Wellbeing Champions
- Healthy Together Achievement program: The RCH recognised as an Employer of Choice as a Mentally Healthy workplace and a Physically Healthy workplace in 2016
- Stretch, Strengthen and Energise program (creative blend of pilates and yoga)

Workplace Health and Safety projects

The Life! Program

As part of the Health and Wellbeing Program, staff are now being offered the opportunity to participate in the *Life!* Program, the largest prevention program ever implemented in Australia. More than 45,000 Victorians have already benefited from the Victorian State Government funded program, with many achieving and maintaining substantial weight loss as a result.

Facilitated by Equip4Life, the program includes:

- An introductory information session (Healthy Ageing & Lifestyle)
- A one-on-one consultation with a health professional
- Five 90 minute group sessions over six months, facilitated by a qualified dietitian and exercise physiologist, who will discuss proven strategies on diet, exercise and other lifestyle behaviours

Injury Management: Early Intervention Program

The Early Intervention Program continues to be effective in fostering a healthy workplace that is supportive and committed to the health and wellbeing of staff. The program provides support and assistance to managers by identifying and facilitating return to work outcomes for physical and psychological conditions. It details the steps taken to assist injured employees to return to work as soon as medically appropriate. The procedure ensures that injury management occurs promptly and effectively, so that injured employees can remain at work or return to work at the earliest appropriate time. Based on the positive experience of the Early Intervention Program, a foundation for proactive intervention in the way RCH staff identify and control hazards, improved performance of employee health and safety is being sustained. A total of 74 injuries have been effectively managed through the program throughout 2016–17.

WHS blog and newsletter

2016–17 has seen the successful upgrade of the WHS intranet page including the development of a WHS blog and monthly e-newsletter for promoting our safety culture and commitment to staff wellbeing. The blog and e-newsletter also provide an opportunity to increase employee engagement by sharing information with the workforce on WHS issues and improvements. The blog is featured on the WHS homepage and the newsletter is automatically emailed to staff every month. An electronic health and wellbeing events calendar is also available to staff via the WHS intranet page.

WorkSafe Victoria's Hospital Intervention Program

During 2016–17, the RCH participated in WorkSafe's Hospital Intervention Program. The purpose of the program was to ensure safe and sufficient workforce systems by engaging hospitals' boards and senior management. By increasing accountability for WHS, the program aimed to promote a sustainable safety culture in hospitals.

Education and training

An important requirement under the OH&S legislation is to educate all employees on their roles and responsibilities, including personal accountability. The RCH WHS Manager Training Program is intended to provide all line managers with an understanding of their WHS obligations, to effectively monitor team performance and ensure continuous improvement and a safety culture.

The program consists of six training modules with an annual refresher and update for new managers. The modules include:

- Psychological wellness and safety/ building resilience
- Risk management training
- Manual handling
- Safe workplace behaviours
- Managing staff injuries
- Chemical management

Consultation

The RCH supports and recognises the benefits of consulting with employees on matters that will affect their health and safety. WHS Committees continue to provide a regular forum for collaboration and for addressing ongoing and emerging risks. This regular, proactive dialogue has contributed to a number of innovative health and safety risk management solutions.

The RCH WHS Consultative Committee convened regularly throughout 2016–17. A key outcome of the Committee approach has been the shared understanding and awareness more generally of WHS issues existing across the hospital and what it means to embed a safety culture. This structure has also provided for effective escalation of issues requiring assistance and support beyond the local work area and also an opportunity to bring together all campus partners in a consultative and constructive forum. The forum has provided an

Statutory statements (continued)

opportunity for all campus partners to come together as a collective to discuss work health and safety, from the perspective of the wider community.

Patient handling

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

Occupational violence

The RCH is currently participating in the state-wide initiative Strengthening Hospitals Response to Family Violence (SHRFV) program. The SHRFV project aims to develop best practice guidance in the management of children exposed to family violence, which will then be implemented by paediatric care providers across Victoria.

Family Violence is a health issue that affects not only our patients, but our staff. WHS team members are being trained to become a point of contact as part of the implementation of family violence leave across the organisation. Additional intranet staff resources are also being developed by the WHS team. The resources will provide details on support available to staff who have or are experiencing family violence, or have had a colleague disclose they are experiencing family violence.

Occupational violence statistics are required to be reported to the community in the health service annual report. To ensure consistency in annual reporting, the RCH is required, as a minimum, to report the following occupational violence statistics in the annual report as per the worked example below including the definitions listed underneath the table.

Occupational violence statistics	2016–17
1. WorkCover accepted claims with an occupational violence cause per 100 FTE	0
2. Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0
3. Number of occupational violence incidents reported	77
4. Number of occupational violence incidents reported per 100 FTE	1.60 FTE
5. Percentage of occupational violence incidents resulting in a staff injury, illness or condition	63.64%

Definitions

For the purposes 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: Occupational health and safety incidents reported in the health service incident reporting system. Code Grey reporting is not included.

Accepted WorkCover claims: Accepted WorkCover claims that were lodged in 2016–17.

Lost time: Defined as greater than one day.

Workplace Health and Safety Awards

The annual RCH WHS Awards celebrate and recognise the many ways in which individuals, teams and departments demonstrate commitment to safety, health and wellbeing at the RCH. A number of outstanding nominations were received with awards presented in 2016–17 as follows:

- *Manager Excellence in Return to Work:* Paul Griffiths, NUM, Cockatoo
- *Worker Return to Work Achievement:* Carlos Corado, Theatre Technician, Operating Theatres
- *Best Solution to a specific Workplace Health and Safety Issue:* Clinical Photography – 3D Imaging, Solution: Bumbo Chair
- *Health and Safety Representative of the Year:* Karin Rautenbacher, Medical Scientist, Laboratory Services

WorkSafe Award

In October 2016, the RCH was awarded the prestigious 'Employer Excellence in Return to Work' WorkSafe Award.

The RCH Injury Management Program has been recognised as 'best practice' as it focuses on early intervention and incident reporting, employee health and wellbeing initiatives, including counselling, return to work training for managers, tools to help identify suitable duties for injured employees, working closely with GPs to provide priority treatment, and internal recognition including annual Workplace Health and Safety awards for employees who demonstrate excellence in return to work.

The Injury Management Program provides a level of support and service that extends beyond the basics, with regular email communication and meetings between managers and injured employees. Based on the positive experience of the program, the RCH has expedited the return to work of staff in a sustainable manner. The RCH is now performing more than 62 per cent better than the industry average.

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, including maintenance of essential services. An annual Essential Safety Measures report is issued at the end of each reporting period to certify compliance.

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 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

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 per FRD 22H for the 2016–17 period.

Additional information (FRD 22H)

In compliance with the requirements of FRD 22H Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained by The Royal Children's Hospital and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

(a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers;

(b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;

(c) details of publications produced by the entity about itself, and how these can be obtained;

(d) details of changes in prices, fees, charges, rates and levies charged by the entity;

(e) details of any major external reviews carried out on the entity;

(f) details of major research and development activities undertaken by the entity;

(g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

(h) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;

(i) details of assessments and measures undertaken to improve the occupational health and safety of employees;

(j) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;

(k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and

(l) details of all consultancies and contractors including:

(i) consultants/contractors engaged;

(ii) services provided; and

(iii) expenditure committed to for each engagement.

Consultancies less than $10,000

One Consultancy provided by Professor Emeritus Lloyd Sansom AO totalling $2,000.

Consultancies more than $10,000

In 2016–17 there were three consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2016–17 in relation to these consultancies is $99,974.76 (ex GST).

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST) $	Expenditure 2016–17 (ex GST) $
Hardy Group International Pty Ltd	Delivery of Departmental review for Physiotherapy Department	Apr-17	Apr-17	25,012.16	25,012.16
Pitcher Partners	HR Capability review	Mar-17	Jun-17	79,100.00	38,962.60
KPMG	National Disability Insurance Scheme roadmap	Jun-17	Jun-17	36,000.00	36,000.00
Total				**140,112.16**	**99,974.76**

Details of Information and Communication Technology (ICT) expenditure

The total ICT expenditure incurred during 2016–17 is $25.1m 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)
$11.3m	$13.8m	–	$13.8m

RCH Non BAU expenditure included the Electronic Medical Record

Statement of Priorities

Part A

Domain	Action	Deliverables	Outcome
Quality and safety	Implement systems and processes to recognise and support person-centred end-of-life care in all settings, with a focus on providing support for people who choose to die at home.	Deliver 10 face-to-face training sessions to health professionals in Victoria and Tasmania to build capability in person-centre, end-of-life care for children living in regional and rural areas.	Achieved. Fourteen rural and regional training sessions have been completed.
	Advance care planning is included as a parameter in an assessment of outcomes including: mortality and morbidity review reports, patient experience and routine data collection.	Incorporate the review of advance care planning practices in mortality and morbidity meetings to support continuous quality improvement of advance care planning for children and their families.	Achieved. The mortality and morbidity template was updated to include presence of an advanced care plan.
	Progress implementation of a whole-of-hospital model for responding to family violence.	Work with The Royal Women's Hospital to develop procedures and resources, as part of the Strengthening Hospital Responses to Family Violence, and commence implementation of these at the RCH.	Achieved. Paediatric training modules and resources have been developed and are being implemented.
	Use patient feedback, including the Victorian Healthcare Experience Survey (VHES) to drive improved health outcomes and experiences through a strong focus on person and family centred care in the planning, delivery and evaluation of services, and the development of new models for putting patients first.	Use consumer feedback, including VHES data, to guide enhancements to ED and Specialist Clinics processes to improve the consumer experience.	Achieved. Consumer feedback has been used to improve consumer experience in the ED and Specialist Clinics in areas including communication about wait times, checking on patients whilst they wait and enhanced scheduling of appointments.
	Develop a whole-of-hospital approach to reduce the use of restrictive practices for patients, including seclusion and restraint.	Pilot the use of sensory modification practices in two wards to reduce the incidence of clinical aggression and restrictive interventions.	Achieved. The pilot of the use of sensory modification practices has occurred in two inpatient wards and results were positive.
Access and timeliness	Ensure the development and implementation of a plan in Specialist Clinics to: (1) optimise referral management processes and improve patient flow through to ensure patients are seen in turn and within time; and (2) ensure patient data is recorded in a timely, accurate manner and is working toward meeting the requirements of the Victorian Integrated Non-Admitted Health (VINAH) dataset.	Implement an automated waiting list audit process within the EMR to enable routine monitoring of compliance with DHHS Access Policy and VINAH reporting. Implement a triage education package for clinical departments to reduce unwanted variation in practice and facilitate timely access to tertiary consultation.	Achieved. An automated waiting list audit process for Specialist Clinics utilising SMS has been completed with an audit of the whole waiting list completed in June 2017. Triage education procedure has been developed and published.
	Ensure the implementation of a range of strategies (including processes and service models) to improve patient flow, transfer times and efficiency in the ED, with particular focus on patients who did not wait for treatment and/or patients that re-presented within 48 hours.	Commence capital works that will enable fast-track in the ED to increase capacity and improve treat in time performance.	Achieved. Ten fast-track cubicles completed and in use from 1 May 2017.

Domain	Action	Deliverables	Outcome
Access and timeliness (cont)	Identify opportunities and implement pathways to aid prevention and increase care outside hospital walls by optimising appropriate use of existing programs (i.e. the Health Independence Program or telemedicine).	Enhance post-acute care (PAC) efficiency through improvement activities to deliver a 10% increase in PAC contacts.	Achieved. 10% increase in PAC contacts achieved for the period October 2016 to June 2017.
	Increase the proportion of patients (locally and across the state) who receive treatment within the clinically recommended time for surgery and implement ongoing processes to ensure patients are treated in turn and within clinically recommended timeframes.	Explore partnerships for the delivery of elective surgeries to enable patients to be treated in turn, within clinically recommended timeframes.	Achieved. Opportunities for partnerships with Barwon, Warrnambool, Sunshine, Cotham and Northern Health Services have been explored.
	Develop and implement a strategy to ensure the preparedness of the organisation for the National Disability and Insurance Scheme (NDIS) and Home and Community Care program transition and reform, with particular consideration to service access, service expectations, workforce and financial management.	Develop a framework for the RCH service delivery elements under NDIS and processes to enhance the clinical interface with the NDIS program to facilitate service transition.	Achieved. An NDIS decision making framework developed. Transition of services to the NDIS is underway.
	Develop and implement strategies within their organisation to ensure identification of potential organ and tissue donors and partner with DonateLife Victoria to ensure that all possible donations are achieved.	Facilitate relevant staff attending organ donation awareness training courses offered by DonateLife and continue to implement the Organ and Tissue Authority Clinical Practice Improvement Program.	Achieved. Five ICU consultants have attended donation awareness training together with two education staff so they can provide support to the RCH staff.
Supporting healthy populations	Support shared population health and wellbeing planning at a local level – aligning with the Local Government Municipal Public Health and Wellbeing plan and working with other local agencies and Primary Health Networks.	Develop a partnership to enable the provision of specialist paediatric allergy/immunology outpatients services in the western metropolitan region.	Achieved. Western Health is committed to a establishing a paediatric allergy service at Sunshine Hospital. A formal memorandum of understanding will be developed.
	Focus on primary prevention, including suicide prevention activities, and aim to impact on large numbers of people in the places where they spend their time adopting a place based, whole of population approach to tackle the multiple risk factors of poor health.	Release four Australian Child Health Polls to elevate and inform discussion about child and adolescent health issues in the community.	Achieved. Four Australian Child Health Polls were released in September and December 2016 and March and June 2017 and covered topics of screen time, vaccination, summer safety and over the counter medications.
	Develop and implement strategies that encourage cultural diversity such as partnering with culturally diverse communities, reflecting the diversity of your community in the organisational governance, and having culturally sensitive, safe and inclusive practices.	Develop and implement a diversity inclusion education package to promote appropriate workforce practices in our communities.	Achieved. A cultural competency for the RCH workforce has been finalised and implemented.

Statement of Priorities (continued)

Domain	Action	Deliverables	Outcome
Supporting healthy populations (cont)	Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices which recognise and respect their cultural identities and safely meets their needs, expectations and rights.	Develop and implement a robust evaluation framework for the Wadja Family Place (Aboriginal health program) to enhance our systems for providing cultural safety.	Achieved. The framework has been developed and includes measures of engagement and partnerships, systems of care and organisational and workforce development.
	Drive improvements to Victoria's mental health system through focus and engagement in activity delivering on the 10 Year Plan for Mental Health and active input into consultations on the Design, Service and Infrastructure Plan for Victoria's Clinical Mental Health System.	Design, implement and evaluate service reform in RCH Mental Health to expand workforce development in evidence-based practice and increase the use of evidence-based interventions.	Achieved. Detailed plans for change have been developed and evaluated and include the expansion in service to refugee communities, Gatehouse centre and neurodevelopmental team implemented. Workforce development in evidence based practice expanded.
	Using the Government's Rainbow eQuality Guide, identify and adopt 'actions for inclusive practices' and be more responsive to the health and wellbeing of lesbian, gay, bisexual, transgender and intersex individuals and communities.	Develop and implement transgender-affirming hospital procedures to facilitate equal access to quality health care for transgender patients.	Achieved. A patient diversity and transgender inclusion procedure has been developed and published. All relevant RCH policies have been updated to include gender identity.
	Further engagement with relevant academic institutions and other partners to increase participation in clinical trials.	Work with Melbourne Children's Trials Centre (MCTC) to increase the number of new clinical trials opened annually.	Not Achieved. An increase in the number of new clinical trials opened was not achieved, however numbers were consistent with the previous financial year.
Governance and leadership	Demonstrate implementation of the Victorian Clinical Governance Policy Framework: Governance for the provision of safe, quality healthcare at each level of the organisation, with clearly documented and understood roles and responsibilities. Ensure effective integrated systems, processes and leadership are in place to support the provision of safe, quality, accountable and person centred healthcare. It is an expectation that health services implement to best meet their employees' and community's needs, and that clinical governance arrangements undergo frequent and formal review, evaluation and amendment to drive continuous improvement.	Conduct a board-led review of clinical governance to identify opportunities for strengthening structures and processes for governance of clinical quality and safety with a focus on inter-agency risk.	Achieved. The Clinical Governance Review has been conducted. Opportunities for improvement have been identified and are being addressed.

Domain	Action	Deliverables	Outcome
Governance and leadership (cont)	Ensure that an anti-bullying and harassment policy exists and includes the identification of appropriate behaviour, internal and external support mechanisms for staff and a clear process for reporting, investigation, feedback, consequence and appeal and the policy specifies a regular review schedule.	Review the Safe Workplace Behaviours Procedure to ensure alignment with definitions and recommendations in the VAGO Report, Bullying and Harassment in the Health Sector (March 2016).	Achieved. The Safe Workplace Behaviours Procedure has been update to align with the VAGO Report, Bullying and Harassment in the Health Sector (March 2016).
	Board and senior management ensure that an organisational wide occupational health and safety risk management approach is in place which includes: (1) A focus on prevention and the strategies used to manage risks, including the regular review of these controls; (2) Strategies to improve reporting of occupational health and safety incidents, risks and controls, with a particular focus on prevention of occupational violence and bullying and harassment, throughout all levels of the organisation, including to the Board; and (3) Mechanisms for consulting with, debriefing and communicating with all staff regarding outcomes of investigations and controls following occupational violence and bullying and harassment incidents.	Conduct a review of workplace health and safety risk registers to enhance the preventative measures in relation to occupational violence, bullying and harassment.	Achieved. The workplace health and safety risk registers have been reviewed and include preventative measures in relation to occupational violence, bullying and harassment.
	Implement and monitor workforce plans that: improve industrial relations; promote a learning culture; align with the Best Practice Clinical Learning Environment Framework; promote effective succession planning; increase employment opportunities for Aboriginal and Torres Strait Islander people; ensure the workforce is appropriately qualified and skilled; and support the delivery of high-quality and safe person centred care.	Review procedures to support external relationships, learning and development, succession planning, credentialing and work towards achieving the employment targets in the Aboriginal Employment Plan.	Achieved. A plan to implement the agreed recommendations from the Aboriginal Employment Plan has been finalised. The review of procedures has been completed.
	Create a workforce culture that: (1) Includes staff in decision making; (2) Promotes and supports open communication, raising concerns and respectful behaviour across all levels of the organisation; and (3) Includes consumers and the community.	Deliver the RCH Staff Compact to create shared expectations, commitments and behaviours that support positive workplace culture impacting both internal and external stakeholders.	Not achieved. Significant progress has occurred and draft pledges have been developed. These are scheduled for consultation with all staff from July to September and a formal celebratory launch will be held in December.

Statement of Priorities (continued)

Domain	Action	Deliverables	Outcome
Governance and leadership (cont)	Ensure that the Victorian Child Safe Standards are embedded in everyday thinking and practice to better protect children from abuse, which includes the implementation of: strategies to embed an organisational culture of child safety; a child safe policy or statement of commitment to child safety; a code of conduct that establishes clear expectations for appropriate behaviour with children; screening, supervision, training and other human resources practices that reduce the risk of child abuse; processes for responding to and reporting suspected abuse of children; strategies to identify and reduce or remove the risk of abuse and strategies to promote the participation and empowerment of children.	Develop and implement a child safety framework to enhance the organisational culture of child safety.	Achieved. A child safety framework has been developed and implemented.
	Implement policies and procedures to ensure patient facing staff have access to vaccination programs and are appropriately vaccinated and/or immunised to protect staff and prevent the transmission of infection to susceptible patients or people in their care.	Implement vaccination procedure for clinical staff to enhance existing onboarding procedures.	Achieved. A vaccination procedure has been developed and implemented.
	The Royal Children's Hospital will lead the development of an implementation plan, in partnership with the department, relating to the recommendations of the 2016 PIPER review (Deloitte). Key deliverables for 2016–17, which will be undertaken with the department, are: (1) Implementation of a comprehensive clinical governance framework for PIPER; (2) Development of a clear and measurable Service Agreement for PIPER.	Work with the DHHS to (1) Develop a clinical governance framework to deliver a high quality, state-wide emergency retrieval service and (2) Develop a service agreement.	Not achieved. Funding decision completed June 2017. The clinical governance arrangement, as agreed with DHHS, will be completed by October 2017.
Financial sustainability	Further enhance cash management strategies to improve cash sustainability and meet financial obligations as they are due.	Enhance processes for capturing Medicare details to improve billing effectiveness.	Achieved. A procedure has been developed and all relevant staff have been trained.
	Actively contribute to the implementation of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measurable targets related to reduction of clinical, sharps and landfill waste, water and energy use and improved recycling.	Collaborate with the Department of Health and Human Services through The Royal Children's Hospital Energy Initiatives Committee to actively participate in the Victorian Government's policy to be net zero carbon by 2050 and review and improve environmental sustainability across The Royal Children's Hospital.	Achieved. Sustainability and Utilities Management Committees established. Projects completed or in progress include recycling, temperature control, waste segregation and reusable cups.

Part B: Performance priorities

Quality and safety

Key performance indicator	Target	2016–17 actuals
Accreditation		
Compliance with NSQHS Standards accreditation	Full compliance	Achieved
Infection prevention and control		
Overall compliance with cleaning standards	Full compliance	Achieved
Very high risk (Category A)	90 points	Achieved
High risk (Category B)	85 points	Achieved
Moderate risk (Category C)	85 points	Achieved
Compliance with the Hand Hygiene Australia program	80%	84.6%
Percentage of healthcare workers immunised for influenza	75%	89.3%
Patient experience		
Victorian Healthcare Experience Survey – data submission	Full compliance	Achieved
Victorian Healthcare Experience Survey – patient experience Quarter 1	95% positive experience	99%
Victorian Healthcare Experience Survey – patient experience Quarter 2	95% positive experience	99%
Victorian Healthcare Experience Survey – patient experience Quarter 3	95% positive experience	91%
Victorian Healthcare Experience Survey – discharge care Quarter 1[1]	75% positive experience	Full compliance[3]
Victorian Healthcare Experience Survey – discharge care Quarter 2[1]	75% positive experience	Full compliance[3]
Victorian Healthcare Experience Survey – discharge care Quarter 3[1]	75% positive experience	Full compliance[3]
Healthcare associated infections		
ICU central line-associated blood stream infection	No outliers	Not achieved
SAB rate per occupied bed days[2]	<2/10,000	1.5/10,000 (3rd qtr)

Governance, leadership and culture performance

Key performance indicator	Target	2016–17 actuals
People Matter Survey – percentage of staff with a positive response to safety culture questions	80%	89%

1 Paediatric specific indicators are in development for implementation at The Royal Children's Hospital from 2016–17.

2 SAB is staphylococcus aureus bacteraemia.

3 Less then 42 responses where received for the period due to relative size of the Health Service.

Statement of Priorities (continued)

Access performance

Key performance indicator	Target	2016–17 actuals
Emergency care		
Percentage of ambulance patients transferred within 40 minutes	90%	95%
Percentage of Triage Category 1 emergency patients seen immediately	100%	100%
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended times	80%	64%
Percentage of emergency patients with a length of stay less than four hours	81%	72%
Number of patients with a length of stay in the Emergency Department greater than 24 hours	0	1
Elective surgery		
Percentage of urgency category 1 elective patients admitted within 30 days	100%	100%
Percentage of urgency category 1, 2 and 3 elective patients admitted within clinically recommended timeframes	94%	89%
20 per cent longest waiting Category 2 and 3 removals from the elective surgery waiting list	100%	100%
Number of patients on the elective surgery waiting list[4]	1995	1,904
Number of hospital initiated postponements per 100 scheduled admissions	≤8/100	5.4%
Number of patients admitted from the elective surgery waiting list – annual total[5]	8,669	8,176
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	41%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	81%

Financial sustainability performance

Key performance indicator	Target	2016–17 actuals
Finance		
Operating result ($m)	$0 million	$2.95m
Trade creditors	60 days	40 days
Patient fee debtors	60 days	47 days
Public and private WIES[6] performance to target	100%	103.2%
Adjusted current asset ratio	0.7	1.09
Number of days with available cash	14 days	15.7
Asset management		
Basic asset management plan	Full compliance	Achieved

4 The target shown is the number of patients on the elective surgery waiting list as at 30 June 2017.

5 Original target was met, but then readjusted in consultation with DHHS.

6 WIES is a Weighted Inlier Equivalent Separation.

Part C: Activity and funding

Funding type	2016–17 Activity achievement
Acute admitted	
WIES Public	14,357
WIES Private	41,796
WIES TAC	531
Acute non-admitted	
Home Renal Dialysis	11
Total Parenteral Nutrition	112
Home Enteral Nutrition	6,427
Subacute and non-acute admitted	
Subacute WIES – Rehabilitation Private	104
Subacute WIES – Rehabilitation Public	227
Subacute non-admitted	
Health Independence Program – Public	23,605
Mental Health and Drug Services	
Mental Health Ambulatory[7]	31,568
Mental Health Inpatient – Available bed days	5,522
Primary health	
Community Health/Primary Care Programs	1,738
Other	
NFC – Paediatric Lung Transplantation	0.5
NFC – Transplants – Paediatric Liver	7.2
NFC – Hypoplastic Left Heart Syndrome Surgery – Stage 1	10
NFC – Paediatric Heart no VAD	7
NFC – Paediatric Heart VAD	4
NFC – Hypoplastic Left Heart Syndrome Surgery – Stage 3	5
NFC – Hypoplastic Left Heart Syndrome Surgery – Stage 2	9
Health Workforce	257

7 This data may have been affected by industrial activity during the financial year. The collection of non-clinical and administrative data was affected, with impacts on community mental health service activity and client outcome measures.

The Royal Children's Hospital

Summary of financial results

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Total revenue	704,524	692,608	607,903	518,331	477,805
Total expenses	705,040	673,922	633,468	585,609	554,635
Net result for the year (inc. capital and specific items)	**(516)**	**18,686**	**(25,565)**	**(67,278)**	**(76,830)**
Retained surplus/(accumulated deficit)	**(199,231)**	**(191,246)**	**(209,736)**	**(185,615)**	**(117,929)**
Total assets	1,323,224	1,353,641	1,329,667	1,260,743	1,139,978
Total liabilities	1,235,180	1,265,165	1,270,598	1,166,858	1,125,898
Net assets	**88,044**	**88,476**	**59,069**	**93,886**	**14,080**
Total equity	**88,044**	**88,476**	**59,069**	**93,886**	**14,080**

Operational and financial performance 2017

The Royal Children's Hospital (RCH) ended the year with an annual operating surplus (before capital and specific items) of $2.95m. The RCH has successfully met its Statement of Priorities financial target, which is a break even operating result.

Summary of significant change in financial position 2017

In the financial year 2016–17, the RCH has complied with DHHS Hospital Circular 03–2016 in regards to recording the funding of the revaluation of long service leave provision (bond rate and probability factors). DHHS clarified that the revaluation component of long service leave provision is unfunded item and no receivable to DHHS to be reported.

The RCH financial position also continues to include PPP transactions (non-cash entries) which the RCH agrees to record on behalf of the state since financial years 2012–13.

Subsequent events

Events after the balance sheet date – nil (refer note 8.9 in the financial statement sections).

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 2017.

Signed:

The Hon Rob Knowles AO The Royal Children's Hospital, Board Chairman, 25 August 2017

Attestation on Risk Management Framework and Processes

I, John Stanway, certify that The Royal Children's Hospital has complied with Ministerial Direction 3.7.1 – Risk Management Framework and Processes. The Royal Children's Hospital Audit Committee has verified this.

Signed:

John Stanway, Interim Chief Executive Officer, 25 August 2017

Attestation on 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, Interim Chief Executive Officer, 25 August 2017

Disclosure index

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

Legislation	Requirement	Page reference
Ministerial directions		
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	16, 42, 90
FRD 22H	Purpose, functions, powers and duties	16
FRD 22H	Initiatives and key achievements	4–9, 20–27
FRD 22H	Nature and range of services provided	16
Management and structure		
FRD 22H	Organisational structure	14–15
Financial and other information		
FRD 10A	Disclosure index	30
FRD 11A	Disclosure of ex-gratia expenses	16
FRD 21C	Responsible person and executive officer disclosures	90–91
FRD 22H	Application and operation of *Protected Disclosure 2012*	16
FRD 22H	Application and operation of *Carers Recognition Act 2012*	16
FRD 22H	Application and operation of *Freedom of Information Act 1982*	16
FRD 22H	Compliance with building and maintenance provisions of *Building Act 1993*	18
FRD 22H	Details of consultancies over $10,000	19
FRD 22H	Details of consultancies under $10,000	19
FRD 22H	Employment and conduct principles	13
FRD 22H	Information and Communication Technology expenditure	19
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FRD 22H	Occupational violence	18
FRD 22H	Operational and budgetary objectives and performance against objectives	28
FRD 24C	Reporting of office-based environmental impacts	19
FRD 22H	Significant changes in financial position during the year	28
FRD 22H	Statement on National Competition Policy	16
FRD 22H	Subsequent events	28
FRD 22H	Summary of the financial results for the year	28
FRD 22H	Additional information available on request	19
FRD 22H	Workforce data disclosures including a statement on the application of employment and conduct principles	13
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FRD 29B	Workforce data disclosures	13
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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 Entities have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance 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 2017 and the financial position of The Royal Children's Hospital and the Consolidated Entities at 30 June 2017.

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
25 August 2017

John Stanway
Interim Chief Executive Officer
The Royal Children's Hospital
Melbourne
25 August 2017

Andrew Whittingham
Chief Financial Officer
The Royal Children's Hospital
Melbourne
25 August 2017

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of the Royal Children's Hospital

Opinion

I have audited the consolidated financial report of 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 2017
- 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 a summary of 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 2017 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. My responsibilities under that Act and those standards are further described 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 Australia. 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.

Board's responsibilities for the financial report

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
29 August 2017

Ron Mak
as delegate for the Auditor-General of Victoria

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The Royal Children's Hospital Comprehensive operating statement

For the year ended 30 June 2017

	Note	Parent entity 2017 $'000	Parent entity 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue from operating activities	2.1	610,027	579,230	620,186	558,045
Revenue from non-operating activities	2.1	924	1,828	1,509	5,235
Employee expenses	3.1	(421,979)	(399,315)	(424,230)	(401,258)
Non-salary labour costs	3.1	(18,261)	(19,365)	(18,403)	(19,436)
Supplies and consumables	3.1	(69,251)	(69,406)	(69,251)	(69,406)
Other expenses	3.1	(97,109)	(91,493)	(99,651)	(94,145)
Finance costs – self funded activity	3.3	(1,402)	(1,442)	(1,402)	(1,442)
Net result before capital and specific items		**2,950**	**37**	**8,758**	**(22,408)**
Capital purpose income	2.1	88,356	111,826	85,012	111,826
Net gain/(loss) on disposal of non-financial assets	7.2	(189)	(346)	(189)	(346)
Assets received free of charge		–	3	–	3
Expenditure for capital purpose	3.1	(2,164)	(772)	(2,164)	(772)
Depreciation and amortisation	4.3	(43,988)	(39,638)	(44,409)	(40,039)
Impairment of non-financial assets		–	–	–	(561)
Finance costs	3.3	(50,888)	(52,491)	(50,888)	(52,491)
Available-for-sale revaluation gain/(loss) recognised	2.1	194	67	4,046	15,235
Net result after capital and specific items		**(5,727)**	**18,686**	**167**	**10,446**
Other economic flows included in net result					
Net gain/(loss) on financial instruments	2.1	–	–	624	–
Revaluation of long service leave	2.1	4,828	–	4,828	–
Other gains/(losses) from other economic flows	2.1	383	–	383	–
Total other economic flows included in net result		**5,212**	**–**	**5,836**	**–**
NET RESULT FOR THE YEAR		**(516)**	**18,686**	**6,003**	**10,446**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Changes to financial assets available-for-sale revaluation surplus	8.1	84	(468)	1,429	(11,471)
Items that will not be reclassified to net result					
Changes in property, plant and equipment revaluation surplus	8.1	–	11,189	362	11,296
COMPREHENSIVE RESULT FOR THE YEAR		**(432)**	**29,407**	**7,793**	**10,271**

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

Reclassifications have occurred in comparative figures since the financial statements for 2015–16 were published, refer 'Basis of presentation'.

The Royal Children's Hospital
Balance sheet

As at 30 June 2017

	Note	Parent entity 2017 $'000	Parent entity 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6.2	33,050	43,516	64,802	82,836
Receivables	5.1	24,892	22,740	21,126	19,294
Investments and other financial assets	4.1	–	–	35,555	25,627
Inventories	5.2	1,539	1,260	1,568	1,321
Prepayments		1,489	1,277	1,708	1,329
Total current assets		**60,969**	**68,792**	**124,759**	**130,408**
Non-current assets					
Receivables	5.1	25,159	22,423	25,159	22,423
Investments and other financial assets	4.1	9,671	9,152	80,960	74,815
Property, plant and equipment	4.2	1,150,017	1,180,677	1,159,243	1,189,777
Intangible assets	4.4	70,134	67,679	82,821	81,030
Investment properties	4.5	7,272	4,918	7,272	4,918
Total non-current assets		**1,262,254**	**1,284,849**	**1,355,455**	**1,372,962**
TOTAL ASSETS		**1,323,224**	**1,353,641**	**1,480,215**	**1,503,370**
LIABILITIES					
Current liabilities					
Payables	5.4	35,029	33,228	36,953	34,749
Provisions	3.4	112,579	111,296	112,660	111,486
Borrowings	6.1	33,575	31,995	33,575	31,995
Other current liabilities	5.3	11,631	12,615	5,529	7,649
Total current liabilities		**192,815**	**189,134**	**188,718**	**185,879**
Non-current liabilities					
Provisions	3.4	15,107	14,850	15,113	14,884
Borrowings	6.1	1,024,903	1,058,478	1,024,903	1,058,478
Other non-current liabilities	5.3	2,355	2,704	4,141	4,582
Total non-current liabilities		**1,042,365**	**1,076,031**	**1,044,157**	**1,077,944**
TOTAL LIABILITIES		**1,235,180**	**1,265,165**	**1,232,875**	**1,263,823**
NET ASSETS		**88,044**	**88,476**	**247,339**	**239,547**
EQUITY					
Property, plant and equipment revaluation surplus	8.1	183,224	183,224	186,988	186,626
Financial assets available-for-sale revaluation surplus	8.1	291	207	7,726	6,297
Restricted specific purpose surplus	8.1	12,446	4,977	122,839	96,646
Contributed capital	8.1	91,314	91,314	91,314	91,314
Accumulated deficit	8.1	(199,231)	(191,246)	(161,527)	(141,337)
TOTAL EQUITY		**88,044**	**88,476**	**247,339**	**239,547**
Commitments	6.3				
Contingent assets and contingent liabilities	7.3				

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 2017

Consolidated	Note	Property, plant and equipment revaluation surplus $'000	Financial asset available for sale revaluation surplus $'000	Restricted specific purpose surplus $'000	Contributed capital $'000	Accumulated surpluses/ (deficits) $'000	Total $'000
Balance at 1 July 2015		**175,330**	**17,768**	**83,712**	**91,314**	**(138,849)**	**229,276**
Net result for the year		–	–	–	–	10,446	10,446
Other comprehensive income for the year		11,296	(11,471)	–	–	–	(175)
Transfer to accumulated surplus/(deficit)		–	–	12,934	–	(12,934)	–
Balance at 30 June 2016	8.1	**186,626**	**6,297**	**96,646**	**91,314**	**(141,337)**	**239,547**
Net result for the year		–	–	–	–	6,003	6,003
Other comprehensive income for the year		362	1,429	–	–	–	1,791
Transfer to accumulated surplus/(deficit)		–	–	26,193	–	(26,193)	–
Balance at 30 June 2017	8.1	**186,988**	**7,726**	**122,839**	**91,314**	**(161,527)**	**247,339**

Parent	Note	Property, plant and equipment revaluation surplus $'000	Financial asset available for sale revaluation surplus $'000	Restricted specific purpose surplus $'000	Contributed capital $'000	Accumulated surpluses/ (deficits) $'000	Total $'000
Balance at 1 July 2015		**172,035**	**675**	**4,780**	**91,314**	**(209,736)**	**59,068**
Net result for the year		–	–	–	–	18,686	18,686
Other comprehensive income for the year		11,189	(468)	–	–	–	10,721
Transfer to accumulated surplus/(deficit)		–	–	197	–	(197)	–
Balance at 30 June 2016		**183,224**	**207**	**4,977**	**91,314**	**(191,246)**	**88,476**
Net result for the year		–	–	–	–	(516)	(516)
Other comprehensive income for the year		–	84	–	–	–	84
Transfer to accumulated surplus/(deficit)		–	–	7,469	–	(7,469)	–
Balance at 30 June 2017		**183,224**	**291**	**12,446**	**91,314**	**(199,231)**	**88,044**

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 2017

	Note	Parent entity 2017 $'000	Parent entity 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating grants from government		434,999	420,341	435,511	420,487
Capital grants from government		3,001	10,365	3,001	10,365
Patient fees received		22,689	22,587	22,689	22,587
Private practice fees received		31,745	27,989	31,745	27,989
Donations and bequests received		18,199	21,665	30,756	22,894
GST received from/(paid to) ATO		2,029	4,660	2,011	1,918
Interest received		1,104	1,904	4,352	22,241
Capital donations and bequests received		3,484	19,588	137	–
Other receipts		58,678	60,252	60,284	80,982
Total receipts		**575,927**	**589,352**	**590,485**	**609,465**
Employee expenses paid		(430,654)	(404,410)	(433,042)	(406,879)
Fee for service medical officers		(2,617)	(3,239)	(2,617)	(3,239)
Payments for supplies and consumables		(70,550)	(67,936)	(70,550)	(81,062)
Finance cost		(1,402)	(1,442)	(1,402)	(1,442)
Other payments		(59,783)	(63,212)	(73,380)	(70,478)
Total payments		**(565,006)**	**(540,239)**	**(580,993)**	**(563,100)**
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.2	**10,921**	**49,113**	**9,493**	**46,364**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(20,570)	(45,396)	(20,832)	(45,626)
Proceeds from sale of non-financial assets		17	–	17	–
Purchase of investments		–	–	(11,578)	(16,046)
Proceeds from sale of investments		–	14,114	5,700	51,148
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		**(20,552)**	**(31,282)**	**(26,693)**	**(10,525)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(835)	(794)	(835)	(794)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**(835)**	**(794)**	**(835)**	**(794)**
Net increase/(decrease) in cash and cash equivalents held		(10,466)	17,036	(18,035)	35,045
Cash and cash equivalents at the beginning of financial year		43,516	26,480	82,836	47,791
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	6.2	**33,050**	**43,516**	**64,802**	**82,836**

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

Notes to the Financial Statements

30 June 2017

Table of contents

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.

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

Consistent with the requirements of AASB 1004 *Contributions* (that is contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the hospital.

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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.

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 for the year ended 30 June 2017. The purpose of the report is to provide users with information about The Royal Children's Hospital'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 Minister for Finance.

The Royal Children's Hospital is a not-for-profit entity and therefore applies the additional Aus paragraphs applicable to 'not-for-profit' Health Services under the AASBs.

The annual financial statements were authorised for issue by the Board of The Royal Children's Hospital on 25 August 2017.

(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 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016.

The going concern basis was used to prepare the financial statements. The Royal Children's Hospital is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services. The Department of Health and Human Services has provided confirmation that it will continue to provide The Royal Children's Hospital adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2018. 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 Royal Children's Hospital.

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 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.

Judgments, 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 judgments 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 judgments and estimates have been applied include provisions for leave entitlements (refer note 3.4) and provisions for doubtful receivables (refer note 5.1 (a)).

Note 1: Summary of significant accounting policies (continued)

(c) Reporting entity

The financial statements include all the controlled activities of The Royal Children's Hospital.

Its principal address is:

50 Flemington Road
Parkville
Victoria 3052

A description of the nature of The Royal Children's Hospital'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 Royal Children's Hospital'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 Royal Children's Hospital is predominantly funded by grant funding for the provision of outputs.

(d) Principles of consolidation

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

- The consolidated financial statements of The Royal Children's Hospital include all reporting entities controlled by The Royal Children's Hospital;
- The consolidated financial statements exclude bodies of The Royal Children's Hospital that are not controlled by The Royal Children's Hospital, and therefore are not consolidated;
- Control exists when The Royal Children's Hospital has the power to govern the financial and operating policies of a Health Service 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 entities listed in note 8.7;
- The parent entity is not shown separately in the notes; and
- 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 Royal Children's Hospital reporting entity include audited results of below entities:

- The Royal Children's Hospital's Foundation Trust Fund; and
- The Royal Children's Hospital Education Institute Limited.

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

The Royal Children's Hospital Education Institute Limited was deemed to be a controlled entity of The Royal Children's Hospital because the majority of the entity's Board positions comprised of The Royal Children's Hospital's Senior Management. The company was deregistered on 16 February 2017 and its transactions and activities have been included for consolidation up to this date.

In the process of preparing consolidated financial statements for The Royal Children's Hospital, all material transactions and balances between consolidated entities are eliminated.

Intersegment transactions

Transactions between segments within The Royal Children's Hospital 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.

Note 2: Funding delivery of our services

The Royal Children's Hospital'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.

Note 2.1: Analysis of revenue by source

Consolidated	Admitted patients 2017 $'000	Non-admitted 2017 $'000	EDs 2017 $'000	Mental health 2017 $'000	Primary health 2017 $'000	Other 2017 $'000	Total 2017 $'000
Government grants	319,975	59,081	16,867	18,431	319	4,980	419,653
Commonwealth Government	8,166	2,042	–	200	19	629	11,056
Indirect contribution by Department of Health and Human Services	44,628	–	–	–	–	–	44,628
Patient fees	20,718	272	–	–	–	17	21,006
Research and program grants	164	38	–	31	445	–	677
Recoupment from private practice for use of hospital facilities	15,458	1,259	–	–	–	–	16,717
Corporate services	22	6	–	–	–	–	28
Pathology	5,856	1,464	–	–	–	–	7,320
Commercial and other activities (refer note 3.2)	–	–	–	–	–	52,861	52,861
Other revenue from operating activities	9,014	940	(4)	270	645	35,376	46,241
Total revenue from operating activities	**424,001**	**65,100**	**16,863**	**18,932**	**1,427**	**93,863**	**620,186**
Interest and dividends	–	–	–	–	–	1,509	1,509
Total revenue from non-operating activities	**–**	**–**	**–**	**–**	**–**	**1,509**	**1,509**
Capital purpose income (excluding interest)	–	–	–	–	–	84,823	84,823
Total capital purpose income	**–**	**–**	**–**	**–**	**–**	**84,823**	**84,823**
Net gain/(loss) on financial instruments	–	–	–	–	–	624	624
Revaluation of long service leave	–	–	–	–	–	4,828	4,828
Other gains/(losses) from other economic flows	–	–	–	–	–	383	383
Total net income from other economic flows	**–**	**–**	**–**	**–**	**–**	**5,836**	**5,836**
Available-for-sale revaluation surplus gain/(loss) recognised	–	–	–	–	–	4,046	4,046
Total revenue	**424,001**	**65,100**	**16,863**	**18,932**	**1,427**	**190,077**	**716,400**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.1: Analysis of revenue by source (continued)

Consolidated	Admitted patients 2016 $'000	Non-admitted 2016 $'000	EDs 2016 $'000	Mental health 2016 $'000	Primary health 2016 $'000	Other 2016 $'000	Total 2016 $'000
Government grants	306,012	58,499	15,491	16,763	314	3,481	400,560
Commonwealth Government	8,063	2,016	–	200	–	515	10,794
Indirect contribution by Department of Health and Human Services	43,443	–	–	–	–	–	43,443
Patient fees	20,354	267	–	–	–	15	20,635
Research and program grants	69	16	–	23	456	–	563
Recoupment from private practice for use of hospital facilities	14,133	1,178	–	–	–	–	15,311
Corporate services	73	18	–	–	–	–	92
Pathology	5,929	1,482	–	–	–	–	7,412
Commercial and other activities (refer note 3.2)	–	–	–	–	–	42,853	42,853
Other revenue from operating activities	9,174	963	(8)	57	705	5,492	16,383
Total revenue from operating activities	**407,249**	**64,440**	**15,483**	**17,043**	**1,474**	**52,356**	**558,045**
Interest and dividends	–	–	–	–	–	5,235	5,235
Total revenue from non-operating activities	**–**	**–**	**–**	**–**	**–**	**5,235**	**5,235**
Capital purpose income (excluding interest)	–	–	–	–	–	111,483	111,483
Total capital purpose income	**–**	**–**	**–**	**–**	**–**	**111,483**	**111,483**
Available-for-sale revaluation surplus gain/(loss) recognised	–	–	–	–	–	15,235	15,235
Total revenue	**407,249**	**64,440**	**15,483**	**17,043**	**1,474**	**184,310**	**689,999**

The Department of Health and Human Services makes certain payments on behalf of The Royal Children's Hospital. 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 Royal Children's Hospital 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 Royal Children's Hospital gains control of the underlying assets irrespective of whether conditions are imposed on The Royal Children's Hospital'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 Department of Health and Human Services

Insurance and outsourced contributions for the Public Private Partnership are recognised as revenue following advice from the Department of Health and Human Services.

Long Service Leave (LSL) – revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017 (updated for 2016–17).

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 Royal Children's Hospital'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.

Other gains/(losses) from other economic flows

Other gains/(losses) include:

- the revaluation of the present value of the long services leave liability due to changes in the bond interest rates, inflation rates and changes in probability factors;
- revaluation gains/(losses) from investment properties;
- revaluation of provision for doubtful debts; and
- revaluation gains/(losses) from financial instruments at fair value through profit or loss.

Category groups

The Royal Children's Hospital has used the following category groups for reporting purposes for the current and previous financial years.

Admitted patient services (admitted patients) comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.

Mental health services (mental health) comprises all specialised mental health services providing a range of inpatient and ambulatory services which treat and support people with a mental illness and their families and carers. These services aim to identify mental illness early, and seek to reduce its impact through providing timely acute care services and support for those living with a mental illness.

Non admitted services comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospital beds and supports the transition from hospital to home in a safe and timely manner.

Emergency Department Services (EDs) comprises all emergency department services.

Primary, community and dental health comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling and a range of dental health services.

Other services not reported elsewhere (other) comprises services not separately classified above, including laboratory testing, clinical services, allied health, junior medical training and various support services. Health and Community Initiatives also falls into this category group.

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 Royal Children's Hospital 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 Royal Children's Hospital 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.

Note 3.1: Analysis of expenses by source

Consolidated	Admitted patients 2017 $'000	Non-admitted 2017 $'000	EDs 2017 $'000	Mental health 2017 $'000	Primary health 2017 $'000	Other 2017 $'000	Total 2017 $'000
Employee expenses	293,207	40,027	24,938	13,636	11,293	41,129	424,230
Non-salary labour costs	7,438	4,743	104	736	136	5,245	18,403
Supplies and consumables	55,910	9,027	1,312	147	27	2,828	69,251
Other expenses	72,346	5,289	461	1,048	1,968	18,539	99,651
Finance costs – self funded activity (refer note 3.3)	–	–	–	–	–	1,402	1,402
Total expenditure from operating activities	**428,900**	**59,086**	**26,815**	**15,568**	**13,425**	**69,144**	**612,938**
Expenditure for capital purposes	–	–	–	–	–	2,164	2,164
Depreciation and amortisation (refer note 4.3)	–	–	–	–	–	44,409	44,409
Finance lease interest expense (refer note 3.3)	–	–	–	–	–	50,888	50,888
Total other expenses	**–**	**–**	**–**	**–**	**–**	**97,460**	**97,460**
Total expenses	**428,900**	**59,086**	**26,815**	**15,568**	**13,425**	**166,603**	**710,397**

Consolidated	Admitted patients 2016 $'000	Non-admitted 2016 $'000	EDs 2016 $'000	Mental health 2016 $'000	Primary health 2016 $'000	Other 2016 $'000	Total 2016 $'000
Employee expenses	276,855	37,896	23,844	13,728	10,697	38,238	401,258
Non-salary labour costs	7,557	4,870	124	503	47	6,335	19,436
Supplies and consumables	56,356	9,016	1,323	142	15	2,554	69,406
Other expenses	66,693	5,013	420	863	1,809	19,348	94,145
Finance costs – self funded activity (refer note 3.3)	–	–	–	–	–	1,442	1,442
Total expenditure from operating activities	**407,461**	**56,795**	**25,711**	**15,236**	**12,568**	**67,917**	**585,688**
Expenditure for capital purposes	–	–	–	–	–	772	772
Depreciation and amortisation (refer note 4.3)	–	–	–	–	–	40,039	40,039
Impairment of non-financial assets	–	–	–	–	–	561	561
Finance lease interest expense (refer note 3.3)	–	–	–	–	–	52,491	52,491
Total other expenses	**–**	**–**	**–**	**–**	**–**	**93,864**	**93,864**
Total expenses	**407,461**	**56,795**	**25,711**	**15,236**	**12,568**	**161,780**	**679,552**

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.

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.

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; and
- bad and doubtful debts, refer to note 4.1 Investments and other financial assets.

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 Royal Children's Hospital 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.

Other economic flows

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

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; and
- 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.

Net gain/(loss) on financial instruments

- net gain/(loss) on financial instruments, including:
  - realised and unrealised gains and losses from revaluation of financial instruments at fair value;
  - impairment and reversal of impairment for financial instruments at amortised cost (refer note 7.1); and
  - disposals of financial assets and derecognition of financial liabilities.
- revaluations of financial instruments at fair value, refer to note 7.1.

Note 3.2: Analysis of revenue and expenses by internally managed and restricted specific purpose funds

	Expense(i)		Revenue(i)	
	Consolidated 2017 $'000	Consolidated 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Commercial activities				
Private practice activities	12,351	11,346	18,101	15,131
Car park	1,488	1,394	10,343	8,762
Property expense/revenue	35	30	283	279
Child Health and Information Centre	133	212	124	199
Early Learning Centre	2,666	2,724	3,148	3,001
Creative Studio	323	312	417	425
Safety Centre	1	–	1	1
Other activities				
Research and scholarship	10,815	6,565	11,106	6,644
Departmental and general purpose funds	6,535	6,602	9,339	8,413
Total	**34,345**	**29,186**	**52,861**	**42,853**

(i) Restricted and Internally Managed Specific Purpose Funds revenue and expenses are classified as 'Other' in note 2.1 and note 3.1 respectively.

Note 3.3: Finance costs

	Consolidated 2017 $'000	Consolidated 2016 $'000
Finance costs – self funded activity		
Interest expense on TCV loan	1,402	1,442
Total finance costs – self funded activity	**1,402**	**1,442**
Finance costs – capital items		
Finance charges on PPP lease(i)	50,888	52,491
Total finance costs – capital items	**50,888**	**52,491**
Total finance costs	**52,290**	**53,934**

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

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 Royal Children's Hospital on behalf of the State of Victoria in accordance with AASB 117 *Leases*.

Note 3.4: Employee benefits in the balance sheet

	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT PROVISIONS		
Employee benefits		
Accrued wages and salaries		
– unconditional and expected to be settled within 12 months (nominal value)	12,871	13,864
Accrued days off		
– unconditional and expected to be settled within 12 months (nominal value)	975	935
Annual leave		
– unconditional and expected to be settled within 12 months (nominal value)	28,436	28,471
– unconditional and expected to be settled after 12 months (present value)	4,716	3,211
Long service leave		
– unconditional and expected to be settled within 12 months (nominal value)	5,829	5,340
– unconditional and expected to be settled after 12 months (present value)	49,453	49,597
	102,281	**101,418**
Provisions related to employee benefit on-costs		
– unconditional and expected to be settled within 12 months (nominal value)	4,056	3,996
– unconditional and expected to be settled after 12 months (present value)	6,323	6,073
	10,379	**10,069**
Total current provisions	**112,660**	**111,486**
NON-CURRENT PROVISIONS		
Employee benefits	13,532	13,349
Provisions related to employee benefit on-costs	1,581	1,535
Total non-current provisions	**15,113**	**14,884**
Total provisions	**127,774**	**126,370**

(a) Employee benefits and related on-costs

CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Unconditional long service leave entitlements	61,738	61,255
Annual leave entitlements	36,962	35,325
Accrued wages and salaries	12,871	13,864
Accrued days off	1,089	1,042
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Conditional long service leave entitlements (present value)	15,113	14,884
Total employee benefits	**127,774**	**126,370**

(b) Movements in provisions

Movement in long service leave:		
Balance at the beginning of financial year	**76,139**	**69,706**
Provision made during the year		
– Revaluation increments/(decrements)	(4,828)	3,300
– Expense recognising employee service	12,074	8,507
Settlement made during the year	(6,534)	(5,374)
Balance at the end of financial year	**76,851**	**76,139**

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

Provisions

Provisions are recognised when The Royal Children's Hospital 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 sick leave 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 Royal Children's Hospital 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 2017 $'000	Consolidated 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Defined benefit plans[(i)]				
Health Super Scheme	452	432	52	38
Defined contribution plans				
Health Super Scheme	21,196	22,403	1,731	1,751
Hesta	8,044	8,191	691	628
Other	168	569	147	163
Total	**29,860**	**31,595**	**2,622**	**2,580**

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

Accrued superannuation

The outstanding superannuation accrual between the last pay run and year end is estimated at $1,161,145. This becomes payable once the full pay run is processed in July 2017.

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 Royal Children's Hospital to the superannuation plan in respect to the current services of current Royal Children's Hospital 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 Royal Children's Hospital are entitled to receive superannuation benefits and The Royal Children's Hospital 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 Royal Children's Hospital are disclosed in the above table.

Superannuation liabilities

The Royal Children's Hospital does not recognise any unfunded defined benefit liability in respect of the superannuation plans because The Royal Children's Hospital 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 Royal Children's Hospital 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.

Note 4.1: Investments and other financial assets

	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT		
Held for trading – at fair value through profit or loss		
Managed funds[(i)]	35,555	25,627
Total current	**35,555**	**25,627**
NON-CURRENT		
Investments in other entities – at fair value through profit or loss		
Shares in other entities	1	1
Available for sale – at fair value through other comprehensive income		
Managed funds[(i)]	80,959	74,814
Total non-current	**80,960**	**74,815**
Total investments and other financial assets	**116,515**	**100,442**
Represented by:		
Health service investments	9,671	9,152
Investments held by The Royal Children's Hospital Foundation	106,843	91,289
Share of investments held by VCCC	1	1
Total investments and other financial assets	**116,515**	**100,442**

(i) The managed funds consists of investments held by The Royal Children's Hospital and The Royal Children's Hospital Foundation. The Royal Children's Hospital Foundation is consolidated into The Royal Children's Hospital for reporting purposes as it is the ultimate beneficiary of The Royal Children's Hospital Foundation. The Royal Children's Hospital 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 Minister for Finance or the directions from the Minister for Health under the *Health Services Act 1988*.

(a) Ageing analysis of receivables

Please refer note 7.1 (c) for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from receivables

Please refer note 7.1 (c) for the nature and extent of credit risk arising from investments and other financial assets.

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
- available-for-sale financial assets.

The Royal Children's Hospital 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 Royal Children's Hospital 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;
- The Royal Children's Hospital 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 Royal Children's Hospital 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 Royal Children's Hospital has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the The Royal Children's Hospital's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, The Royal Children's Hospital 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 2017 $'000	Consolidated 2016 $'000
Land		
Crown land at fair value for hospital use	82,849	82,849
Freehold	19,598	20,373
Total land	**102,448**	**103,222**
Buildings		
Buildings at fair value	41,746	39,889
Less accumulated impairment	500	500
Less accumulated depreciation	2,679	1,746
Total buildings	**38,567**	**37,643**
Plant and equipment		
Plant and equipment at fair value	2,110	2,185
Less accumulated impairment	3	3
Less accumulated depreciation	1,224	1,102
Total plant and equipment	**882**	**1,081**
Medical equipment		
Medical equipment at fair value	77,899	80,435
Less accumulated depreciation	56,835	53,179
Total medical equipment	**21,064**	**27,256**
Computers and communication		
Computers and communication at fair value	14,672	11,628
Less accumulated impairment	18	18
Less accumulated depreciation	11,703	10,590
Total computers and communication	**2,951**	**1,019**
Furniture and fittings		
Furniture and fittings at fair value	1,368	422
Less accumulated impairment	39	39
Less accumulated depreciation	259	163
Total furniture and fittings	**1,071**	**221**
Motor vehicles		
Motor vehicles at fair value	458	461
Less accumulated depreciation	244	229
Total motor vehicles	**214**	**232**
Artwork		
Artwork at fair value	816	816
Total artwork	**816**	**816**
Public Private Partnership (PPP) assets		
Leased buildings	999,051	999,051
Less accumulated depreciation	71,763	47,295
Total leased buildings	**927,288**	**951,757**
Leased fittings	43,390	43,390
Less accumulated depreciation	7,953	6,507
Total leased fittings	**35,437**	**36,884**
Leased equipment	33,413	33,413
Less accumulated depreciation	5,693	4,551
Total leased equipment	**27,719**	**28,862**
Leased cultural assets	785	785
Total leased cultural assets	**785**	**785**
Total leased assets	**991,230**	**1,018,287**
Total PPP assets	**991,230**	**1,018,287**
Total property, plant and equipment	**1,159,243**	**1,189,777**

(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 equipment $'000	Medical equipment $'000	Computers and communication $'000	Furniture and fittings $'000	Motor vehicles $'000	Artwork $'000	PPP assets $'000	Total $'000
Balance at 1 July 2015	**91,926**	**38,942**	**1,215**	**24,357**	**1,402**	**264**	**257**	**817**	**1,045,346**	**1,204,526**
Additions	–	166	160	11,127	555	52	48	–	–	12,109
Disposals	–	–	(91)	(556)	(1)	(21)	(33)	–	–	(702)
Revaluation increments/ (decrements)	11,296	–	–	–	–	–	–	–	–	11,296
Impairment	–	(500)	(3)	–	(18)	(39)	–	–	–	(561)
Depreciation and amortisation (note 4.3)	–	(966)	(199)	(7,672)	(920)	(35)	(41)	–	(27,057)	(36,891)
Balance at 1 July 2016	**103,222**	**37,642**	**1,081**	**27,256**	**1,018**	**221**	**232**	**817**	**1,018,289**	**1,189,777**
Additions	–	2,507	55	1,862	1,785	312	25	–	–	6,548
Disposals	–	–	(8)	(173)	(20)	(3)	(2)	–	–	(206)
Net transfers between classes	(1,136)	(612)	(47)	11	1,809	646	–	–	–	671
Revaluation increments/ (decrements)	362	–	–	–	–	–	–	–	–	362
Depreciation and amortisation (note 4.3)	–	(971)	(198)	(7,893)	(1,643)	(106)	(41)	–	(27,056)	(37,908)
Balance at 30 June 2017	**102,448**	**38,566**	**883**	**21,062**	**2,949**	**1,071**	**214**	**817**	**991,233**	**1,159,243**

The Royal Children's Hospital on behalf of the State of Victoria records the Public Private Partnership (PPP) assets and any other additions and improvement to the PPP assets.

An independent valuation of The Royal Children's Hospital'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 2014. In June 2017 a managerial valuation was carried out to revalue the land to fair value. For crown land, however, as the carrying value was not materially different from the June 2016 valuation, no adjustment was made.

The Department of Health and Human Services (DHHS) has provided revaluation amounts to be recorded for the PPP assets. Based on valuation advice from DHHS, no revaluation adjustments were made in the 2017 and 2016 financial years.

In June 2017 a property was reclassified from property, plant and equipment to investment properties to reflect the current use of that property.

The net transfers into computers and communication, and furniture and fittings, mainly relate to equipment purchased for the EMR project which was previously classified as an intangible asset whilst the asset was under construction.

Net transfers in the table above include transfers to investment properties and transfers from intangible assets.

Note 4.2: Property, plant and equipment (continued)

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

Consolidated	Carrying amount as at 30 June 2017 $'000	Fair value measurement at end of reporting period using[(i)]: Level 1 $'000	Level 2 $'000	Level 3 $'000
Land at fair value				
Non-specialised land	19,598	–	19,598	–
Specialised land	82,849	–	–	82,849
Total land at fair value	**102,448**	**–**	**19,598**	**82,849**
Buildings at fair value				
Specialised buildings	38,567	–	17,422	21,145
Total buildings at fair value	**38,567**	**–**	**17,422**	**21,145**
Plant and equipment at fair value				
Plant and equipment	882	–	–	882
Medical equipment	21,064	–	–	21,064
Computers and communication	2,951	–	–	2,951
Furniture and fittings	1,071	–	–	1,071
Motor vehicles	214	–	–	214
Artwork	816	–	816	–
Total plant and equipment at fair value	**26,998**	**–**	**816**	**26,182**
PPP assets at fair value				
Leased buildings	927,288	–	–	927,288
Leased fittings	35,437	–	–	35,437
Leased equipment	27,719	–	–	27,719
Leased cultural assets	785	–	785	–
Total PPP assets at fair value	**991,230**	**–**	**785**	**990,445**
Total	**1,159,243**	**–**	**38,621**	**1,120,622**

(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 Royal Children's Hospital 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, 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.

For the purpose of fair value disclosures, The Royal Children's Hospital 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 Royal Children's Hospital determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is The Royal Children's Hospital's independent valuation agency.

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

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

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 Royal Children's Hospital at the measurement date; and
- that The Royal Children's Hospital 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 for non-financial physical assets

Judgements about highest and best use (HBU) 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 Royal Children's Hospital. The Royal Children's Hospital and valuers have a shared understanding of the circumstances of the assets.

In accordance with paragraph AASB 13.29, The Royal Children's Hospital 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 Royal Children's Hospital is required to engage with the Valuer-General Victoria or other independent valuers for a formal HBU assessment.

These indicators, as a minimum, include:

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 Royal Children's Hospital needs to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103F *Non-financial physical assets* and FRD 107B *Investment properties*.

Valuation hierarchy

The Royal Children's Hospital 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.

Note 4.2: Property, plant and equipment (continued)

Consolidated	Carrying amount as at 30 June 2016 $'000	Fair value measurement at end of reporting period using(i): Level 1 $'000	Level 2 $'000	Level 3 $'000
Land at fair value				
Non-specialised land	20,373	–	20,373	–
Specialised land	82,849	–	–	82,849
Total land at fair value	**103,222**	**–**	**20,373**	**82,849**
Buildings at fair value				
Specialised buildings	37,643	–	16,048	21,595
Total buildings at fair value	**37,643**	**–**	**16,048**	**21,595**
Plant and equipment at fair value				
Plant and equipment	1,081	–	–	1,081
Medical equipment	27,256	–	–	27,256
Computers and communication	1,019	–	–	1,019
Furniture and fittings	221	–	–	221
Motor vehicles	232	–	–	232
Artwork	816	–	816	–
Total plant and equipment at fair value	**30,625**	**–**	**816**	**29,809**
PPP assets at fair value				
Leased buildings	951,757	–	–	951,757
Leased fittings	36,884	–	–	36,884
Leased equipment	28,862	–	–	28,862
Leased cultural assets	785	–	785	–
Total PPP assets at fair value	**1,018,287**	**–**	**785**	**1,017,502**
Total	**1,189,777**	**–**	**38,022**	**1,151,755**

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

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 Royal Children's Hospital has determined that the transaction price or quoted price does not represent fair value.

The Royal Children's Hospital develops unobservable inputs using the best information available in the circumstances, which might include the hospital's own data. In developing unobservable inputs, The Royal Children's Hospital 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 Royal Children's Hospital that is not available to other market participants. The Royal Children's Hospital does not undertake exhaustive efforts to obtain information about other market participant assumptions. However, The Royal Children's Hospital 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 2014.

In June 2016 a managerial valuation was carried out in accordance with *Financial Reporting Direction* 103F to revalue the land to its fair value.

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.

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 Royal Children's Hospital, 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 Royal Children's Hospital'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 2014.

In June 2016 a managerial valuation was carried out in accordance with Financial Reporting Direction 103F to revalue the Land to its fair value.

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 2017.

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

Note 4.2: Property, plant and equipment (continued)

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

Consolidated 2017	Land $'000	Buildings $'000	Plant and equipment $'000	PPP assets $'000
Opening balance	**82,849**	**21,595**	**29,810**	**1,017,502**
Purchases (sales)	–	–	3,832	–
Reclassification	–	–	2,419	–
Gains or losses recognised in net result				
Depreciation	–	(450)	(9,881)	(27,056)
Subtotal	**82,849**	**21,145**	**26,180**	**990,446**
Closing balance	**82,849**	**21,145**	**26,180**	**990,446**

Consolidated 2016	Land $'000	Buildings $'000	Plant and equipment $'000	PPP assets $'000
Opening balance	**72,679**	**22,082**	**27,494**	**1,044,559**
Purchases (sales)	–	–	11,244	–
Gains or losses recognised in net result				
Depreciation	–	(487)	(8,868)	(27,057)
Impairment loss	–	–	(60)	–
Subtotal	**72,679**	**21,595**	**29,810**	**1,017,502**
Items recognised in other comprehensive income				
Revaluation	10,170	–	–	–
Subtotal	**10,170**	**–**	**–**	**–**
Closing balance	**82,849**	**21,595**	**29,810**	**1,017,502**

(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
Specialised land		
Crown land at fair value for hospital use	Market approach	Community Service Obligation (CSO) adjustment
Crown land at fair value to be returned to Park land		
Specialised buildings		
Mental Health facility in Travancore	Depreciated replacement cost	Direct cost per square metre
Research Precinct building		Useful life of specialised buildings
Plant and equipment at fair value		
Plant and equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of PP&E
Furniture and fittings		
Computers and communication		
Vehicles		
Vehicles used for hospital services	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of vehicles
Medical equipment at fair value		
Medical equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of medical equipment
PPP assets		
	Depreciated replacement cost	Building cost per square meter
Leased buildings		Useful life of buildings
Leased fittings		Useful life of fittings
Leased equipment		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.

Note 4.2: Property, plant and equipment (continued)

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.

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 Royal Children's Hospital 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 103F *Non Current 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 103F, The Royal Children's Hospital's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Note 4.3: Depreciation and amortisation

	Consolidated 2017 $'000	Consolidated 2016 $'000
Depreciation		
Buildings	971	968
Plant and equipment	198	199
Medical equipment	7,895	7,672
Computers and communication	1,644	921
Furniture and fittings	105	34
Motor vehicles	41	41
Leased buildings	24,468	24,468
Leased fittings	1,446	1,446
Leased equipment	1,142	1,142
Total depreciation	**37,910**	**36,892**
Amortisation		
Intangible assets	6,498	3,147
Total amortisation	**6,498**	**3,147**
Total depreciation and amortisation	**44,409**	**40,039**

Depreciation

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

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

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.

Depreciation and amortisation has increased by $4.4m mainly due to a full year in operation of the Electronic Medical Records (EMR) system which went live in April 2016. Costs continued to be incurred during the optimisation phase after the system commenced operation.

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

Non PPP assets	2017	2016
Buildings		
– Structure shell building fabric	30 to 60 years	30 to 60 years
– Site engineering services and site works	30 to 40 years	30 to 40 years
Central plant		
– Fit out	25 to 30 years	25 to 30 years
– Trunk reticulated building systems	30 years	30 years
Plant and equipment (non medical)	3 to 7 years	3 to 7 years
Medical equipment	7 to 15 years	7 to 15 years
Computers and communication	3 years	3 years
Furniture and fittings	13 years	13 years
Motor vehicles	10 years	10 years
Leasehold improvements	25 to 30 years	25 to 30 years

PPP assets	2017	2016
Buildings		
– Structure shell building fabric	60 years	60 years
– Site engineering services and site works	40 years	40 years
Central plant		
– Fit out	30 years	30 years
– Trunk reticulated building systems	30 years	30 years
Plant and equipment (non medical)	30 years	30 years
Medical equipment	30 years	30 years
Computers and communication	30 years	30 years
Furniture and fittings	30 years	30 years

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

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

Note 4.4: Intangible assets

	Consolidated 2017 $'000	Consolidated 2016 $'000
Software	67,955	56,648
Less accumulated amortisation	20,066	14,840
Less transfers between classes	2,378	–
	45,511	**41,808**
Car park revenue rights[(i)]	30,000	30,000
Less accumulated amortisation	5,193	3,921
	24,807	**26,079**
Prepaid rent	14,000	14,000
Less accumulated amortisation	1,497	857
	12,503	**13,143**
Total intangible assets	**82,821**	**81,030**

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
Balance at 1 July 2015	**27,351**	**13,070**	**13,788**	**54,209**
Additions	–	30,612	–	30,612
Amortised as rent expense	–	–	(645)	(645)
Amortisation (note 4.3)	(1,272)	(1,874)	–	(3,146)
Balance at 30 June 2016	**26,079**	**41,808**	**13,143**	**81,031**
Additions	–	11,307	–	11,307
Net transfers between classes	–	(2,378)	–	(2,378)
Amortised as rent expense	–	–	(641)	(641)
Amortisation (note 4.3)	(1,272)	(5,226)	–	(6,498)
Balance at 30 June 2017	**24,807**	**45,511**	**12,503**	**82,821**

(i) As part of The Royal Children's Hospital project, the revenue stream associated with the three level underground car park (stage 1 and stage 2) is retained by The Royal Children's Hospital. 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. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to The Royal Children's Hospital.

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 Royal Children's Hospital 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 (2016: 3 to 23.5 years).

Note 4.5: Investment properties

(a) Movements in carrying value for investment properties

Consolidated	Consolidated 2017 $'000	Consolidated 2016 $'000
Balance at the beginning of the year	**4,918**	**4,755**
Disposals	–	(540)
Transfers from property, plant and equipment	1,748	–
Net gain from fair value adjustments	606	703
Balance at the end of the year	**7,272**	**4,918**

(b) Fair value measurement hierarchy for investment properties as at 30 June 2017

Consolidated	Carrying amount as at 30 June 2017 $'000	Fair value measurement at end of reporting period using: Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Investment properties	7,272	–	7,272	–
Total	**7,272**	**–**	**7,272**	**–**

Consolidated	Carrying amount as at 30 June 2016 $'000	Fair value measurement at end of reporting period using: Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Investment properties	4,918	–	4,918	–
Total	**4,918**	**–**	**4,918**	**–**

(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 Royal Children's Hospital.

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 Royal Children's Hospital.

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.

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 2017	Ownership interest 2016
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 Royal Children's Hospital joined the Victorian Comprehensive Cancer Centre on 1 July 2010.	10.0%	10.0%

The Royal Children's Hospital'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:

	2017 $'000	2016 $'000
Assets		
Current assets		
Cash and cash equivalents	566	257
Receivables	1	3
GST recoverable	2	1
Prepayments	–	4
Total current assets	**569**	**264**
Non-current assets		
Property, plant and equipment	3	4
Other	1	1
Total non-current assets	**4**	**5**
Total assets	**573**	**269**
Liabilities		
Current liabilities		
Accrued expenses	10	10
Payables	13	43
Provisions – LSL and annual leave	8	42
Total current liabilities	**31**	**96**
Non-current liabilities		
Provisions – LSL	6	5
Total non-current liabilities	**6**	**5**
Total liabilities	**37**	**101**
Net assets	**536**	**168**
Equity		
Accumulated surpluses/(deficits)	536	168
Total equity	**536**	**168**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	2017 $'000	2016 $'000
Revenue		
Grants and other revenue	534	166
Interest	9	5
Total revenue	**543**	**171**
Expenses		
Employee benefits	142	153
Other expenses from continuing operations	32	8
Depreciation and amortisation	1	1
Total expenses	**175**	**163**
Net result	**368**	**8**

Investments in joint operations

In respect of any interest in joint operations, The Royal Children's Hospital 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 Royal Children's Hospital's operations.

Note 5.1: Receivables

	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT		
Contractual		
Inter hospital debtors	1,445	2,572
Trade debtors	1,778	3,058
Patient fees	8,166	6,946
Accrued investment income	1,001	580
Diagnostic debtors	1,229	1,270
Sundry debtors	5,253	2,902
Less allowance for doubtful debts		
Trade debtors	5	49
Patient fees	468	413
Sundry debtors	161	24
Diagnostic debtors	101	26
	18,135	**16,815**
Statutory		
GST receivable	2,991	2,479
Total current receivables	**21,126**	**19,294**
NON-CURRENT		
Statutory		
Accrued revenue Department of Health and Human Services	25,159	22,423
Total non-current receivables	**25,159**	**22,423**
Total receivables	**46,286**	**41,717**
(a) Movements in allowance for doubtful debts		
Balance at the beginning of financial year	513	859
Amounts written off during the year	(240)	(85)
Increase/(decrease) in allowance recognised in net result	463	(261)
Balance at the end of financial year	**736**	**513**

(b) Ageing analysis of receivables

Refer to note 7.1 for an ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from receivables

Refer to note 7.1 for a description of the nature and extent of credit risk arising from contractual receivables.

Receivables

Receivables consist of:

- contractual receivables, which includes 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: Inventories

	Consolidated 2017 $'000	Consolidated 2016 $'000
Pharmaceuticals – at cost	1,539	1,260
Gift shop – at cost	29	62
Total inventories	**1,568**	**1,321**

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.

Note 5.3: Other liabilities

	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT		
Monies held in trust		
– Patient monies held in trust	59	74
– Employee monies held in trust (salary packaging)	1,668	1,771
Income in advance		
– Rental	349	349
– AEDI Commonwealth grant	48	309
– Other	3,405	5,146
Total current	**5,529**	**7,649**
NON-CURRENT		
Income in advance		
– Rental	4,141	4,582
Total non-current	**4,141**	**4,582**
Total other liabilities	**9,670**	**12,231**
Total monies held in trust represented by the following assets		
Cash assets (note 6.2)	59	74
Cash assets held on behalf of employees (note 6.2)	1,668	1,771
Total	**1,727**	**1,845**

Note 5.4: Payables

	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT		
Contractual		
Trade creditors	14,313	12,444
Accrued expenses	9,352	8,316
Deposits	35	29
Sundry creditors[(i)]	3,986	4,859
	27,686	**25,648**
Statutory		
Superannuation and workcover	3,648	3,279
Department of Health and Human Services	5,619	5,822
	9,267	**9,101**
Total current payables	**36,953**	**34,749**

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

(a) Maturity analysis of payables

Please refer note 7.1 (d) for the maturity analysis of contractual payables.

(b) Nature and extent of risk arising from payables

Please refer note 7.1 for the nature and extent of risk arising from contractual payables.

Payables consist of:

- Contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to The Royal Children's Hospital prior to the end of the financial year that are unpaid, and arise when The Royal Children's Hospital 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; and
- 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 Royal Children's Hospital 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.

Note 6.1: Borrowings

(a) Loans and finance lease liabilities

	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT		
– TCV loan[(i)]	877	835
– Finance lease liability[(ii)] (refer note 6.1b)	32,699	31,160
Total current	**33,575**	**31,995**
NON-CURRENT		
– TCV loan[(i)]	27,112	27,988
– Finance lease liability[(ii)] (refer note 6.1b)	997,791	1,030,490
Total non-current	**1,024,903**	**1,058,478**
Total borrowings	**1,058,478**	**1,090,473**

(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 Department of Health and Human Services. The Royal Children's Hospital records on behalf of the Department of Health and Human Services 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[(i)]		Present value of minimum future lease payments	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	82,048	82,048	82,048	82,048
Longer than 1 year and not later than 5 years	328,191	328,191	328,191	328,191
Longer than 5 years	1,188,180	1,270,228	1,188,180	1,270,228
Minimum future lease payments	1,598,419	1,680,467	1,598,419	1,680,467
Less future finance charges	567,929	618,817	567,929	618,817
Present value of minimum lease payments	**1,030,490**	**1,061,650**	**1,030,490**	**1,061,650**
Included in the financial statements as				
Current borrowings	32,699	31,160	32,699	31,160
Non-current borrowings	997,791	1,030,490	997,791	1,030,490
	1,030,490	**1,061,650**	**1,030,490**	**1,061,650**

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 Royal Children's Hospital 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 2017 $'000	Consolidated 2016 $'000
Cash on hand	3	8
Monies held on behalf of employees (salary packaging)	1,668	1,771
Cash at bank	16,996	18,050
Deposits at call	33,835	18,843
Fixed deposits	12,300	44,163
Total cash and cash equivalents	**64,802**	**82,836**
Represented by:		
Cash for health service operations (as per cash flow statement)[(i)]	64,802	82,836
Total cash and cash equivalents	**64,802**	**82,836**

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

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

Note 6.3: Commitments

(a) Commitments other than public private partnerships

	Consolidated 2017 $'000	Consolidated 2016 $'000
Capital expenditure commitments		
Payable:		
Plant and equipment	6	–
Medical equipment	398	171
Computers and communication	315	549
Furniture and fittings	–	36
Software	848	4,547
Artwork	4	–
Total capital expenditure commitments	**1,571**	**5,304**
Operating commitments		
Operating commitments	25,962	13,051
Total operating commitments	**25,962**	**13,051**
Lease commitments		
Commitments in relation to leases contracted for at the reporting date		
Operating commitments	1,631	753
Total lease commitments	**1,631**	**753**
Total commitments for expenditure (inclusive of GST) other than public private partnerships	**29,164**	**19,108**

(b) Public private partnerships[(i)]

	Consolidated 2017 $'000	Consolidated 2016 $'000
Commissioned public private partnerships – other commitments[(ii)]	Other commitments	Other commitments
Children's Health Partnership	1,669,689	1,744,231
Total commitments for public private partnerships	**1,669,689**	**1,744,231**

(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.

(c) Commitments payable

Nominal values	Consolidated 2017 $'000	Consolidated 2016 $'000
Capital expenditure commitments payable		
Less than 1 year	1,571	5,243
More than 1 year but no more than 5 years	–	61
Total capital expenditure commitments	**1,571**	**5,304**
Operating commitments		
Less than 1 year	17,982	11,795
More than 1 year but no more than 5 years	7,808	1,256
More than 5 years	172	–
Total operating commitments	**25,962**	**13,051**
Lease commitments		
Less than 1 year	571	464
More than 1 year but no more than 5 years	1,060	289
Total lease commitments	**1,631**	**753**
Public private partnership commitments (commissioned)		
Less than 1 year	44,666	43,110
More than 1 year but no more than 5 years	241,877	218,778
More than 5 years	1,383,145	1,482,343
Total public private partnership commitments	**1,669,689**	**1,744,231**
Total commitments (inclusive of GST)	**1,698,852**	**1,763,339**
Less GST recoverable from the Australian Tax Office	2,651	1,737
Total commitments (exclusive of GST)	**1,696,201**	**1,761,601**

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 7: Risks, contingencies and valuation uncertainties

The Royal Children's Hospital 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 Royal Children's Hospital is related mainly to fair value determination.

Note 7.1: Financial instruments

(a) Financial risk management objectives and policies

The Royal Children's Hospital's principal financial instruments comprise:

- cash assets;
- term deposits;
- receivables (excluding statutory receivables);
- investment in equity instruments and managed investment schemes;
- payables (excluding statutory payables); and
- debt securities.

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

The Royal Children's Hospital 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 Royal Children's Hospital.

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

Categorisation of financial instruments

Consolidated 2017	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
Contractual financial assets						
Cash and cash equivalents	–	–	64,802	–	–	64,802
Receivables	–	–	18,135	–	–	18,135
Other financial assets						
– Managed funds	35,555	–	–	80,959	–	116,514
– Shares in other entities	1	–	–	–	–	1
Total financial assets[(i)]	**35,556**	**–**	**82,937**	**80,959**	**–**	**199,453**
Financial liabilities						
Payables	–	–	–	–	27,686	27,686
TCV loan	–	–	–	–	27,988	27,988
Finance lease liabilities	–	–	–	–	1,030,490	1,030,490
Monies held in trust	–	–	–	–	59	59
Total financial liabilities[(ii)]	**–**	**–**	**–**	**–**	**1,086,223**	**1,086,223**

The obligation of fulfilling the Public Private Partnership (PPP) interest payment over the PPP term rests with the Department of Health and Human Services.

Consolidated 2016	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
Contractual financial assets						
Cash and cash equivalents	–	–	82,836	–	–	82,836
Receivables	–	–	16,815	–	–	16,815
Other financial assets						
– Managed funds	25,627	–	–	74,814	–	100,441
– Shares in other entities	1	–	–	–	–	1
Total financial assets[(i)]	**25,628**	**–**	**99,561**	**74,814**	**–**	**200,093**
Financial liabilities						
Payables	–	–	–	–	25,648	25,648
TCV loan	–	–	–	–	28,823	28,823
Finance lease liabilities	–	–	–	–	1,061,650	1,061,650
Monies held in trust	–	–	–	–	74	74
Total financial liabilities[(ii)]	**–**	**–**	**–**	**–**	**1,116,195**	**1,116,195**

(i) The total amount of the financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable and Department of Health and Human Services 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, Department of Health and Human Services payables and Victorian Health Funding Pool account payables).

(b) Net holding gain/(loss) on financial instruments by category

Consolidated 2017	Net holding gain/(loss) $'000	Interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
Financial assets					
Cash and cash equivalents[(i)]	–	1,509	–	–	1,509
Held for trading at fair value through profit or loss[(ii)]	624	901	–	–	1,525
Loans and receivables[(i)]	–	–	–	–	–
Available for sale[(i)]	1,429	7,248	–	–	8,677
Total financial assets	**2,053**	**9,658**	**–**	**–**	**11,711**
Financial liabilities					
At amortised cost[(iii)]	–	(52,290)	–	–	(52,290)
Total financial liabilities	**–**	**(52,290)**	**–**	**–**	**(52,290)**

Note 7.1: Financial instruments (continued)

Consolidated 2016	Net holding gain/(loss) $'000	Interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
Financial assets					
Cash and cash equivalents[(i)]	–	1,565	–	–	1,565
Held for trading at fair value through profit or loss[(ii)]	203	2,657	–	–	2,860
Loans and receivables[(i)]	–	–	–	–	–
Available for sale[(i)]	(468)	810	–	–	342
Total financial assets	**(265)**	**5,032**	**–**	**–**	**4,767**
Financial liabilities					
At amortised cost[(iii)]	–	(53,934)	–	–	(53,934)
Total financial liabilities	**–**	**(53,934)**	**–**	**–**	**(53,934)**

(i) For cash and cash equivalents, receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

(ii) For financial assets and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

(iii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

(c) Credit risk

The Royal Children's Hospital

Credit risk arises from the contractual financial assets of The Royal Children's Hospital which comprises cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Royal Children's Hospital's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss. Credit risk is measured at fair value and is monitored on a regular basis.

The Royal Children's Hospital manages credit risk arising from receivables by undertaking transactions predominantly with other government bodies and patients covered by Medicare and highly rated insurers. The majority of the patients are located within Australia. Standard payment terms are 30 days for Department of Health and Human Services, patient debtors and large corporate clients, controlled entity debtors, and Murdoch Children's Research Institute and seven days for all other debtors. Credit risk is also managed through debt collection procedures, including use of debt collection agency for debts outstanding for 90 days.

The Royal Children's Hospital's Foundation Trust Fund

The Royal Children's Hospital's Foundation Trust Fund is exposed to a low level of risk in its Trade and other receivables.

The Royal Children's Hospital's Foundation Trust Fund manages its exposure to credit risk by only investing in accordance with the Investment policy approved by the Board, which is monitored by the Trustee's Investment Committee. The Board permits investments in the following asset categories:

1. Unlisted units in Managed funds which are invested in:
   - equities listed on recognised stock exchanges;
   - high yield securities in the form of loans and hybrid securities;
   - listed fixed interest securities listed on the asx as well as interest rate derivatives and stock derivatives;
   - global fixed interest securities; and
   - property development loans, infrastructure debt structured financial instruments, asset and mortgage-backed securities.
2. Fixed interest securities which have a minimum rating level AA and actively traded liquid market.
3. Cash securities which are held with Australian licensed banks that have a minimum rating level of AA.

Given these investment guidelines, the Trust does not expect any counterparty to fail to meet its obligations.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents The Royal Children's Hospital's and its controlled entities' maximum exposure to credit risk.

Ageing analysis of contractual financial assets as at 30 June 2017

Consolidated 2017	Consolidated carrying amount $'000	Not past due and not impaired $'000	Past due but not impaired: Less than 1 month $'000	Past due but not impaired: 1-3 months $'000	Past due but not impaired: 3 months – 1 year $'000	Impaired financial assets $'000
Contractual financial assets						
Cash and cash equivalents	64,802	64,802	–	–	–	–
Receivables[(i)]						
– Inter hospital debtors	1,445	822	188	211	224	–
– Trade debtors	1,772	1,008	230	259	275	–
– Patient fees	7,698	6,253	446	263	736	–
– Accrued investment income	1,001	1,001	–	–	–	–
– Diagnostic debtors	1,127	641	147	165	175	–
– Sundry debtors	5,092	3,703	419	470	500	–
Other financial assets						
– Available for sale – managed funds	80,959	80,959	–	–	–	–
– Held for trading – managed funds	35,555	35,555	–	–	–	–
– Shares in other entities	1	1	–	–	–	–
Total financial assets	**199,452**	**194,746**	**1,430**	**1,367**	**1,909**	**–**

Consolidated 2016	Consolidated carrying amount $'000	Not past due and not impaired $'000	Past due but not impaired: Less than 1 month $'000	Past due but not impaired: 1-3 months $'000	Past due but not impaired: 3 months – 1 year $'000	Impaired financial assets $'000
Contractual financial assets						
Cash and cash equivalents	82,836	82,836	–	–	–	–
Receivables[(i)]						
– Inter hospital debtors	2,572	2,183	215	82	92	–
– Trade debtors	3,008	2,799	143	55	12	–
– Patient fees	6,533	5,140	483	565	346	–
– Accrued investment income	580	580	–	–	–	–
– Diagnostic debtors	1,245	1,078	106	40	20	–
– Sundry debtors	2,878	2,254	358	136	130	–
Other financial assets						
– Available for sale – managed funds	74,814	74,814	–	–	–	–
– Held for trading – managed funds	25,627	25,627	–	–	–	–
– Shares in other entities	1	1	–	–	–	–
Total financial assets	**200,094**	**197,312**	**1,305**	**878**	**600**	**–**

(i) Ageing analysis of financial assets exclude statutory financial assets (i.e. GST input tax credit and Department of Health and Human Services receivable).

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently The Royal Children's Hospital does not hold any collateral as security nor credit enhancements relating to any of its financial assets. (2016: Nil)

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7.1: Financial instruments (continued)

(d) Liquidity risk

Liquidity risk is the risk that The Royal Children's Hospital and controlled entities would be unable to meet its financial obligations as and when they fall due.

The Royal Children's Hospital's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

Liquidity risk management policy

Liquidity risk is managed through regular monthly cash grants from the Department of Health and Human Services. Trade payable contracts are entered into in accordance with The Royal Children's Hospital's policies for authorisation and suppliers are periodically reviewed. The Royal Children's Hospital aims to settle all short term payables within 60 days. Any short-term or long-term borrowings entered into by The Royal Children's Hospital require approval by the State Minister for Health and State Treasurer.

The Royal Children's Hospital's Trust Fund minimises the exposure to liquidity risk by undertaking the following steps:

- allowance for a solvency buffer in line with cash requirements to deliver approved business plans; and
- maintenance of adequate liquid cash by the Trust in order to meet short-term obligations incurred by the Trust.

The following table discloses the contractual maturity analysis for The Royal Children's Hospital and consolidated entity's financial liabilities. For interest rates applicable to each class of liability, refer to individual notes to the financial statements.

Maturity analysis of financial liabilities as at 30 June

Consolidated 2017	Carrying amount	Nominal cash flows	Maturity dates				
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payables							
– Trade creditors and accruals	23,665	23,665	2,268	21,293	105	(1)	–
– Deposits	35	35	35	–	–	–	–
– Sundry creditors	3,986	3,986	2,894	1,092	–	–	–
Other financial liabilities[i]							
– TCV loan[ii]	27,988	27,988	–	559	1,678	8,947	16,804
– Monies held in trust	59	59	59	–	–	–	–
Total financial liabilities	**55,734**	**55,733**	**5,257**	**22,943**	**1,783**	**8,946**	**16,804**

Consolidated 2016	Carrying amount	Nominal cash flows	Maturity dates				
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payables							
– Trade creditors and accruals	20,760	20,760	1,899	18,543	315	3	–
– Deposits	29	29	29	–	–	–	–
– Sundry creditors	4,859	4,859	3,135	1,684	40	–	–
Other financial liabilities[i]							
– TCV loan[ii]	28,823	28,823	–	205	630	3,781	24,207
– Monies held in trust	74	74	74	–	–	–	–
Total financial liabilities	**54,545**	**54,545**	**5,137**	**20,431**	**985**	**3,784**	**24,207**

(i) Ageing analysis of financial liabilities excludes PPP finance lease liability and statutory financial liabilities (i.e. GST payable). Maturity analysis of PPP finance lease liability is disclosed in note 6.1 (b) Finance lease liabilities.

(ii) TCV loan will mature on 31 December 2036.

(iii) In relation to the PPP arrangement, although the hospital has assumed the finance assets and liabilities in its accounts, the payments to the private provider are being made directly by the Department of Health and Human Services on a monthly basis, hence there is no cash flow impact on The Royal Children's Hospital. The Royal Children's Hospital will record the non-cash entries in its accounts in accordance with a financial model that has been developed by the Department of Health and Human Services.

(e) Market risk

The Royal Children's Hospital's and its controlled entities exposure to market risk are primarily through interest rate risk and equity price risk. Exposure to foreign currency risk is discussed below. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

Currency risk

The Royal Children's Hospital and its controlled entities are exposed to insignificant foreign currency risk through payables relating to purchases of supplies and consumables from overseas. It is also exposed to foreign currency risk through managed investments that have exposure to overseas markets. Movement in foreign currency is reflected in the value of the underlying units in the funds.

Interest rate risk

Exposure to interest rate risk arises primarily from cash and cash equivalents held in floating rate facilities. The Royal Children's Hospital and its controlled entities minimise interest rate risk by mainly undertaking fixed rate financial instruments.

Exposure to interest rate risk might arise from interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate and non-interest bearing liabilities.

Equity price risks

Both The Royal Children's Hospital and The Royal Children's Hospital's Foundation Trust Fund manage the equity price risk associated with the investments in managed funds through their own Investment Committees. These sub-committees are delegated with responsibility for overseeing the development, monitoring and review of the investment strategy and policies. The committees monitor the returns on investments, and determine the allocation between the different classes of investments available.

Interest rate exposure of financial assets and liabilities as at 30 June

Consolidated 2017	Weighted average effective interest rates	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non interest bearing
	%	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	1.40%	64,802	12,300	52,499	3
Receivables[i]					
– Inter hospital debtors		1,445	–	–	1,445
– Trade debtors		1,778	–	–	1,778
– Patient fees		8,166	–	–	8,166
– Accrued investment income		1,001	–	–	1,001
– Diagnostic debtors		1,229	–	–	1,229
– Sundry debtors		5,253	–	–	5,253
Other financial assets					
– Available for sale – managed funds	1.83%	80,959	–	3,443	77,516
– Held for trading – managed funds	5.11%	35,555	24,531	–	11,024
– Shares in other entities		1	–	–	1
– Term deposit		–	–	–	–
Total financial assets		**200,188**	**36,831**	**55,942**	**107,414**
Financial liabilities					
Payables					
– Trade creditors and accruals		23,665	–	–	23,665
– Deposits		35	–	–	35
– Sundry creditors		3,986	–	–	3,986
– TCV loan[ii]	4.93%	27,988	27,988	–	–
– Finance lease liabilities	4.86%	1,030,490	1,030,490	–	–
Other financial liabilities					
– Monies held in trust		59	–	–	59
Total financial liabilities		**1,086,223**	**1,058,478**	**–**	**27,745**

Note 7.1: Financial instruments (continued)

Consolidated 2016	Weighted average effective interest rates %	Carrying amount $'000	Interest rate exposure: Fixed interest rate $'000	Interest rate exposure: Variable interest rate $'000	Interest rate exposure: Non interest bearing $'000
Financial assets					
Cash and cash equivalents	1.86%	82,836	61,709	21,119	8
Receivables[(i)]					
– Inter hospital debtors		2,572	–	–	2,572
– Trade debtors		3,058	–	–	3,058
– Patient fees		6,946	–	–	6,946
– Accrued investment income		580	–	–	580
– Diagnostic debtors		1,270	–	–	1,270
– Sundry debtors		2,902	–	–	2,902
Other financial assets					
– Available for sale – managed funds	3.12%	74,814	6,651	–	68,163
– Held for trading – managed funds	3.69%	25,627	15,483	–	10,144
– Shares in other entities		1	–	–	1
– Term deposit		–	–	–	–
Total financial assets		**200,606**	**83,844**	**21,119**	**95,644**
Financial liabilities					
Payables					
– Trade creditors and accruals		20,760	–	–	20,760
– Deposits		29	–	–	29
– Sundry creditors		4,859	–	–	4,859
– TCV loan[(ii)]	4.93%	28,823	28,823	–	–
– Finance lease liabilities	4.88%	1,061,650	1,061,650	–	–
Other financial liabilities					
– Monies held in trust		74	–	–	74
Total financial liabilities		**1,116,195**	**1,090,473**	**–**	**25,722**

(i) The carrying amount excludes types of statutory financial assets and liabilities (GST input tax credit, GST payable, Department of Health and Human Services payables and income in advance).

(ii) The TCV loan has a fixed interest rate of 4.93% maturing on 31 December 2036.

Sensitivity analysis

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

- a shift of +0.25% and -0.25% in the current market interest rates from year-end rates; and
- a shift of +10% and -10% in current market indices.

Base rates are sourced from Victorian Funds Management Corporation.

The following table discloses the impact on net operating result and equity for each category of financial instrument at year end as presented to key management personnel, if changes in the relevant risk occur.

Financial instruments that have a fixed interest over the next 12 months are not subject to risk arising from movement in market interest rates, and have not been included in the table below.

Consolidated 2017	Carrying amount	Interest rate risk				Other price risk			
		-0.25%		+0.25%		-10%		+10%	
	$'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	64,802	(162)	(162)	162	162	–	–	–	–
Investments									
– Units in managed funds (available for sale)	80,959	(9)	(9)	9	9	–	(7,752)	–	7,752
– Units in managed funds (held for trading)	35,555	(61)	(61)	61	61	(1,102)	(1,102)	1,102	1,102
– Shares in other entities	1	–	–	–	–	–	–	–	–
	181,317	**(232)**	**(232)**	**232**	**232**	**(1,103)**	**(8,854)**	**1,103**	**8,854**

Consolidated 2016	Carrying amount	Interest rate risk				Other price risk			
		-0.25%		+0.25%		-10%		+10%	
	$'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	82,836	(207)	(207)	207	207	–	–	–	–
Investments									
– Units in managed funds (available for sale)	74,814	(17)	(17)	17	17	–	(6,816)	–	6,816
– Units in managed funds (held for trading)	25,627	(39)	(39)	39	39	(1,014)	(1,014)	1,014	1,014
– Shares in other entities	1	–	–	–	–	–	–	–	–
	183,278	**(262)**	**(262)**	**262**	**262**	**(1,015)**	**(7,831)**	**1,015**	**7,831**

(f) Fair value

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

(i) Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

(ii) Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

(iii) Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Royal Children's Hospital considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the financial instruments and the expectation that they will be paid or received in full.

The following table shows that the fair values of the contractual financial assets and liabilities are the same as their carrying amounts.

Note 7.1: Financial instruments (continued)

Comparison between carrying amount and fair value

Consolidated	Carrying amount 2017 $'000	Fair value 2017 $'000	Carrying amount 2016 $'000	Fair value 2016 $'000
Financial assets				
Cash and cash equivalents	64,802	64,802	82,836	82,836
Receivables				
– Inter hospital debtors	1,445	1,445	2,572	2,572
– Trade debtors	1,772	1,772	3,008	3,008
– Patient fees	7,698	7,698	6,533	6,533
– Accrued investment income	1,001	1,001	580	580
– Diagnostic debtors	1,127	1,127	1,245	1,245
– Sundry debtors	5,092	5,092	2,902	2,902
Other financial assets				
– Available for sale – managed funds	80,959	80,959	72,814	74,814
– Held for trading – managed funds	35,555	35,555	25,627	25,627
– Shares in other entities	1	1	1	1
Total financial assets	**199,452**	**199,452**	**200,118**	**200,118**
Financial liabilities				
Payables				
– Trade creditors and accruals	23,665	23,665	20,760	20,760
– Deposits	35	35	29	29
– Sundry creditors	3,986	3,986	4,859	4,859
Other financial liabilities				
– Monies held in trust	59	59	74	74
– Interest bearing liabilities	27,988	27,988	28,823	28,823
– Finance lease liabilities	1,030,490	1,030,490	1,061,650	1,061,650
Total financial liabilities	**1,086,223**	**1,086,223**	**1,116,195**	**1,116,195**

Financial assets measured at fair value

Consolidated	Carrying amount as at 30 June 2017 $'000	Fair value measurement at end of reporting period using: Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets at fair value through profit or loss				
Other financial assets				
– Available for sale – managed funds	80,959	20,934	60,025	–
– Held for trading – managed funds	35,555	–	35,555	–
– Shares in other entities	1	–	1	–
Total financial assets	**116,515**	**20,934**	**95,582**	**–**

Consolidated	Carrying amount as at 30 June 2016 $'000	Fair value measurement at end of reporting period using: Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets at fair value through profit or loss				
Other financial assets				
– Available for sale – managed funds	74,814	17,210	57,604	–
– Held for trading – managed funds	25,627	–	25,627	–
– Shares in other entities	1	–	1	–
Total financial assets	**100,442**	**17,210**	**83,232**	**–**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of The Royal Children's Hospital's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Financial assets at fair value through profit or loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by The Royal Children's Hospital based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributed transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other comprehensive income as required by AASB 139 para 55. Any dividend or interest on a financial asset is recognised in the net result for the year.

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in net result incorporates any dividend or interest earned on the financial asset.

Reclassification of financial instruments at fair value through profit or loss

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit or loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit or loss. In these cases, the financial instrument asset may be reclassified out of the fair value through profit or loss category, if there is an intention and ability to hold them for the foreseeable future or until maturity.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets 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, less any impairment.

Loans and receivables category includes cash and deposits (refer to note 6.2), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Available-for-sale financial instrument assets 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 gains and losses arising from changes in fair value are recognised in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period. Fair value is determined in the manner described in 7.1 (f).

Note 7.1: Financial instruments (continued)

Reclassification of available-for-sale financial assets

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be classified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, 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.

Financial instrument liabilities measured at amortised cost include all of The Royal Children's Hospital's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

The financial liabilities include the Department of Health and Human Services' obligations to the Children's Health Partnership for the Quarterly Service Payment (QSP) for the new Royal Children's Hospital.

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;
- The Royal Children's Hospital 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 Royal Children's Hospital has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed.

The amount of 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.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 per cent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2017 for its portfolio of financial assets, The Royal Children's Hospital used the market value of the individual units in the funds invested which was provided by the Victorian Funds Management Corporation.

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.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

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

Revaluation of financial instruments at fair value

Any revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Proceeds from disposal of non-current assets		
Computers and communications	13	–
Motor vehicles	4	–
Total proceeds from disposal of non-current assets	**17**	**–**
Less: written down value of non-current assets disposed		
Plant and equipment	8	91
Medical equipment	173	232
Computers and communications	20	17
Furniture and fittings	3	5
Motor vehicles	2	–
Total written down value of non-current assets disposed	**206**	**346**
Net gain/(loss) on disposal of non-financial assets	**(189)**	**(346)**

Disposal of non-financial assets

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

Impairment of non-financial assets

All non-financial assets are assessed annually for indications of impairment, except for:

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds their possible recoverable amount. Where an asset's carrying amount 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 account applicable to that same class of asset.

If there is an indication that there has been a reversal 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 or destruction 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.

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.

Contingent liabilities

In the 2017 financial year, The Royal Children's Hospital has entered into a TNA (Transaction Negotiated Authority) 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.

Any claims made against The Royal Children's Hospital 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.

Note 8.1: Equity

	Consolidated 2017 $'000	Consolidated 2016 $'000
(a) Surpluses		
Property, plant and equipment revaluation surplus(i)		
Balance at the beginning of the year	186,626	175,330
Revaluation increment/(decrement)(i)		
– Land	362	11,296
Balance at the end of the year	**186,988**	**186,626**
Represented by		
– Land	49,584	49,223
– Buildings	137,198	137,198
– Artwork	205	205
	186,988	**186,626**
Financial assets available for sale revaluation surplus(ii)		
Balance at the beginning of the year	6,297	17,768
Valuation gain/(loss) recognised(ii)	5,475	3,764
Cumulative gain(loss) on available-for-sale financial assets transferred to operating statement	(4,046)	(15,235)
Balance at the end of the year	**7,726**	**6,297**
Restricted specific purpose surplus		
Balance at the beginning of the year	96,646	83,712
Transfer (to)/from accumulated surpluses/(deficits)	26,191	12,934
Balance at the end of the year	**122,839**	**96,646**
Total reserves	**317,553**	**289,569**
(b) Contributed capital		
Balance at the beginning of the year	91,314	91,314
Balance at the end of the year	**91,314**	**91,314**
(c) Accumulated surpluses/(deficits)		
Balance at the beginning of the year	(141,337)	(138,849)
Net result for the year	6,003	10,446
Transfer (to)/from reserves	(26,191)	(12,934)
Balance at the end of the year	**(161,527)**	**(141,337)**
Total equity at the end of the year	**247,339**	**239,547**

(i) The property, plant and equipment revaluation is a result of managerial revaluations of property, plant and equipment in accordance with FRD103. Refer note 4.2. This includes assets contracted under the PPP arrangement, reported on behalf of the State of Victoria.

(ii) The financial assets available-for-sale revaluation surplus balance is as a result of the year-on-year revaluations of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the reserve relating to that financial asset is realised and reclassified to net result in the comprehensive operating statement. When a revalued financial asset is impaired, the portion of the reserve relating to the impairment of that financial asset is reclassified to net result in the comprehensive operating statement.

Contributed capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119A Contributions by Owners, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions by owners that have been designated as contributed capital are also treated as contributed capital.

Property, plant and equipment revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

Financial asset available-for-sale revaluation surplus

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the surplus which relates to that financial asset is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

Specific restricted purpose reserve

A specific restricted purpose reserve is established where The Royal Children's Hospital has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

Note 8.2: Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	Consolidated 2017 $'000	Consolidated 2016 $'000
Net result for the year	**6,003**	**10,446**
Non-cash movements		
Depreciation and amortisation	44,409	40,039
Facility management, lifecycle and other expenses paid by DHHS under PPP agreement	(41,694)	(39,782)
DHHS – indirect contribution on repayment of finance lease liabilities	(82,048)	(82,048)
Facility management, lifecycle and other charges under PPP agreement	41,694	39,782
PPP – non-cash finance lease interest expense	50,888	52,491
Provision for doubtful receivables	463	(261)
Revaluation of held-for-trading financial instruments	(624)	–
Revaluation of long service leave	(4,828)	–
Revaluation of investment properties	(606)	(703)
Assets received free of charge	–	(3)
Movements included in investing and financing activities		
Net (gain)/loss from sale of non-financial assets	189	346
Income from managed funds reinvested	–	(203)
Available-for-sale revaluation surplus (gain)/loss recognised	(4,046)	(15,755)
Movements in assets and liabilities		
Change in operating assets and liabilities		
– (Increase)/decrease in held for trading investments	(9,304)	18,772
– Increase/(decrease) in payables	2,204	11,518
– Increase/(decrease) in employee benefits	6,232	13,804
– (Increase)/decrease in other assets	(18,538)	(8,562)
– (Increase)/decrease in receivables	(5,031)	(4,875)
– Increase/(decrease) in other liabilities	(981)	32,032
– Increase/(decrease) in non-current interest bearing liability	(2,415)	(31,995)
Less cash flows from investing and financing activities		
Net cash (inflow)/outflow from investing and financing activities	27,528	11,319
Net cash inflow/(outflow) from operating activities	**9,493**	**46,364**

Note 8.3: Responsible persons disclosures

(a) Responsible persons

	Period	
Responsible Minister		
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1 July 2016	30 June 2017
The Honourable Martin Foley, Minister for Housing Disability and Ageing, Minister for Mental Health, Minister for Equality, and Minister for Creative Industries	1 July 2016	30 June 2017
Governing Boards		
Hon Rob Knowles AO (Chairman)	1 July 2016	30 June 2017
Dr Christine Cunningham	1 July 2016	30 June 2017
Ms Jacinda de Witts	13 September 2016	15 January 2017[i]
Ms Jacinda de Witts	1 May 2017[i]	30 June 2017
Ms Petrina Dorrington	1 July 2016	30 June 2017
Mr Max Findlay	1 July 2016	30 June 2017
Mr David Lau	1 July 2016	30 June 2017
Mr David Mandel	1 July 2016	30 June 2017
Dr Linden Smibert	1 July 2016	30 June 2017
Mr Peter Yates AM	1 July 2016	30 June 2017
Accountable Officers		
Professor Christine Kilpatrick (Chief Executive Officer)	1 July 2016	28 April 2017
John Stanway (Chief Executive Officer)	29 April 2017	30 June 2017

(i) Ms de Witts was seconded to DHHS for the period 16 January 2017 to 30 April 2017 and accordingly took leave of absence from the RCH Board.

Remuneration received or receivable by responsible persons was in the range: $10,000–$489,999 ($10,000–$489,999 in 2015–16).

Note 8.4: Executive officers disclosures

Remuneration of executives

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

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

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

Post-employment benefits include pensions and other retirement benefits 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.

Share-based payments are cash or other assets paid or payable as agreed between the health service and the employee, provided specific vesting conditions, if any, are met.

Remuneration of executive officers

	Total remuneration	
	2017	2016[i]
Short term employee benefits	2,601,530	–
Post employment benefits	230,813	–
Other long term benefits	47,662	–
Termination benefits	–	–
Share-based payments	–	–
Total remuneration[i][ii]	**2,880,005**	**–**
Total number of executives	**12**	**–**
Total annualised employee equivalent (AEE)[iii]	**8.21**	**–**

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior years financial statements for executive remuneration for the 2015–16 reporting period.

(ii) 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 8.5).

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

Note 8.5: Related parties

The Royal Children's Hospital 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 Royal Children's Hospital

Entity	Key management personnel	Position title
The Royal Children's Hospital	Hon Rob Knowles AO	Board Chair
The Royal Children's Hospital	Dr Christine Cunningham	Board Member
The Royal Children's Hospital	Ms Jacinda de Witts	Board Member
The Royal Children's Hospital	Ms Petrina Dorrington	Board Member
The Royal Children's Hospital	Mr Max Findlay	Board Member
The Royal Children's Hospital	Mr David Lau	Board Member
The Royal Children's Hospital	Mr David Mandel	Board Member
The Royal Children's Hospital	Dr Linden Smibert	Board Member
The Royal Children's Hospital	Mr Peter Yates AM	Board Member
The Royal Children's Hospital	Christine Kilpatrick	Chief Executive Officer 1/7/16–28/4/17
The Royal Children's Hospital	John Stanway	Chief Executive Officer 29/4/17–30/6/17

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. 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	2017 ($'000)
Short term employee benefits	698
Post-employment benefits	58
Other long-term benefits	–
Termination benefits	–
Share based payments	–
Total	**756**

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 evaluating decisions about the allocation of scarce resources.

The Royal Children's Hospital Foundation

Two Board Members and the CEO(s) of The Royal Children's Hospital are also Directors of The Royal Children's Hospital Foundation.

The transactions between the two entities relates to reimbursements made by The Royal Children's Hospital's Foundation to The Royal Children's Hospital 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 2017 $
Distributions and reimbursements by The Royal Children's Hospital Foundation	34,676,351

The Royal Children's Hospital Education Institute Limited

The CEO of The Royal Children's Hospital was a Director of The Royal Children's Hospital Education Institute Limited.

The transactions between the two entities relates to a cash distribution to The Royal Children's Hospital following the deregistration of The Royal Children's Hospital Education Institute Limited.

	Parent Entity 2017 $
Cash distribution from The Royal Children's Hospital Education Institute Limited following deregistration	928,369

Other receivables from and payables to related party entities

	Parent Entity 2017 $
The Royal Children's Hospital Foundation	5,524,694

Victorian Comprehensive Cancer Centre

The CEO(s) of The Royal Children's Hospital were Directors of Victorian Comprehensive Cancer Centre during the 2017 financial year.

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

	Parent Entity 2017 $
Payments by The Royal Children's Hospital for membership fees	145,000

Note 8.5: Related parties (continued)

Murdoch Children's Research Institute

The CEO(s) of The Royal Children's Hospital were Directors of Murdoch Children's Research Institute during 2017 financial year.

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

	Parent Entity 2017 $
Payments by The Royal Children's Hospital for general research funding, clinical supplies and support and reimbursements from Murdoch Children's Research Institute of salaries and good and services	20,265,638

Optus

A Director of The Royal Children's Hospital is an employee of Optus. Optus provided services to The Royal Children's Hospital during the financial year ended 30 June 2017. The Director 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 2017 $
Telephone charges	269,405

Significant transactions with government-related parties

The Royal Children's Hospital received funding from the Department of Health and Human Services of $422 million.

The Royal Children's Hospital received funding from the Department of Education and Training of $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 8.6: Remuneration of auditors

	Consolidated 2017 $'000	Consolidated 2016 $'000
Victorian Auditor-General's Office		
Audit or review of financial statements	167	165
Other service providers		
Audit or review of financial statements	70	59
Total remuneration	**237**	**224**

Note 8.7: Controlled entities

Name of entity	Country of incorporation/ establishment	Equity holding
The Royal Children's Hospital Foundation Trust Fund	Australia	n/a
The Royal Children's Hospital Education Institute Limited(i)	Australia	Limited by guarantee

Controlled entities contribution to the consolidated results	2017 $'000	2016 $'000
Net result for the year		
The Royal Children's Hospital Foundation Trust Fund	4,514	(4,628)
The Royal Children's Hospital Education Institute Limited(i)	(925)	(582)
Total result for controlled entities	**3,589**	**(5,210)**

(i) Deregistered on 16 February 2017

Note 8.8: Ex-gratia payments

Nil.

Note 8.9: 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 8.10: Financial dependency

The Royal Children's Hospital is reporting a net result before capital and specific items of $2,950k (2016: $37k), a net current asset position of negative $131,846k (2016: negative $120,342k), resulting in a current asset ratio of 0.32 (2016: 0.36) and a net cash flow from operations of $10,921k (2016: $49,113k).

As a result, the Royal Children's Hospital is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services.

Going concern

The Department of Health and Human Services has provided confirmation that it will continue to provide The Royal Children's Hospital adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2018. On that basis, the financial statements have been prepared on a going concern basis.

Note 8.11: Alternative presentation of comprehensive operating statement

	Note	Parent entity 2017 $'000	Parent entity 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Grants					
– Operating	2.1	479,280	459,731	479,793	459,877
– Capital	2.1	85,049	90,956	85,049	90,956
Interest and dividends	2.1	924	1,828	1,509	5,235
Sales of goods and services	2.1	62,990	59,360	62,990	59,360
Other income					
– Other capital income	2.1	3,119	20,528	(225)	20,527
– Other operating income	2.1	67,756	60,138	77,404	38,808
– Available-for-sale revaluation surplus recognised	2.1	194	67	4,046	15,235
Revenue from transactions		**699,313**	**692,608**	**710,564**	**689,998**
Employee expenses	3.1	(421,979)	(399,315)	(424,230)	(401,258)
Operating expenses					
– Supplies and consumables	3.1	(69,251)	(69,406)	(69,251)	(69,406)
– Non-salary labour costs	3.1	(18,261)	(19,365)	(18,403)	(19,436)
– Finance costs – self funded activity	3.3	(1,402)	(1,442)	(1,402)	(1,442)
– Other	3.1	(97,109)	(91,493)	(99,651)	(94,145)
Non-operating expenses					
– Impairment of non-financial assets	3.1	–	–	–	(561)
– Finance costs – other	3.3	(50,888)	(52,491)	(50,888)	(52,491)
– Expenditure for capital purpose	3.1	(2,164)	(772)	(2,164)	(772)
Depreciation and amortisation	4.3	(43,988)	(39,638)	(44,409)	(40,039)
Expenses from transactions		**(705,040)**	**(673,922)**	**(710,397)**	**(679,552)**
Net result from transactions		**(5,727)**	**18,686**	**167**	**10,446**
Other economic flows included in net result					
Net gain/(loss) on financial instruments	2.1	–	–	624	–
Revaluation of long service leave	2.1	4,828	–	4,828	–
Other gains/(losses) from other economic flows	2.1	383	–	383	–
Total other economic flows included in net result		**5,212**	**–**	**5,836**	**–**
NET RESULT FOR THE YEAR		**(516)**	**18,686**	**6,003**	**10,446**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Changes to financial assets available-for-sale revaluation surplus	8.1	84	(468)	1,429	(11,471)
Items that will not be reclassified to net result					
Changes in property, plant and equipment revaluation surplus	8.1	–	11,189	362	11,296
COMPREHENSIVE RESULT FOR THE YEAR		**(432)**	**29,407**	**7,793**	**10,271**

Note 8.12: AASBs issued that are not yet effective

As at 30 June 2017, 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 Royal Children's Hospital 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
AASB 9 *Financial Instruments*[1]	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014–1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASBs to reflect the AASBs decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements.
AASB 2014–7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASBs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 *Revenue from Contracts with Customers*	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.	1 Jan 2018	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. The Standard will also require additional disclosures on service revenue and contract modifications.

Note 8.12: 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
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	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. The amendments: • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and • clarifies circumstances when a contract with a customer is within the scope of AASB 15.	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136.
AASB 1058 *Income of Not-for-Profit Entities*	This standard replaces AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

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 2016-17 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 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

(1) For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

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