The Royal Children's Hospital Melbourne

Annual Financial Report 2021-22

Vision

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

Mission

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

Values

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

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

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

Excellence
We are committed to achieving our goals and improving outcomes

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

Contents

Chair's report

As we approach the end of another year, even with the challenges it brought, we continue to learn, adjust and commit to providing the best paediatric healthcare and set new goals for our future.

It would be remiss not to mention the pandemic and the continual time, resources and effort that have gone into managing the COVID-19 variants throughout 2021–2022. However, there has been a shift over the past 12 months. We are learning to live with COVID and re-focus our attention and energies on other goals and a new vision for The Royal Children's Hospital. It is an exciting time for me to take on the role as Chair of the Board, and I very much look forward to building a brighter future with the entire RCH team.

In many ways, the 2021–2022 period was a significant time for milestones at the RCH. We marked 10 years since Her Majesty the Queen opened the new RCH building. We celebrated 10 years of our hospital's beloved meerkats bringing much-needed doses of joy to children and families in our care. The 91st Good Friday Appeal was the most successful yet, raising over $22 million for the RCH and highlighting just how important the hospital is in the hearts of all Victorians.

Despite the ongoing effects of the pandemic, the hospital recorded a surplus of $183,000. This surplus has been enabled by continued funding support from the Department of Health, which continues to allow for the recovery of pandemic-related financial losses.

This year we sadly lost one of the Melbourne Children's Campus's most eminent scientists and microbiologists with the passing of Professor Ruth Bishop AC. Ruth devoted her career to improving child health, with her most significant discovery being the identification of rotavirus in 1973. This discovery, and the subsequent rotavirus vaccine, has saved thousands of children's lives around the world. Prior to the introduction of rotavirus vaccines in Australia, more than 10,000 children were admitted to hospital every year with rotavirus gastroenteritis. Thanks to Ruth's pioneering research, the gastroenteritis ward at the RCH was able to close down. There have been few Australian scientists or clinicians who have had such an impact on child health worldwide. Ruth leaves behind a wonderful legacy for all of us here at the RCH.

Earlier this year, we embarked on the exciting journey of developing a new vision and role for the RCH with the launch of Conversation Starters. More than 60 staff were newly-minted as 'Conversation Starters', with the goal to speak to as many staff members as possible about how they envisaged the role of the hospital in 2050 and what we can do now to help this transformation happen. More than 3,000 conversations took place over the course of one month, and this new vision, informed by the voices of our staff, patients, and families, will become our new beacon to guide us as we develop our next strategic plan later this year.

We will be working with the entire RCH team on a new strategic plan informed by our Conversation Starters

On behalf of the RCH Board of Directors, I would like to thank the entire RCH team, whose efforts each and every day continue to make the RCH Australia's leading paediatric hospital. It has been a challenging 12 months, with what feels like endless demand on our services, and their resilience and commitment to the families and children in our care is second-to-none.

I would like to recognise the incredible work of our CEO, Bernadette McDonald, who was appointed in September 2021, as well as the entire RCH Executive team. They have demonstrated exemplary leadership over the past 12 months, steering our organisation through an incredibly difficult time.

It is also essential that we recognise the continued support of The Royal Children's Hospital Foundation and their significant contributions to the hospital over the past year. Alongside our other campus partners, the Murdoch Children's Research Institute and the University of Melbourne Department of Paediatrics, we continue to deliver excellence in research, education and care for children and young people both here and overseas. This work would not be possible without the collaboration of our partners or the generous spirit of the community that supports everything we do.

Finally, I would like to take this opportunity to thank my predecessor, the Honourable Rob Knowles AO, who retired from his position as Board Chairman in June 2022. Rob spent the past decade guiding the RCH through tremendous change, overseeing the delivery of two RCH strategic plans and the successful implementation of the hospital-wide Electronic Medical Record (EMR). Rob has provided outstanding leadership to the RCH Board, Executive and the broader team for almost 10 years. His experience, guidance and insight will be missed.

While it has been a challenging time for everyone, we have a lot to look forward to in the coming year. We will be working with the entire RCH team on a new strategic plan informed by our Conversation Starters and new vision, and I look forward to being part of this next invigorating chapter at the RCH. In the meantime, we will continue leading the way and providing great care, everywhere.

Dr Rowena Coutts
Board Chair

CEO's report

Thank you to every patient, family member and friend of the RCH, who helps make this such a special place to be

The 2021–2022 financial year was a challenging but rewarding period for everyone at the RCH. Demand on the entire healthcare system has continued to grow, and we have had to be flexible and innovative in how we have met the increasing needs of the community we serve.

Our Emergency Department (ED) remains one of the busiest EDs in Victoria, often experiencing more than 300 presentations per day. We continue to develop strategies to manage this demand and are committed to communicating openly with our community on expected wait times, pressure on our services, and alternative care options closer to home.

In the 2021–2022 financial year, we provided care for:

- 91,142 Emergency Department presentations
- 444,075 ambulatory appointments
- 13,443 surgeries
- 44,959 inpatient admissions.

New developments

Work on a new 30-bed inpatient unit began in March 2022 and is expected to be open in early 2023. Our hospital capacity will be further supported by the expansion of our ED, with work beginning in July 2022. The new redevelopment will allow for an extra 20 clinical treatment spaces, upgraded staff rooms, a new entrance to the ED, and a purpose-built sensory room to meet the changing needs of families and children in our care. These new redevelopments will not only increase capacity at our hospital but will allow us to attract and employ more staff to our health service in future years.

Our pandemic response

The entire hospital has adapted alongside the pandemic as we have transitioned to living with COVID-19. North Court became an exclusive and much-needed respite space for staff, Dolphin ward became a dedicated COVID-19 ward, and we introduced Rapid Antigen Testing for families. Our Respiratory Infection Clinic and Laboratory Service teams have continued on the frontline of our pandemic response, and I think nothing illustrates their hard work more than completing their 100,000th COVID-19 swab in December 2021, followed shortly by their 200,000th test in March 2022.

Staff health and wellbeing

Addressing pandemic fatigue and staff wellbeing were among our highest priorities in 2021–2022. We are now halfway through our 2021–2023 Staff Mental Health Strategy, which was developed in response to our Pulse and People Matter Survey results from 2020. The strategy, developed by the RCH Workplace Health and Safety team, sets out a framework and objectives to support the mental health and wellbeing of our staff. It adopts an integrated approach to mental health, with multiple interventions aimed at mental health promotion, prevention and support.

Over the past year, the RCH Staff Mental Health Strategy Team has been working away, collaborating with different departments and wards to deliver an array of mental health initiatives, training and seminars. In the first year of the strategy, they delivered:

- Mental Health First Aid Training
- The Level 1 Wellbeing Hub for staff
- Staff training, education and seminars covering various mental health and wellbeing topics.

While we continue to build on the work done so far, we will also be introducing some new initiatives over the coming year. We have re-evaluated the Staff Mental Health Strategy in light of current challenges to ensure it effectively meets our staff's present needs.

We are forming a Workplace Wellbeing Advisory Group with representatives from across the RCH to deepen our understanding of how we can best support staff from all areas. In early 2022, we also introduced Fitness Passport, a discounted workplace health and fitness program available to all staff and their families and many more initiatives which teams implemented from our wellbeing grants process.

Engaging with our community

We continue to expand our digital outreach, driving conversations around emerging health topics and keeping Australian families informed. We hosted multiple Facebook Lives to engage with our audience on prevalent COVID-19 topics alongside our quarterly RCH National Child Health Poll and our Kids Health Info Podcast.

Our Facebook Lives covered the COVID-19 vaccine, mental health impacts, the physical effects of COVID-19, and returning to school after lockdown. The most far-reaching Facebook Live was on COVID-19 vaccines for five to 11-year-olds, with the event and subsequent video reaching over two million people around the world.

The RCH National Child Health Poll continues to be a highly respected source of ground-breaking research and a national conversation starter, with polls in the past year covering ready-made baby foods, flu vaccines for children, COVID-19 vaccines and kids and sport during the pandemic. I am very proud of how we have continued to grow and support our online community through all three of these platforms while visitor restrictions onsite remained in place.

And finally

Our Executive team has undergone a few changes over the course of the year, including my own appointment in September and I would like to acknowledge both my predecessors, John Stanway and Ed Oakley. John retired in early July 2021 and Ed took up the role in an Acting capacity until I came on board.

On behalf of the entire Executive team, I would like to thank all our staff and volunteers for their tremendous efforts over the last 12 months. Despite every challenge that comes their way, they continue to go above and beyond to support the health and wellbeing of children, young people and families who entrust us with their care.

I would like to thank the RCH Board for their leadership and guidance over the past year and welcome Dr Rowena Coutts to her new role as Board Chair. I would also like to acknowledge the retirement of our former Chairman, the Honourable Rob Knowles AO. Rob dedicated almost 10 years of service to the hospital as Chairman and will remain a lifelong friend of the RCH.

Finally, I would like to say thank you to every patient, family member and friend of the RCH who helps makes this such a special place to be. We will continue to provide world-class care in one of the best children's hospitals in the world, and ultimately improve the lives of children and families everywhere.

Bernadette McDonald
Chief Executive Officer

Staff Excellence Awards

At our 2021 Staff Excellence Awards celebration, we paid tribute to the incredible work of team members across the organisation.

The recipients of the 2021 awards were:

Chairman's Medal
Sonja Elia

CEO Award for Great Care—Clinical Excellence
Pharmacy Clinical Trials team

CEO Award for Great Care—Positive Experience
Annette Gaulton

CEO Award for Great Care—A Safe Place
Dianne Tucker

CEO Award for Great Care—Sustainable Healthcare
Joanna Lawrence

CEO Award for Great Care—Timely Access
Dolphin ward

Dr William Snowball Award
Tristan Harding

Mary Patten Award
Andrew Boucher

Allied Health Award
Lisa Robson

Yvonne Wagner Award
Kerrie Scott

Supporting Great Care Award
Oscar Nowak

Excellence in Return to Work Award
Dolores Gatt

Excellence in Health, Safety and Wellbeing Award
Jayne Morrison

2021–2022 Board member profiles

CHAIRMAN
The Honourable Rob Knowles AO

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

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

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

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

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

Dr Christine Cunningham
BA, BLit, MSc, PhD, GAICD

Dr Christine Cunningham is an experienced consultant who provides a wide range of research and evaluation services for public, private and the NFP sectors. She commenced her career as a clinician, moving into policy and program development and redesign roles within the Department of Health and regional hospitals. Chris has also enjoyed sessional lecturing in statistics and is a member of the Swinburne University Postgraduate Applied Statistics Advisory Committee. She is an experienced Non-Executive Director and Chairman with more than 15 years of service on health and education boards, including nine years on the Board of Northeast Health Wangaratta, five of which as Chairman. Christine is currently the Chair of the North East Catchment Management Authority Board and the Merriwa Industries Board. Christine is a Fellow of the Australian Institute of Company Directors with a PhD from the University of Melbourne and a Master's Degree in Science (Applied Statistics).

Professor Richard Doherty
MBBS (Hons), DObstRCOG, FRACP.

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

Pallavi Khanna
CA, GAICD

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

Sammy Kumar
B. Bus, FCA

Sammy Kumar is the co-founder and CEO of Sayers Group. Sammy is a business leader with over 32 years of experience in management consulting, mergers and acquisitions, risk management, strategy, technology and ventures. Sammy's work includes significant experience in many overseas markets, including the US, Canada, South America and the Asia Pacific. He has advised companies in a number of sectors including financial services, telecommunications, technology services, private equity and venture capital. During his time at PwC, he started, led and grew businesses in Australia and the Asia-Pacific region managing revenues of over $1 billion. Sammy is a thought leader on a range of topics, including revenue risk management, mega trends impacting economies and the impact of technology on business strategy. Sammy is a committed member of the broader community. In addition to serving on the RCH and RCH Foundation Boards, he is also a Trustee of Melbourne and Olympic Park.

Dr Linden Smibert
MBBS, FRACGP, FAICD.

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

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

After many years of technology leadership experience in Australia, the US, UK, and Europe, Dr Michael Wildenauer transitioned into academia. At La Trobe Business School (LBS), he was a Professor of Practice in Management, teaching MBA and master's courses on the social and ethical issues around technology, business and in corporate governance. Michael is currently the Teaching & Learning Manager and a Researcher at the Centre for AI and Digital Ethics (CAIDE) at the University of Melbourne Law School. In addition to his role on the RCH Board, Michael is Chair of the Professional Ethics Committee of the Australian Computer Society (ACS) and, until recently, a Member of its Professional Standards Board. He has previously held Board and Independent Committee Member roles at Kyneton District Health and Central Highlands Rural Health as a Board Director and member of the Governance and Remuneration, Clinical Governance, and Audit and Risk Committees. Michael has been awarded a PhD in Corporate Governance for research on board effectiveness in startups, an MBA with a concentration in computing, a GradDip in Communications Law, and a BSc in Pure Mathematics and Computing. His research interests are at the intersection of ethics, technology, rights, law, and governance.

The Hon Rob Knowles concluded his time as Chairman on 30 June 2022. Dr Rowena Coutts commenced as Chair on 1 July 2022.

RCH Board Sub-committee membership 2021–2022 financial year

Audit and Corporate Risk Management Committee

- Pallavi Khanna (Chair)
- Dr Rowena Coutts
- Dr Linden Smibert
- Michelle Bendschneider (External Member)

Community Advisory Committee

- Hon Rob Knowles AO (Chair – part-year)
- Dr Linden Smibert (Co-chair – part-year)
- Kris Pierce (Co-chair – part year)
- Elleni Bereded-Samuel AM

eHealth Board Sub-committee

- Sammy Kumar (Chair)
- Elleni Bereded-Samuel AM
- Dr Christine Cunningham
- Professor Richard Doherty
- Hon Rob Knowles AO
- Dr Michael Wildenauer

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

- Dr Rowena Coutts (Chair)
- Hon Rob Knowles AO
- Pallavi Khanna
- Dr Linden Smibert
- Max Findlay (External Member)

Quality and Population Health Committee

- Dr Christine Cunningham (Chair)
- Professor Richard Doherty
- Pallavi Khanna
- Dr Linden Smibert
- Dr Michael Wildenauer
- Rose Bryant-Smith (External Member – part year)

Remuneration Committee

- Hon Rob Knowles AO (Chair)
- Dr Rowena Coutts
- Dr Christine Cunningham

Workplace Culture Committee

- Dr Christine Cunningham (Chair)
- Hon Rob Knowles AO
- Professor Richard Doherty
- Dr Michael Wildenauer

Executive staff

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

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

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

Danielle Byrnes
Executive Director, People and Culture
BA, MIR, GAICD, FAHRI

A/Prof Tom Connell
Chief of Medicine
MB BAO BCH Med Science MRCPI FRACP PhD FRACMA

Alison Errey
Executive Director Communications and Strategy
MJour, GradDipPublicAdmin, MAICD

Kelly Bernard
Interim Executive Director Nursing and Allied Health and Chief Nursing Officer

Stuart Lewena
Chief of Critical Care
MBBS (Hons) B Med Science FRACP

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

Professor Matt Sabin
Executive Director Medical Services and Clinical Governance and Chief Medical Officer
BSc(Hons) MBBS(Hons) MRCPCH (UK) FRACP AFRACMA MAICD PhD MBA

Denise Patterson
Chief Operating Officer
MMidwifery, GradDipHealthMgt, G CertHospRedesign

John Stanway retired from his role as CEO on 9 July 2021. Ed Oakley commenced as Acting CEO from 9 July 2021 and concluded his duties in this role on 13 September 2021. Bernadette McDonald began her appointment as CEO on 13 September 2021.

Jane Miller concluded her role as Chief Operating Officer (COO) on 24 December 2021. Danielle Smith was Acting COO from 31 January 2022 to 30 May 2022. Denise Patterson commenced as COO from 30 May 2022.

Maria Flynn concluded her duties as Executive Director of Nursing and Allied Health and Chief Nursing Director on 17 June 2022. Kelly Bernard commenced in an interim capacity on 20 June 2022.

Jon Marcard concluded his role as Chief Financial Officer (CFO) on 17 February 2022 and Andrew Gay commenced as CFO on 23 May 2022.

Workforce data

Labour category	June current month FTE		Average monthly FTE	
	2021	2022	2021	2022
Nursing	1325.8	1375.2	1372.3	1331.9
Administration and Clerical	715.3	789.5	715.2	763.2
Medical Support	402.4	410.9	403.6	398.3
Hotel and Allied Services	298.9	241.7	284.2	245.0
Medical Officers	173.2	145.7	175.4	141.9
Hospital Medical Officers	342.1	460.8	333.2	430.1
Sessional Clinicians	153.2	136.4	153.3	133.7
Ancillary Staff (Allied Health)	361.5	390.1	357.2	375.6

Application of Employment and Conduct Principles

The RCH Code of Conduct is founded on four organisational values of Unity, Respect, Integrity and Excellence.

Complementing these values is our RCH Compact, comprising a set of 10 pledges setting out the ways in which our people have agreed that they will engage, behave and work together to better deliver great care.

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

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

Organisation structure

As at 30 June 2022

RCH Board

Chief Executive Officer **Bernadette McDonald**

General Counsel **Annabel Mann**

Centre for Health Analytics **Kate Lucas**

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

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

Chief of Medicine
Tom Connell

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

Chief of Surgery
Mike O'Brien

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

Chief of Critical Care
Stuart Lewena

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

Executive Director Nursing & Allied Health and Chief Nursing Officer
Kelly Bernard (Interim)

- Allied Health:
  - Audiology
  - Child Life Therapy
  - Equipment Distribution Centre
  - Gatehouse
  - Nutrition/Food Services
  - Occupational Therapy
  - Orthotic and Prosthetic Unit
  - Physiotherapy
  - Speech Pathology
  - Social Work and Pastoral Care
- Infection Prevention and Control
- Nursing Education
- Nursing Research
- Nursing Innovation

Chief Operating Officer
Denise Patterson

- Access and Hospital Management:
  - After Hours Managers
  - Bed Management
  - Code Grey Team
  - Hospital After Hours Management
  - Nursing and Administration
  - Workforce (including Interpreter and NESB Services)
- Ambulatory Services:
  - Complex Care Hub
  - Customer Contact Centre
  - Day Medical Centre
  - Day Oncology
  - Family Healthcare Support
  - Immunisation
  - Operations Business Unit
  - Specialist Clinics
  - Wallaby
- Education Institute
- EMR Optimisation and Education
- Laboratory Services
- Operations Support Team
  - International Patients
- Parkville EMR Team
- Pharmacy

Executive Director People & Culture
Danielle Byrnes

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

Executive Director, Communications
Alison Errey

- Archives
- Corporate Communications
- Family Services and Volunteers
- Partnerships and Consumer Engagement
- RCH National Child Health Poll

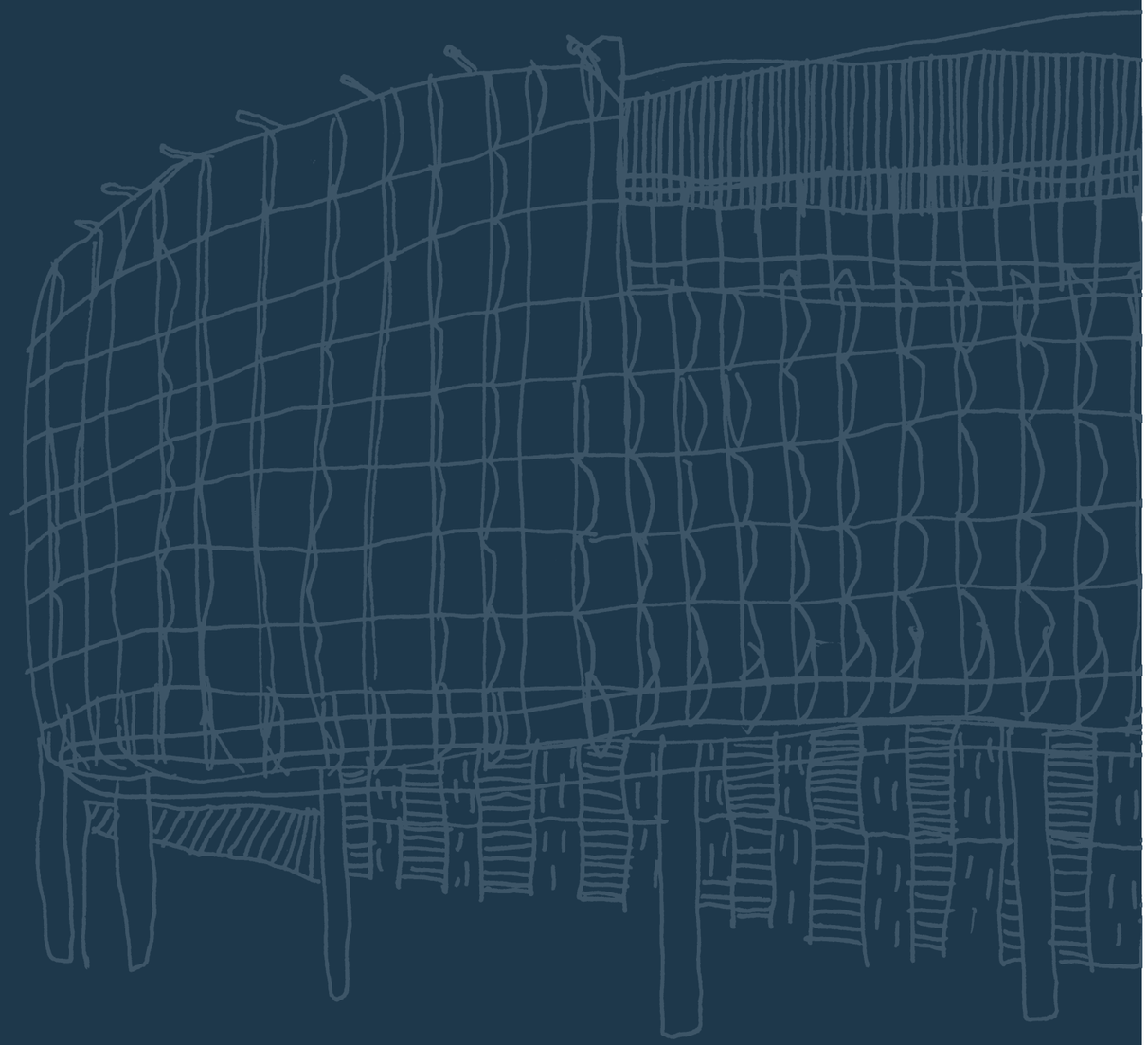
Chief Financial Officer
Andrew Gay

- Facilities and Emergency Management
- Finance
- Information Communication Technology
- Management Accounting
- Payroll
- Procurement and Supply
- Support Services

Executive Director Strategy, Planning and Performance
Sandy Bell

- Decision Support
- Health Information Services
- Internal Audit Coordination
- Risk and Information Management Systems
- Strategy and Planning

Statutory statements



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

Powers and duties

The powers and duties of the RCH are prescribed by the *Health Services Act 1988*. The hospital is accountable to the people of Victoria through the Minister for Health, and Minister for Ambulatory Services, The Honourable Mary-Anne Thomas MP, and the Minister for Mental Health, The Honourable Gabrielle Williams MP.

From 1 July 2021 to 27 June 2022, the hospital was accountable to the people of Victoria through the Minister for Health, and Minister for Ambulatory Services, The Honourable Martin Foley, MP and from 1 July 2021 to 27 June 2022, the Minister for Mental Health, The Honourable James Merlino MP.

Nature and Range of Services

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

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

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

The RCH leads a number of statewide services, including:

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

Freedom of information

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

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

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

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

Nominated FOI Officers

Annabelle Mann, General Counsel

Laura Hartmann, Senior Legal Counsel

Judith Smith, Freedom of Information Officer and Reviewer

Ricky Huynh, FOI Reviewer

Angela Wood, FOI Reviewer (from January 2021)

Requests received	2020–21	2021–22
Total requests	715	737
Access granted in full	347	329
No information available	34	21
Application withdrawn	61	80

Requests made came primarily from patients and their families (approximately 58.0 per cent), legal representatives (41 per cent) and the Transport Accident Commission (approximately 0.5 per cent). The remaining 0.5 per cent were from the Media or Members of Parliament for non-patient related information.

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

Building Act 1993

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

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

Statutory statements (continued)

Environmental performance

Greenhouse gas emissions	2019-20	2020-21	2021-22
Total greenhouse gas emissions (tonnes CO2e)			
Scope 1	6,359.55	6,657.22	6,763.91
Scope 2	32,488.06	29,361.45	27,553.62
Total	**38,848**	**36,019**	**34,318**
Normalised greenhouse gas emissions			
Emissions per unit of floor space (kgCO2e/m2)	232.622	215.682	205.495
Emissions per unit of Separations (kgCO2e/Separations)	829.085	803.952	838.240
Emissions per unit of bed-day (LOS+Aged Care OBD) (kgCO2e/OBD)	292.759	294.338	308.143

Stationary energy	2019-20	2020-21	2021-22
Total stationary energy purchased by energy type (GJ)			
Electricity	114,663.7	107,858.4	109,003.3
Natural Gas	121,766.1	129,191.2	131,261.5
Total	**236,430**	**237,050**	**240,265**
Normalised stationary energy consumption			
Energy per unit of floor space (GJ/m2)	1.416	1.419	1.439
Energy per unit of Separations (GJ/Separations)	5.046	5.291	5.869
Energy per unit of bed-day (LOS+Aged Care OBD) (GJ/OBD)	1.782	1.937	2.157

Water	2019-20	2020-21	2021-22
Total water consumption by type (kL)			
Class A Recycled Water	N/A	N/A	N/A
Potable Water	151,944.01	139,932.13	144,902.02
Reclaimed Water	N/A	N/A	N/A
Total	**151,944**	**139,932**	**144,902**
Normalised water consumption (Potable + Class A)			
Water per unit of floor space (kL/m2)	0.91	0.84	0.87
Water per unit of Separations (kL/Separations)	3.24	3.12	3.54
Water per unit of bed-day (LOS+Aged Care OBD) (kL/OBD)	1.15	1.14	1.30

Waste and recycling	2019-20	2020-21	2021-22
Total			
Total waste generated (kg clinical waste + kg general waste + kg recycling waste)	1,034,823.55	1,073,490.85	1,073,490.85
Total waste to landfill generated (kg clinical waste + kg general waste)	893,919.84	874,690.87	874,690.87
Total waste to landfill per patient treated ((kg clinical waste+kg general waste)/PPT)	3.46	3.29	3.29
Recycling rate % (kg recycling/(kg general waste+kg recycling)	16.39	23.88	23.88

Statutory statements (continued)

Public Interest Disclosure Act 2012

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

The RCH encourages individuals to make any disclosures which are public interest disclosures within the meaning of the Act directly to IBAC in accordance with s51 of the *Independent Broad-Based Anti-Corruption Commission Act 2011*. The RCH is not aware of any disclosures reported to IBAC for the year ending 30 June 2022.

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.

Carer's 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.

Further information

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary;
- Details of publications produced by the health service about itself, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the health service;
- Details of any major external reviews carried out on the health service;
- Details of major research and developmental activities undertaken by the health service;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of major promotional, public relations and marketing activities undertaken by the health service to develop community awareness of the entity and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- A general statement on industrial relations within the health service and details of time lost through industrial accidents and disputes;
- A list of major committees sponsored by the health service, the purposes of each committee and the extent to which the purposes have been achieved; and
- Details of all consultancies and contractors including:

(I) Consultants/Contractors engaged:

(II) Services provided; and

(III) Expenditure committed to for each engagement

Local Jobs First Act 2003

The RCH complies with the intent of the *Local Jobs First Act 2003* (Vic), promoted through the Local Jobs First Policy (LJFP). The Local Jobs First Policy encompasses both Victorian Industry Participation Policy and Major Projects Skills Guarantee, which were previously administered separately. Part of this policy requires wherever possible local industry development, through the improvement of opportunities for local suppliers while taking into consideration the principle of value for money and transparency in procurement processes. There are no RCH projects which required disclosure under the Local Jobs First Policy for the 2021-22 period.

Safe Patient Care Act 2015

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

Car parking fees

The RCH complies with the Department of Health hospital circular on car parking fees. Details of car parking fees and concession benefits can be viewed at: **rch.org.au/policy/public/Car_parking_%E2%80%93_official_visitors_and_off_site_staff/**

Aboriginal cultural safety

The RCH submitted an annual Aboriginal Cultural Safety Plan in October 2021 to meet the requirements of the Aboriginal cultural safety fixed grant. The plan addresses detailed actions across eight cultural safety domains, including Aboriginal health staffing, strengthening partnerships with local Aboriginal communities and the delivery of cultural safety training. The majority of the actions are delivered through self-determination of the RCH's Aboriginal staff.

The Wadja Aboriginal Family Place has six dedicated Aboriginal health worker positions in addition to two sessional paediatricians, making it among the most well-resourced Aboriginal health units in any paediatric hospital in Australia. Additionally, the RCH has two qualified mental health team members of First Nations' heritage.The RCH has an active Aboriginal Advisory Committee with membership including the RCH Executive, Aboriginal RCH staff, and community members from Victorian Aboriginal Health Service, Victorian Aboriginal Childcare Agency, Aboriginal Children's Youth Commissioner, and Aboriginal staff from the Parkville Precinct. The Committee provides culturally informed guidance to ensure the RCH provides equitable, culturally safe, responsive healthcare that promotes improved health outcomes for Aboriginal children and their families. The RCH has developed a Memorandum of Understanding with the Victorian Aboriginal Health Service to assist in facilitating activity-based funding for additional services for Aboriginal children.

A mandatory online cultural safety training module was introduced at the RCH on 1 January 2016 and is included in the orientation process for all new members of the workforce. Additionally, a comprehensive three-hour face-to-face training program on cultural safety is offered to staff on an ongoing basis. Cross-cultural education sessions continue to be delivered by Wadja staff to the hospital's teams, outlining services provided by Wadja Aboriginal Family Place and how families can access the Wadja service. RCH is developing its "Innovate" stage Reconciliation Action Plan.

Developing our people and organisation

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

Our Compact—Better together

The RCH Compact is a significant culture program that began with employees collaborating to define the behaviours that would foster an effective team environment and enable the delivery of even greater care. The result was 10 simple behavioural pledges which have been adopted by all employees. In the latest phase of this program, the RCH delivered leader training to over 200 leaders, and completed a pilot of the multidisciplinary team training. Training opportunities will be provided to 5,000 staff over the next 18 months, commencing Q1 2022–23.

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

Diversity, Equity and Inclusion

The Diversity, Equity and Inclusion Action Plan remains a living document to enable the RCH to deliver its services in a culturally safe environment; valuing its people, reflecting it's community's diverse needs, and where possible, appreciating health issues from a range of perspectives.

The RCH's first Diversity, Equity and Inclusion Lead was recruited to give momentum to all of the RCH Diversity Action Plans, including the Reconciliation Action Plan, Disability Action Plan and Gender Equality Action Plan.

During the year the RCH actively celebrated the diversity of its team members. A range of festivals across the Buddhist, Christian, Jewish, and Muslim faiths were celebrated through various communication channels. The RCH also celebrated its LGBTQIA+ community by participating in the 2022 Midsumma Pride March, Wear it Purple, and IDAHOBIT Day.

The RCH is very proud to continue its strong involvement in the Holmesglen Integrated Placement Program for a fifth year. This program gives young people with disability the opportunity to gain life changing work experience. The RCH also participates in the Advisory Committee to expand this program to additional metropolitan and regional TAFEs.

An engaged workforce—People Matter Survey

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

In June 2021, the RCH participated in the People Matter Survey and had a strong 52 per cent response rate. Given the challenges facing the healthcare sector over the past two years, the RCH results declined one per cent on average. However, the overall engagement score improved a further one per cent to 77 per cent, despite the ongoing impact of the pandemic on healthcare workers. Further, 93 per cent of RCH staff reported that they were proud to work for the RCH, an increase of three per cent on the previous year.

COVID Pulse Surveys

The health, wellbeing and stability of the RCH workforce is a key priority. The global pandemic has had unprecedented impacts on the health workforce across Australia. Pulse surveys have been conducted at the RCH regularly since the start of the pandemic. The feedback received in these surveys was analysed and reported back to staff within days of the survey closing and included details about the actions taken to respond to their needs. Responses included health and safety actions, continued frequent communications and providing mental health and wellbeing supports.

Leadership Development Strategy

During 2021–22 the RCH began establishing foundations for the Leadership Academy, thanks to the support of the RCH Foundation. The Academy has now been resourced with a small team, who are dedicated to building and growing leadership capability. Working in tandem with the development of RCH's new vision and strategy, the Leadership Academy will focus on the key leadership capabilities needed to deliver that strategy into the future. Planning, design, and preparation is currently underway for the flagship development programs to be launched in 2022–23.

People Processes and Support

Gender Equality Act 2020

During 2021–2022, the RCH met its obligations to comply with the *Victorian Gender Equality Act 2020*, including the submission of its *Workplace Gender Audit and Gender Equality Action Plan* (GEAP) by December 2021. The GEAP was developed through meaningful consultation with staff focus groups, identified by the Gender Equality Commissioner. Twenty-four GEAP actions have been agreed which address the following domains: data challenges, keeping gender equality, diversity and inclusion on the agenda, minimising bias, training, managing flexible work teams, recruitment practices, dealing with complaints about problematic behaviour, visibility, inclusion and community, and gender pay equity.

The RCH approved two resources to support the GEAP implementation in accordance with the requirements in the Act that your defined entity allocates adequate resources to developing and implementing the GEAP (s10(3)).

COVID-19 Response

The COVID-19 response continued to be a primary responsibility for the Human Resources and Work Health and Safety teams in 2021–22. In October 2021, the Chief Health Officer introduced Directions requiring all healthcare workers to have a first dose of an approved COVID-19 Vaccine by 29 October 2021 and a second dose by 15 December 2021. In January 2022, the Health Minister implemented a Pandemic Order requiring all healthcare workers to have a third dose (booster) of a COVID-19 vaccine between 12 February and 29 March 2022.

Working in coordination with Infection Protection and Control, under the governance of the COVID Vaccination Working Group, the Human Resources team implemented all necessary processes to identify and record employee vaccination status. The RCH had a strong positive response to the COVID-19 mandates with an excess of 99 per cent compliance.

The Human Resources team are also preparing for the implementation of the Influenza Vaccination mandate introduced by the Department of Health Secretary's Directions in April 2022, which will apply as of 15 August 2022.

People and Culture's response to COVID-19 has focussed on worker safety and wellbeing and employee conditions. A number of initiatives were implemented to support both employees and managers including the development of employee benefits, entitlements, wellbeing and the deployment of Department of Health directions and guidance. Support to the management team consisted of management tool kits to address issues such as remote work practices and safety, at-risk worker guidance, furloughed worker support, implementation of the Hospital Surge Support Allowance, and managing the impact of personal and business travel restrictions on professional development and employee leave plans.

The RCH has also developed guidance on a post-COVID workplace which incorporates more flexibility and hybrid working practices.

Enterprise Agreement Implementation

2021–22 was a busy period for enterprise agreement (EA) implementation, with three new EAs being implemented: the Allied Health Professionals one year rollover EA (implementation finalised), the Nurses and Midwives EA (final items being implemented) and the Health & Allied, Managers and Administrative Workers EA (implementation commenced in April 2022).

Throughout 2020-21, the RCH has maintained a continued focus on transparency and trust with workforce and union partners, providing regular and reliable updates on Department of Health directed workforce management changes as they occurred. Frequent and transparent communication on RCH change proposals ensured employees received consistent and reassuring messaging about possible staff impacts.

Policy and Procedure Review

During 2021–22, 38 HR procedures were updated. Reviews are conducted as part of the governance framework to ensure policies are up to date with legislative requirements and contemporary to the RCH culture.

People and Culture Systems

RosterOn Rollout phase 2

The RosterOn Phase 2 rollout started this year and to date there have been over 2,700 employees migrated onto RosterOn, with an additional 1,800 plus planned over the next six to eight months. There are significant efficiencies to be gained in this project, including elimination of timesheets.

RosterOn—8.16.3 upgrade

During November 2021, a RosterOn system upgrade was performed, to repair issues with the SAP interface and to implement changes for night shift rosters. These changes were implemented successfully without impact on payroll processing, or roster creation/changes.

MyDNA—Leave phase 2

Phase 2 of the myDNA (employee central) Leave application process was implemented in May 2022. This change included:

- Additional ability for managers to submit long term leave on behalf of their employees.
- Changes to Leave Without Pay and Parental Leave applications to automatically generate extension letters for employees
- Changes to "mandatory" attachments and a consolidation of leave types depending on Award codes.

xRef Implementation

Through August and September 2021, RCH successfully implemented xRef (online reference checking system). The xRef system automates the recruitment reference checking process, by placing ownership on the candidate to engage with their own referees to the employer's standards.

SuccessFactors—recruitment change

Additional functionality and system changes were introduced to SuccessFactors in August 2021. These changes updated the Job Requisition form and process, made changes to the candidate Job Application and some additional administrator functionality.

SuccessFactors – System Update – 2021 H2 & 2022 H1

The People and Culture Systems team managed and tested two major SuccessFactors releases during the past 12 months. These are mandatory system upgrades that require the team to complete full regression testing and identify any options the RCH are going to use. Both releases have been completed successfully with little or no disruption to the RCH operations.

Learning Hero upgrade

In November 2021 RCH successfully upgraded the current Learning Management System software, Learning Hero.

Workplace Health and Safety

In 2021-22, the Workplace Health and Safety (WHS) team continued its commitment to 'A Safe Place' and its focus on addressing known and emerging challenges experienced by the workforce; and calibrated priorities to support staff in a changing work environment.

Mental health first aid training

In 2021, the RCH continued to roll out mental health first aid training which aims to improve the mental health literacy of staff to support people experiencing mental health problems. Developed by Mental Health First Aid Australia, the training provided staff with evidence based practical skills to support someone experiencing mental ill-health. In March 2022, a further six trainers became accredited Mental Health First Aiders to support further staff training.

Preventative screening

Preventive screening is a tool used in the early detection and treatment of a range of serious health conditions. In June 2022, the RCH partnered with Pinnacle Health to provide staff with onsite skin and health checks – offering 400 staff early diagnoses of health conditions.

Staff fitness

In October 2021, the RCH participated in the team Step Challenge motivating 230 staff to engage in physical activity while enjoying the social benefits of participating in teams.

Teams of five from across the business walked or exercised over 77 million steps totalling 58,000 kilometres.

In January 2022, the RCH partnered with Fitness Passport, a corporate health and fitness program, to offer staff and their families discounted membership packages to an extensive choice of fitness facilities across Melbourne. More than 300 staff joined this program targeted at their physical health.

Peer Support Program

The RCH is committed to establishing a culture of psychological safety that encourages staff to connect with trained peer supporters. In 2021-22, the RCH strengthened its Peer Support Program by recruiting an additional 14 peers from across the business, taking our overall number of peer supporters from 63 to 74 and leading to an increased utilisation rate.

Employee Assistance Program

The RCH recognises the value of an Employee Assistance Program (EAP) that is proactive and preventative in enabling early detection, identification, and resolution of work and personal issues. In September 2021, the RCH went to market to procure its EAP provider. Converge International was re-appointed to offer confidential and free counselling, coaching and additional support services to staff and their immediate families. The renewal was bolstered with a refined service level agreement to ensure that the service offering continues to benefit as many of our staff as possible. The following benchmarking data was provided by Converge International for the 2020-21 period:

Annual EAP utilisation rate 2021-22	
RCH	7.9%
Industry average	4.6%

Be Well. Be Safe. grant

Alongside all Victorian public healthcare providers, the RCH was privileged to receive a grant from the Department of Health to invest in staff wellbeing. The RCH used this grant to fund mental health initiatives such as funded mental health screening appointments with general practitioners, psychologists, and a psychiatrist.

Departments were offered the opportunity to apply for sub-grants. One hundred and ninety-two sub-grants were approved and included sustainable initiatives such as subscriptions to wellbeing platforms, the creation of rest and recuperation spaces, catered team events, napping pods, massage chairs and other initiatives to sustain and recognise our teams.

2021-2023 Staff Mental Health Strategy

The RCH Mental Health Strategy 2021-2023 recognises the importance of timely interventions and strategies to support the psychological and psychosocial needs of our staff. Following on from the launch of the RCH Mental Health Strategy in 2021, the RCH embarked on its first-year deliverables by implementing leading practice in this area.

• Mental health education

The Mental health Strategy has three pillars 'Promotion', 'Prevention', and 'Support'. Promotion plays a vital role in reducing the stigma associated with mental ill-health. Following the appointment of the Staff Mental Health Lead in July 2021, a series of mental health promotional initiatives were rolled out across the campus to improve mental health literacy and improve accessibility to mental health resources and supports. This included partnering with the Black Dog Institute and the Resilience Project to offer evidence based mental health education.

• Psychological Risk Assessments

In November 2021, the RCH partnered with the Recovre Group to undertake psychological risk assessments within high acuity departments to identify and manage risks associated with psychosocial risk factors in the workplace. This preventative approach has continued throughout 2022 and has identified many useful recommendations to assist the RCH to respond to the acute needs of its workforce.

• Schwartz Rounds

Fatigue and emotional exhaustion are significant issues for workers in fields that require high empathy and compassion. The Schwartz Rounds program provides a forum for staff to come together and discuss the emotional and social aspects of working and caring for patients and families. In April 2022, the RCH commenced a trial and evaluation of Schwartz Rounds with training commencing in June 2022.

Injury Management Software

To further improve upon injury management practices, the RCH engaged with Elumina Group to implement a tailored claims management software, Quickclaim. Quickclaim aims to simplify the administrative burden of managing worker's compensation claims and managing ongoing payments, providing a better, more efficient service to injured staff.

Injury Management and WorkCover

During 2021-2022, the RCH cared for 112 staff who sustained an injury in the workplace. One-hundred and seven of these staff elected support via our Early Intervention Program. Ninety-nine of these staff were successfully rehabilitated under the program – a 92.5 per cent success rate for those who elected Early Intervention.

A total of 13 standard workers' compensation claims were accepted during 2021–22.

These claim numbers were slightly higher than the previous financial year and reflect the pressures within healthcare. There is a consistent rise in the number of mental injury claims which is in line with industry trends for healthcare. The RCH continues to maintain a focus on prevention and support through key deliverables from our Mental Health Strategy.

In 2021, the RCH sought permission from WorkSafe to go to market to procure a new Agent to manage workers' compensation claims. This was timely as there has been an increase in the number of complex psychological claims following the pandemic, requiring proactive claims management and partnership with our insurer. Following a tender process with three WorkSafe appointed Agents, the successful applicant, Allianz, was appointed to commence managing RCH Workers Compensation claims from 1 October 2021.

Occupational Health and Safety data

OH&S statistics	2021-22	2020-21	2019-20
The number of reported hazards/ incidents for the year per 100FTE	6.4	7.8	7.7
The number of 'lost time' standard WorkCover claims for the year per 100FTE	0.31	0.16	0.44
The average cost per WorkCover claim for the year	$130,940	$102,466	$152,685

Staff Family Violence Support

Family violence is a health issue and a workplace matter, and the RCH takes positive steps to support our staff who experience it. In 2021–22, an additional six staff members were recruited to the role of Family Violence Contact Officer and trained. This provides staff with access to up to 12 Officers whom they can contact when in need.

Respiratory Protection Program

As COVID-19 infections increased in the hospital and community, the Department of Health moved to mandate N95 masks in all clinical and public areas in September 2021, increasing requirements on the Fit Testing Program. Fit Testing ensures that the N95 mask seals perfectly around the individual's face, without any leakage, so that it provides adequate protection against airborne hazards. The RCH partnered with industrial hygienist AMCOSH Pty Ltd in November 2021 to ensure the demand for fit testing could be met.

In October 2021, WorkSafe Victoria conducted a strategic visit to ensure all health services had implemented a Respiratory Protection Program (RPP) and had also fit tested 100 per cent of their high-risk staff. The RCH complied with all aspects of WorkSafe's enquiries.

In February 2022, the RCH improved its internal fit testing capability by recruiting and training four fit testers. The strength of this internal workforce allowed the RCH to mobilise quickly as cases of community transmission continued to rise. The RPP team were able to provide fit testing to approximately 5,500 staff, students, volunteers, and contractors.

With increased demand on the State Supply Chain for respiratory protective equipment, changes to stocked respirator types meant targeted fit testing programs were rolled out to ensure staff had been tested to available respirator types. The procurement of four mobile fit testing trolleys enabled the Fit Testers to deliver a more efficient and accessible program.

Smart Move Smart Lift Program

The RCH broadened its focus in 2021–22, to strengthen its manual handling program. The Smart Move Smart Lift Program is a train the trainer module focused on techniques required when handling patients. The program is a combination of online theoretical learning and practical training. Eighteen new ward-based trainers were credentialled through the 2021–22 period.

To coincide with the introduction of the bariatric suite of equipment, the Bariatric Equipment Procedure along with relevant training material were developed and communicated to key stakeholders. The equipment has enabled improved patient comfort, reduced delays in receiving care and reduced injury risk during patient transfers.

In March 2022, the RCH partnered with Aidacare to undertake a comprehensive audit of patient lifting slings aimed at improving staff and patient safety during patient transfers. One-hundred and forty-six slings were visually inspected, and a centralised register developed resulting in improved management of our patient transfer slings across the organisation.

Statutory statements (continued)

Occupational violence

The prevention and management of occupational violence and aggression (OVA) remains a focus for the RCH. The RCH continued to work in collaboration with staff and union partners to respond to the risk of occupational violence and aggression.

Occupational violence statistics	2021-22
WorkCover accepted claims with an occupational violence cause per 100 FTE	2
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.59
Number of occupational violence incidents reported	108
Number of occupational violence incidents reported per 100 FTE	2.82
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	8.3

Consultancies information

Details of consultancies (under $10,000)

In 2021-22, there was no consultancy where the total fees payable to the consultants were less than $10,000

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

In 2021-22, there was one consultancy where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2021-22 in relation to this consultancy is $94,500 (excl. GST).

Details of consultancies (over $10,000)

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excl.GST)	Expenditure 2021-22 (excl.GST)	Future expenditure (excl.GST)
Midnight Sky Pty Ltd	Development of RCH Vision and Role	Sept 2021	July 2023	$94,500	$94,500	

Information and communication technology expenditure

Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure		
Total (excluding GST)	Total = Operational expenditure and capital expenditure (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
$28.4 million	**$1.70 million**	**$0.22 million**	**$1.48 million**

Statement of Priorities

Strategic priorities

Focus priorities	Outcome
Maintain your robust COVID-19 readiness and response, working with my department to ensure we rapidly respond to outbreaks, if and when they occur, which includes providing testing for your community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of our COVID-19 vaccine immunisation program rollout, ensuring your local community's confidence in the program.	The RCH has continued to support the Government's COVID-19 readiness plans including through: • Operation of the respiratory infection clinic to provide COVID-19 testing and distribution of Rapid Antigen Tests to our community and staff. • Establishment of the onsite COVID-19 vaccination program for RCH staff for doses one, two and three. • Support the community through the RCH National Child Health Poll in relation to the COVID vaccination acceptance among Victorian parents and mental health of children and parents during the COVID-19 pandemic. • Question and answer information in relation to COVID-19 vaccination for five to 11-year-olds. • On site COVID-19 vaccinations for medically vulnerable patients.
Drive improvements in access to emergency services by reducing emergency department four-hour wait times, improving ambulance to health service handover times, and implementing strategies to reduce bed-blockage to enable improved whole of hospital system flow.	The RCH continues to drive improvements in access to emergency services and reducing in bed-blockage by: • Focusing on care of patients in the waiting rooms to ensure they are safe and supported. • Actively managing transfer of patients from ambulances to the Emergency Department (ED). • Increasing medical staff in the ED to ensure the RCH can respond to the COVID-19 pandemic. • Continuing to support the Victorian Health Building Authority to develop the level five shell. • Actively recruiting nursing vacancies to ensure staffing is available to support emergency and inpatient care. • Managing the majority of COVID-19 positive patients within the ED and rapidly discharging to reduce bed pressures on the organisation.
Actively collaborate on the development and delivery of priorities within your Health Service Partnership, contribute to inclusive and consensus-based decision-making, support optimum utilisation of services, facilities and resources within the Partnership, and be collectively accountable for delivering against Partnership accountabilities as set out in the Health Service Partnership Policy and Guidelines.	The RCH is an active participant within its Health Service partnership including: • Member of the Pathology Network West Transformation Program that will deliver a new pathology information management system and streamline operations model. • Participation in the West Metro Health Service Partnership Better at Home initiative to share ideas, collaborate and develop a framework to review the program. • Establishment of a process to triage paediatric medium pathway COVID-19 positive patients via the RCH Hospital in the Home service and implementation of the COVID-19 monitor.
Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track. Work collaboratively with your Health Service Partnership to: **• Implement the Better at Home initiative to enhance in-home and virtual models of patient care when it is safe, appropriate and consistent with patient preference.** **• Improve elective surgery performance and ensure that patients who have waited longer than clinically recommended for treatment have their needs addressed as a priority.**	The RCH has supported and engaged with its community through the Better at Home Program, with implemented strategies including: • An increase in the number of patients we can treat in the community through an expansion of our Hospital in the Home services. • Implementation of new models of care that can occur in the home. • Implementation of virtual health as one of the tools to support care in the community. • Supporting elective surgery reform through development of a model of care of tonsillectomy patients that include support in the community. Proactive management of patients on the elective surgery waiting list through: • Supportive conversations to determine whether clinical follow up is required or alternate care is appropriate, and if any additional support is required while the patient remains on the waiting list. • Working with the health service partnership to develop plans to meet the surgical needs of patients who have had their care delayed.
Address critical mental health demand pressures and support the implementation of mental health system reforms to embed integrated mental health and suicide prevention pathways for people with, or at risk of, mental illness or suicide through a whole-of-system approach as an active participate in your Health Service Partnership and through your Partnership's engagement with Regional Mental Health and Wellbeing Boards.	During the plan period, the RCH has developed a detailed and ambitious Transformation Plan for submission to the Department of Health which details the elements and processes of developing our existing specialist mental health service into an Infant Child and Family Area Mental Health Service, in keeping with the recommendations of the Royal Commission into Victoria's Mental Health System. This includes creating a new Model of Care, extensive workforce development activities, structural changes and improvement projects that bring lived experience and evidence-based care to our consumers, carers, and partner organisations. The new RCH Child and Youth HOPE Program has been launched to provide after care for young people with suicidal thoughts and who have engaged in suicidal behaviour. The RCH has commenced planning with the Orygen Specialist Program for the transition of community mental health services for 12 to 15-year-olds and the enhancement and extension of services in partnership for eating disorders and acute care including inpatients. The RCH will engage with the Interim Regional Board once formed. Both the Transformation Plan and transition planning are aligned through detailed planning with the Campus Mental Health Strategy to improve mental health and wellbeing for all children at the RCH and their families.

Statement of Priorities (continued)

Strategic priorities (continued)

Focus priorities	Outcome
Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into your organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination, to ensure delivery of culturally safe care to Aboriginal patients and families, and to provide culturally safe workplaces for Aboriginal employees.	During the plan period, the RCH has implemented the following in the Domain areas of the Framework. **1. Creating a culturally safe workplace and organisation** The RCH monitors its staff's perceptions of cultural safety through the annual People Matter Survey as well as quarterly Pulse Surveys. A mandatory online cultural safety training module is included in the orientation process for all new members of the workforce . Additionally, a comprehensive three-hour face-to-face training program on cultural safety is offered to staff on an ongoing basis . Cross-cultural education sessions continue to be delivered by Wadja staff to the hospital's teams, outlining services provided by Wadja Aboriginal Family Place and how RCH staff can create cultural safety for patients. RCH is currently developing its "Innovate" stage Reconciliation Action Plan. **2. Aboriginal self-determination** The majority of Actions in our Annual Aboriginal Cultural Safety Plan are delivered through self-determination of our Aboriginal staff. The governing body for community engagement and continuous improvement in cultural safety is the RCH Aboriginal Advisory Committee co-chaired by the RCH CEO and an Aboriginal Elder. The Committee meets quarterly, and membership includes RCH Aboriginal staff, community members from other Aboriginal Health services, the Aboriginal Children's Commissioner, and Aboriginal staff from the Parkville Precinct hospitals. ED People & Culture.The Committee provides culturally informed guidance to ensure the RCH provides equitable, culturally safe, responsive healthcare that promotes improved health outcomes for Aboriginal children and their families. **3. Leadership and accountability** The RCH is committed to building a workplace that creates a positive experience and a safe place for its staff. The RCH believes in the inherent strength of a diverse and inclusive workforce, where all employees are treated fairly, diverse opinions are valued, and where concerns about discrimination are responded to seriously and thoughtfully. The strength of this commitment is recognised in the RCH's Compact, where it acknowledges the need for staff to respect each and every person they work with. During 2021 the RCH developed its Gender Equality Action Plan (GEAP) in consultation with staff. Amongst its 24 recommendations were Affirmative hiring practices for Aboriginal candidates; continued focus on RAP development and multiple actions to create a safe workplace and respond to inappropriate behaviours. The RCH Board and Executive endorsed the GEAP and will oversee its implementation. Two new resources have been committed which will give significant momentum to the GEAP and the Diversity Plans we already have, including the Diversity, Equity and Inclusion Action Plan, Reconciliation Action Plan, and Disability Action Plan.

Service performance priorites

High Quality and Safe Care

Key performance measure	Target	Result
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	85%	Q1=N/A Q2=86.5% Q3=84.2% Q4=82% Av. YTD = 84.23%
Percentage of healthcare workers immunised for influenza	92%	78%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	94.9%
Percentage of mental health consumers reporting a 'very good' or 'excellent' experience of care in the last three months or less	80%	53.3%
Percentage of mental health consumers reporting they 'usually' or 'always' felt safe using this service	90%	72.7%
Healthcare associated infections (HAI's)		
Rate of patients with surgical site infection	No outliers	No outliers
Rate of patients with ICU central-line-associated bloodstream infection (CLABSI)	Nil	Q1=0.0 Q2=0.8 Q3=1.5 Q4=1.6 Av. YTD = 0.975
Rate of patients with SAB per 10,000 occupied bed days	≤ 1	Q1=1.2 Q2=2.4 Q3=1.3 Q4=0.4 Av. YTD = 1.325
Mental health		
Percentage of closed community cases re-referred within six months: CAMHS	< 25%	Q1=27% Q2=21% Q3=41% Q4=33% Av. YTD = 30.5%
Rate of seclusion events relating to a child and adolescent acute mental health admission per 1,000 occupied bed days	≤ 10	Q1=18 Q2=3 Q3=9 Q4=11 Av. YTD = 10.25

Statement of Priorities (continued)

Service performance priorities (continued)

Key performance measure	Target	Result
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	88%	Q1=75% Q2=78% Q3=78% Q4=74% Av. YTD = 76.25%
Percentage of child and adolescent acute mental health inpatients who are readmitted within 28 days of discharge	<22%	Q1=30% Q2=29% Q3=23% Q4=23% Av. YTD = 26.25%

Strong governance, leadership and culture

Results from the People Matter Survey conducted in mid-2021 with results published in August 2021

Key performance measure	Target	Result
Organisational culture		
People Matter Survey – percentage of staff with an overall positive response to safety culture survey questions	62%	76%

Timely access to care

Key performance measure	Target	Result
Emergency care		
Percentage of patients transferred from ambulance to emergency department within 40 minutes	90%	99%
Percentage of triage category 1 emergency patients seen immediately	100%	100%
Percentage of triage category 1 to 5 emergency patients seen within clinically recommended time	80%	68%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	71.5%
Number of patients with a length of stay in the emergency department greater than 24 hours	0	15
Mental health		
Percentage of 'crisis' (category 'C') mental health triage episodes with a face-to-face contact received within eight hours	80%	98%
Percentage of mental health-related emergency department presentations with a length of stay of less than four hours	81%	49%

Key performance measure	Target	Result
Elective surgery		
Number of patients on the elective surgery waiting list as at 30 June 2022	5,275	5209
Number of patients admitted from the elective surgery waiting list	5,475	5,512
Percentage of urgency category 1 elective surgery patients admitted within 30 days	100%	99.9%
Percentage of urgency category 1, 2 and 3 elective surgery patients admitted within clinically recommended time	94%	66%
Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category	5% or 15% proportional improvement from prior year	39%
Number of hospital-initiated postponements per 100 scheduled elective surgery admissions	≤ 7	6.9
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	86%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	83%

Effective financial management

Key performance measure	Target	Result
Operating result ($m)	$0.00	$0.18m
Average number of days to pay trade creditors	60 days	31 days
Average number of days to receive patient fee debtors	60 days	41 days
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	0.77
Actual number of days available cash, measured on the last day of each month	14 days	18.6 days
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June	Variance ≤ $250,000	$7.06m

Statement of Priorities (continued)

Performance outcomes

Funding type	2021-22 Activity Achievement
Consolidated Activity Funding	
Acute admitted, subacute admitted, emergency services, non-admitted NWAU	75,898
Acute Admitted	
Acute admitted TAC	411
Acute Non-Admitted	
Genetic services	161
Home Enteral Nutrition NWAU	518.78
Home Renal Dialysis NWAU	99.16
Specialist Clinics	134,364
Total Parenteral Nutrition NWAU	314.55
Subacute/Non-Acute, Admitted & Non-admitted	
Subacute Non-Admitted Other	26,230
HACC	
HACC	Service provided. Training given to support workers so they can support children in the home.
Mental Health and Drug Services	
Mental Health Ambulatory	37,828
Mental Health Inpatient – available bed days	5093
Mental Health Service System Capacity	1
Primary Health	
Community Health/Primary Care Programs	2,023
Other	
NFC – Paediatric Heart no VAD	1
NFC – Paediatric Heart VAD	9
NFC – Paediatric Lung Transplantation	0
NFC – Transplants – Paediatric Liver	8

Financial information

Consultant	2022 $000	2021 $000	2020 $000	2019 $000	2018 $000
OPERATING RESULT*	183	25	8	-20,121	2,345
Total revenue	994,687	913,672	873,279	801,581	753,952
Total expenses	-1,009,085	-927,649	-882,377	-827,233	-756,990
Net result from transactions	-14,398	-13,977	-9,097	-25,651	-3,038
Total other economic flows	6,138	6,353	-7,873	-14,656	4,255
Net result	-8,260	-7,624	-16,971	-40,307	1,217
Total assets	1,588,893	1,600,907	1,606,457	1,625,682	1,413,781
Total liabilities	1,163,070	1,192,469	1,190,395	1,199,871	1,212,175
Net assets/Total equity	425,823	408,438	416,062	425,812	201,606

Reconciliation of Net Result from Transactions and Operating Result

	2021-22
Operating result	**183**
Capital purpose income	90,107
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	5,736
State supply items consumed up to 30 June 2022	(5,736)
Expenditure for capital purpose	(1,037)
Depreciation and amortisation	(61,230)
Finance costs (other)	(42,421)
Net result from transactions	(14,398)

Summary of the financial results for the year

The COVID-19 pandemic continued to impact the hospital's performance in 2022, increasing costs and reducing revenue. Through financial support from the Department of Health, the RCH was able to deliver an operating surplus of $183k. As RCH continues to record significant depreciation and finance costs from the Public Private Partnership assets (on behalf of the State of Victoria), RCH has ended the year with a net deficit from transactions of $14m.

Significant changes in financial position during the year

The RCH's cash position at the end of year is $81.1m, which is a $14.6m increase from the year prior. Due to the pandemic, the RCH continues to experience challenges in the recruitment of staff, which results in spending delays. In these instances, funds are put aside for spending in future years, when normalised activities can recommence. Another significant transaction for the year is recording an increase in land value for $18m for the year (in accordance to FRD 103I).

Significant events occurring after balance date/ subsequent events

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

Attestations and declarations

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for The Royal Children's Hospital for the year ending 30 June 2022.

Dr Rowena Coutts
Board Chair
The Royal Children's Hospital
16 August 2022

Financial Management Compliance Attestation

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

Dr Rowena Coutts
Board Chair
The Royal Children's Hospital
16 August 2022

Data Integrity Declaration

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

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
16 August 2022

Conflict of Interest Declaration

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

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
16 August 2022

Integrity, Fraud and Corruption Declaration

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

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
16 August 2022

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
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FRD 22	Nature and range of services provided	21
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FRD 22	Significant changes in key initiatives and expectations for the future	
Management and structure		
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Financial statements

The Royal Children's Hospital Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and the financial position of The Royal Children's Hospital and the Consolidated Entity at 30 June 2022.

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

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

Dr Rowena Coutts
Chair
The Royal Children's Hospital
Melbourne
16 August 2022

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
Melbourne
16 August 2022

Andrew Gay
Chief Financial Officer
The Royal Children's Hospital
Melbourne
16 August 2022

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of the The Royal Children's Hospital

Opinion

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

- consolidated entity and health service Balance sheets as at 30 June 2022
- consolidated entity and health service Comprehensive operating statements for the year then ended
- consolidated entity and health service Statements of changes in equity for the year then ended
- consolidated entity and health service Cash flow statements for the year then ended
- Notes to the Financial Statements, including significant accounting policies
- Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration.

In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the health service as at 30 June 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

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

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

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

Key audit matters

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

Board's responsibilities for the financial report

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
19 August 2022

Dominika Ryan
as delegate for the Auditor-General of Victoria

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The Royal Children's Hospital
Financial statements table of contents

The Royal Children's Hospital
Comprehensive operating statement

For the financial year ended 30 June 2022

	Note	Parent entity 2022 $'000	Parent entity 2021 $'000	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue and income from transactions					
Operating activities	2.1	994,389	913,453	989,344	900,004
Non-operating activities	2.1	298	219	313	235
Total revenue and income from transactions		**994,687**	**913,672**	**989,657**	**900,239**
Expenses from transactions					
Employee expenses	3.1	(633,816)	(587,543)	(637,029)	(590,867)
Supplies and consumables	3.1	(114,191)	(102,543)	(114,191)	(102,543)
Public/private partnership operating expenses	3.1	(68,791)	(59,753)	(68,791)	(59,753)
Finance costs	3.1	(43,591)	(45,534)	(43,584)	(45,524)
Other operating expenses	3.1	(87,466)	(71,798)	(89,898)	(74,535)
Depreciation and amortisation	3.1	(61,230)	(60,478)	(61,352)	(60,886)
Total expenses from transactions		**(1,009,085)**	**(927,649)**	**(1,014,845)**	**(934,109)**
NET RESULT FROM TRANSACTIONS		**(14,398)**	**(13,977)**	**(25,188)**	**(33,870)**
Other economic flows included in net result					
Net gain/(loss) on non-financial assets	3.2	(319)	(1,401)	(319)	(1,401)
Net gain/(loss) on financial instruments	3.2	(95)	125	(5,275)	17,571
Other gains/(losses) from other economic flows	3.2	6,553	7,629	6,553	7,629
Total other economic flows included in net result		**6,139**	**6,353**	**959**	**23,798**
NET RESULT FOR THE YEAR		**(8,260)**	**(7,624)**	**(24,230)**	**(10,071)**
Other comprehensive income					
Items that will not be reclassified to net result					
Changes in property, plant and equipment revaluation surplus	4.2 (b)	25,645	-	25,786	-
Total other comprehensive income		**25,645**	**-**	**25,786**	**-**
COMPREHENSIVE RESULT FOR THE YEAR		**17,385**	**(7,624)**	**1,556**	**(10,071)**

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

The Royal Children's Hospital
Balance sheet

As at 30 June 2022

	Note	Parent entity 2022 $'000	Parent entity 2021 $'000	Consolidated 2022 $'000	Consolidated 2021 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6.2	82,820	68,159	91,443	93,791
Receivables	5.1	29,517	34,641	30,210	30,315
Other financial assets	4.1	-	-	98,681	108,720
Inventories		3,425	2,448	3,463	2,484
Prepayments		4,980	3,833	5,164	3,999
Total current assets		**120,742**	**109,080**	**228,962**	**239,309**
Non-current assets					
Receivables	5.1	43,615	41,028	43,615	41,028
Property, plant and equipment	4.2	1,376,287	1,395,769	1,381,323	1,400,646
Intangible assets	4.3	39,215	47,251	39,610	47,749
Investment properties	4.5	9,034	7,780	10,871	9,617
Total non-current assets		**1,468,151**	**1,491,827**	**1,475,420**	**1,499,040**
TOTAL ASSETS		**1,588,893**	**1,600,907**	**1,704,381**	**1,738,350**
LIABILITIES					
Current liabilities					
Payables and contract liabilities	5.2	77,891	73,764	84,196	91,067
Employee benefits	3.3	161,400	152,314	161,432	152,348
Borrowings	6.1	42,744	40,734	42,744	40,734
Other current liabilities	5.3	24,857	21,972	20,496	12,860
Total current liabilities		**306,893**	**288,784**	**308,868**	**297,010**
Non-current liabilities					
Employee benefits	3.3	23,202	26,693	23,217	26,702
Borrowings	6.1	832,365	876,032	832,117	875,666
Other non-current liabilities	5.3	611	959	611	959
Total non-current liabilities		**856,178**	**903,685**	**855,944**	**903,328**
TOTAL LIABILITIES		**1,163,071**	**1,192,469**	**1,164,813**	**1,200,337**
NET ASSETS		**425,823**	**408,438**	**539,569**	**538,012**
EQUITY					
Property, plant and equipment revaluation surplus	4.2 (f)	599,431	573,786	604,031	578,245
Restricted specific purpose surplus		28,017	25,066	69,990	67,039
Contributed capital		91,314	91,314	91,314	91,314
Accumulated deficit		(292,939)	(281,729)	(225,766)	(198,586)
TOTAL EQUITY		**425,823**	**408,438**	**539,569**	**538,012**

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

The Royal Children's Hospital
Statement of changes in equity

For the financial year ended 30 June 2022

Consolidated	Property, plant and equipment revaluation surplus	Restricted specific purpose surplus	Contributed capital	Accumulated surpluses/ (deficits)	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	**578,245**	**108,562**	**91,314**	**(230,038)**	**548,083**
Net result for the year	-	-	-	(10,071)	(10,071)
Transfer to accumulated surplus/(deficit)	-	(41,523)	-	41,523	-
Balance at 30 June 2021	**578,245**	**67,039**	**91,314**	**(198,586)**	**538,012**
Net result for the year	-	-	-	(24,230)	(24,230)
Other comprehensive income for the year	25,786	-	-	-	25,786
Transfer to accumulated surplus/(deficit)	-	2,951	-	(2,951)	-
Balance at 30 June 2022	**604,031**	**69,990**	**91,314**	**(225,766)**	**539,569**

Parent	Property, plant and equipment revaluation surplus	Restricted specific purpose surplus	Contributed capital	Accumulated surpluses/ (deficits)	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	**573,786**	**22,075**	**91,314**	**(271,114)**	**416,062**
Net result for the year	-	-	-	(7,624)	(7,624)
Transfer to accumulated surplus/(deficit)	-	2,991	-	(2,991)	-
Balance at 30 June 2021	**573,786**	**25,066**	**91,314**	**(281,729)**	**408,438**
Net result for the year	-	-	-	(8,260)	(8,260)
Other comprehensive income for the year	25,645	-	-	-	25,645
Transfer to accumulated surplus/(deficit)	-	2,951	-	(2,951)	-
Balance at 30 June 2022	**599,431**	**28,017**	**91,314**	**(292,939)**	**425,823**

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

The Royal Children's Hospital
Cash flow statement

For the financial year ended 30 June 2022

	Note	Parent entity 2022 $'000	Parent entity 2021 $'000	Consolidated 2022 $'000	Consolidated 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating grants from government		668,332	632,078	669,304	632,633
Capital grants from government		3,332	4,478	3,332	4,478
Patient fees received		24,965	22,774	24,965	22,774
Private practice fees received		24,041	26,377	24,041	26,377
Donations and bequests received		39,695	32,706	40,065	33,065
GST received from ATO		8,578	8,031	8,576	8,039
Interest and dividends received		298	219	970	2,350
Salaries and wages recovered from external parties		8,529	13,820	8,529	13,820
Non-salary expenses recovered from external parties		34,570	19,194	34,570	19,194
Car park receipts		9,290	8,370	9,290	8,370
Other receipts		26,373	24,866	21,349	19,499
Total receipts		**848,003**	**792,912**	**844,991**	**790,598**
Employee expenses paid		(614,596)	(559,679)	(617,631)	(562,738)
Fee for service medical officers		(2,655)	(2,511)	(2,655)	(2,511)
Payments for supplies and consumables		(114,389)	(90,781)	(125,450)	(90,815)
Finance cost		(1,170)	(1,221)	(1,170)	(1,221)
GST paid to ATO		(3,659)	(3,240)	(3,659)	(3,240)
Cash outflow for leases		(1,135)	(1,509)	(1,135)	(1,509)
Payments for gas and electricity		(6,197)	(5,874)	(6,209)	(5,888)
Payment for medical indemnity insurance		(7,110)	(7,296)	(7,110)	(7,296)
Other payments		(73,841)	(57,779)	(76,384)	(60,992)
Total payments		**(824,752)**	**(729,891)**	**(841,403)**	**(736,211)**
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.1	**23,251**	**63,021**	**3,587**	**54,388**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(10,404)	(10,392)	(10,321)	(10,153)
Capital donations and bequests received		2,869	4,865	582	60
Proceeds from sale of non-financial assets		13	-	13	-
Proceeds from disposal of investments		-	-	4,859	14,398
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		**(7,522)**	**(5,527)**	**(4,867)**	**4,304**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(1,067)	(12,756)	(1,067)	(12,756)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**(1,067)**	**(12,756)**	**(1,067)**	**(12,756)**
Net increase/(decrease) in cash and cash equivalents held		14,662	44,738	(2,347)	45,936
Cash and cash equivalents at the beginning of financial year		68,159	23,421	93,791	47,855
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	6.2	**82,820**	**68,159**	**91,443**	**93,791**

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

Notes to the Financial Statements

30 June 2022

Note 1: Basis of preparation

Structure

These annual financial statements represent the audited general purpose financial statements for The Royal Children's Hospital (the RCH) and its controlled entity for the financial year ended 30 June 2022. The purpose of the report is to provide users with information about the RCH's stewardship of resources entrusted to it.

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

Note 1.1: Basis of preparation of the financial statements

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

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

The RCH is a not-for-profit entity and therefore applies the additional Australian-specific paragraphs ('Aus') applicable to 'not-for-profit' Health Services under the Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from any changes in accounting policies, standards and interpretations noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

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

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

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

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

The financial statements were authorised for issue by the Board of the RCH on 16 August 2022.

Note 1.2: Impact of COVID-19 pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. On 2 August 2020 a state of disaster was added with both operating concurrently. The state of disaster in Victoria concluded on 28 October 2020 and the state of emergency concluded on 15 December 2021.

The COVID-19 pandemic has created economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the RCH at the reporting date. Management recognises that it is difficult to reliably estimate with certainty the potentially impact of the pandemic after the reporting date on the RCH, its operations, its future results and financial position.

In response to the ongoing COVID-19 pandemic, the RCH has continued to modify its COVID-19 practices, including:

- Restrictions on non-essential visitors and changes to visitor screening and access
- Use of telehealth services where appropriate
- Modifications to elective surgery and reduced activity
- Performing COVID-19 testing
- Administering COVID-19 vaccinations to staff
- Changes to staff furloughing requirements
- Facilitating staff being able to continue work from home arrangements where appropriate

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

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

Note 1.3: Abbreviations and terminology used in the financial statements

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

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

Note 1.4: Reporting entity

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

Its principal address is:
50 Flemington Road
Parkville
Victoria 3052

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

Note 1.5: Principles of consolidation

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

The RCH controls the Royal Children's Hospital Foundation Trust Fund.

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

The parent entity is not disclosed separately in the notes to the financial statements.

An entity is considered to be a controlled entity where the RCH has the power to govern the financial and operating policies of an organisation so as to obtain benefits from its activities. The Royal Children's Hospital Foundation Trust Fund is a controlled entity of the RCH by virtue of the power to appoint a new or additional trustee of the Foundation Trust Fund.

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

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

Note 1.6: Investments in joint operations

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

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

Details of joint operations are set out in note 8.7.

Note 1.7: Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

The accounting policies and significant management judgements and estimates used, and any changes thereto, are identified at the beginning of each section where applicable and are disclosed in further details throughout the accounting policies.

Note 1.8: 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 RCH's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians. To enable the hospital to fulfil its objective it receives income based on parliamentary appropriations. The hospital also receives income from the supply of services.

Structure

COVID-19 impact

Revenue recognised to fund the delivery of our services decreased during the financial year which was partially attributable to the COVID-19 coronavirus pandemic and its impact on our economy and the health of our community.

Activity based revenue continued to be low as the level of activity agreed in the Statement of Priorities could not be delivered due to reductions in the number of patients being treated at various times throughout the financial year. This was offset by funding provided by the Department of Health to compensate for reductions in revenue and to cover certain direct and indirect costs relating to COVID-19.

Funding provided included specific COVID-19 grants and State repurposed grants to fund:

- Loss of revenue from the hospital car park
- Loss of revenue from patient fees due to lower activity in parts of the year
- Additional expenses relating to COVID-19, see note 3: Cost of delivering our services

For the year ended 30 June 2022, the COVID-19 pandemic has impacted the RCH's ability to satisfy its performance obligations contained within its contracts with customers. The RCH received communication that there would be no obligation to return certain funds to DH where performance obligations had not been met. This resulted in approximately $34M being recognised as income for the year ended 30 June 2022 (2021: $18.5M) which would have otherwise been recognised as a contract liability in the balance sheet. The impact of contract modifications obtained for the RCH's most material revenue streams, where applicable, is disclosed within this note.

Key judgements and estimates

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

Note 2.1: Income from transactions

(a) Income from transactions

	Consolidated 2022 $'000	Consolidated 2021 $'000
Operating activities		
Revenue from contracts with customers		
Government grants (State) - operating	359,845	273,209
Government grants (Commonwealth) - operating	46,386	38,378
Patient fees	25,393	23,464
Private practice fees	24,592	27,372
Pathology - recoveries for shared services	7,468	7,279
Commercial activities	12,511	11,363
Salary and wages recoveries	8,529	13,820
Other revenue from operating activities	38,871	21,577
Total revenue from contracts with customers	**523,594**	**416,462**
Other sources of income		
Government grants (State) - operating	336,750	362,857
Government grants (State) - capital	83,977	84,659
Donations and bequests	36,927	32,264
Capital donations	582	60
Assets received free of charge	7,514	3,701
Total other sources of income	**465,749**	**483,542**
Total revenue and income from operating activities	**989,344**	**900,004**
Interest revenue	313	235
Total income from non-operating activities	**313**	**235**
Total revenue and income from transactions	**989,657**	**900,239**

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

Revenue recognition

Government operating grants

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

When both these conditions are satisfied, the health service:

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

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

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

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

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

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

Government grant	Performance obligation
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities. Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed. WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group. WIES was superseded by NWAU from 1 July 2021, for acute, sub-acute and state-wide services (which includes specified grants, state-wide services and teaching and training).
Activity Based Funding (ABF) paid as National Weighted Activity Unit (NWAU)	NWAU funding commenced 1 July 2021 and supersedes WIES for acute, su-acute and state-wide services (which includes specified grants, state-wide services and teaching and training). NWAU is a measure of health service activity expressed as a common unit against which the national efficient price (NEP) is paid. The performance obligations for NWAU are the number and mix of admissions, emergency department presentations and outpatient episodes, and is weighted for clinical complexity. Revenue is recognised at point in time, which is when a patient is discharged.
Funding as Nationally Funded Centre (NFC)	RCH is funded for the following procedures: • paediatric heart transplants • paediatric liver transplants (in collaboration with Austin Health) • paediatric lung transplants (in collaboration with Alfred Health) Revenue is recognised at a point in time when a qualifying procedure has been completed.

Capital grants

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

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

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

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

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the DH.
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the LSL funding arrangements set out in the relevant DH Hospital Circular.

Note 2.1: Income from transactions (continued)

- Public Private Partnership (PPP) lease and service payments are paid directly from the DH to the PPP consortium. Revenue and the matching expense are recognised in accordance with the nature and timing of the monthly or quarterly service payments made by the DH.
- Fair value of assets and services provided to the RCH free of charge or for nominal consideration. Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined, and the service would have been purchased if not received as a donation.

Patient fees

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

Private practice fees

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

Revenue from commercial activities

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

Dividend revenue

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

Sale of investments

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

(b) Other income

	Consolidated 2022 $'000	Consolidated 2021 $'000
Interest revenue	313	235
Total other income	**313**	**235**

Interest revenue

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

Note 2.2: Fair value of assets received free of charge

	Consolidated 2022 $'000	Consolidated 2021 $'000
Medical equipment at fair value	1,778	–
Consumables at fair value (State of Victoria supply arrangement)	5,736	3,701
Total fair value of assets and services received free of charge or for nominal consideration	**7,514**	**3,701**

Donations and other bequests

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

The Royal Children's Hospital Foundation manages two trust funds, one of which is reported as a controlled entity of the RCH. In 2022, proceeds from the Royal Children's Hospital's Good Friday Appeal were managed in the trust fund that is not consolidated as a controlled entity. Funds from the 2022 Good Friday Appeal will therefore be recognised as revenue in the consolidated operating statement as and when funds are distributed to the RCH.

Personal protective equipment

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

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

Note 3: Cost of delivering our services

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

Structure

COVID-19 impact

Expenses to deliver our services increased during the financial year which was partially attributable to the COVID-19 coronavirus pandemic and its impact on our economy and the health of our community.

Additional costs were incurred to deliver the following additional services:

- Operating a respiratory infection clinic for COVID-19 testing (additional medical, nursing and laboratory staff)
- Performing patient, staff and visitor screening (additional security costs)
- Implementing COVID safe practices throughout the hospital (additional cleaning, additional consumption of personal protective equipment)
- Continuing to operate a vaccination clinic to administer vaccines to staff

Key judgements and estimates

Key judgements and estimates	Description
Measuring and classifying employee benefit liabilities	The RCH applies significant judgement when measuring and classifying its employee benefit liabilities. Employee benefit liabilities are classified as a current liability if the RCH does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category. Employee benefit liabilities are classified as a non-current liability if the RCH has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category. The RCH also applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if the RCH does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value. All other entitlements are measured at their nominal value. Entitlements are measured at the estimated pay rate at the time they are expected to be paid, taking into account future pay increases and known increases to on-costs such as superannuation.

Note 3.1: Expenses from transactions

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Salaries and wages		561,079	529,779
On-costs		49,281	44,199
Agency expenses		21,257	12,210
Fee for service medical officers expenses		2,655	2,511
Workcover premium		2,757	2,168
Total employee expenses		**637,029**	**590,867**
Drug supplies		64,325	54,744
Medical and surgical supplies		34,534	32,505
Diagnostic and radiology supplies		13,480	13,153
Other supplies and consumables		1,851	2,141
Total supplies and consumables		**114,191**	**102,543**
PPP operating expenses		68,791	59,753
Total public/private partneship operating expenses		**68,791**	**59,753**
Finance costs		1,203	1,279
Finance costs - PPP arrangements		42,381	44,245
Total finance costs		**43,584**	**45,524**
Fuel, light, power and water		6,837	6,368
Repairs and maintenance		3,397	2,060
Maintenance contracts		19,453	13,059
Medical indemnity insurance		7,739	7,893
Distributions to MCRI		16,538	17,671
Other administrative expenses		32,468	24,132
Expenditure for capital purposes		3,466	3,350
Total other operating expenses		**89,898**	**74,535**
Depreciation and amortisation	4.4	61,352	60,886
Total non-operating expenses		**61,352**	**60,886**
Total expenses from transactions		**1,014,845**	**934,109**

Expense recognition

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

Employee expenses

Employee expenses include:

- Wages and salaries;
- Fringe benefit tax;
- Leave entitlements;
- Termination payments;
- Workcover premiums; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Supplies and consumables

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

PPP operating expenses

PPP operating expenses are paid by the DH, for further details refer to 6.2 (c).

Note 3.1: Expenses from transactions (continued)

Finance costs

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

Finance costs include:

- Interest on long-term borrowings (interest expense is recognised in the period in which it is incurred); and
- Finance charges in respect of finance leases recognised by the RCH on behalf of the State of Victoria in accordance with AASB 16 *Leases*.

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

Other operating expenses

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

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

Foreign currencies

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

Borrowing costs of qualifying assets

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

Expenditure for capital purposes

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

Non-operating expenses

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

Note 3.2: Other economic flows

	2022 $'000	2021 $'000
Gain/(loss) from revaluation of investment properties	1,254	–
Gain/(loss) on disposal of non-financial assets	(301)	(129)
Amortisation of non-produced intangible assets	(1,272)	(1,272)
Total net gain/(loss) from non-financial assets	**(319)**	**(1,401)**
Revaluation of financial instruments at fair value through profit or loss	(5,180)	17,445
Allowance for impairment losses on contractual receivables	(95)	125
Total net gain/(loss) on financial instruments	**(5,275)**	**17,571**
Gain/(loss) from revaluation of long service leave liability	6,553	7,629
Total other gains/(losses) from other economic flows	**6,553**	**7,629**
Total other economic flows included in net result	**959**	**23,798**

Other economic flows

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

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

- Realised and unrealised gains/losses from revaluations of financial instruments at fair value
- Revaluations of investment properties
- Impairments of non-financial assets
- Gains/losses from revaluation of long service leave[(i)]
- Movement in allowance for impairment losses on contractual receivables
- Amortisation of non-produced intangible assets[(ii)]
- Gains/losses on disposal of non-financial assets

(i) this item consists of any changes in long service leave liability resulting from a change in assumptions about discount rate, staff retention or wage inflation. The gain for the current financial year is a result of an increase in the 10 year government bond rate, which is used as a discount rate.

(ii) Intangible non-produced assets with finite lives are amortised on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use which is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management..

Note 3.3: Employee benefits in the balance sheet

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current provisions		
Employee benefits		
Accrued days off		
- Unconditional and expected to be settled within 12 months (nominal value)	1,374	1,081
Annual leave		
- Unconditional and expected to be settled within 12 months (nominal value)	44,074	43,728
- Unconditional and expected to be settled after 12 months (present value)	10,889	7,441
Long service leave		
- Unconditional and expected to be settled within 12 months (nominal value)	9,373	8,826
- Unconditional and expected to be settled after 12 months (present value)	78,854	75,767
	144,564	**136,843**
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value)	5,995	5,596
- Unconditional and expected to be settled after 12 months (present value)	10,873	9,909
	16,868	**15,505**
Total current employee benefits and related on-costs	**161,432**	**152,348**
Non-current provisions		
Conditional long service leave	20,660	23,771
Provisions related to employee benefit on-costs	2,557	2,931
Total non-current employee benefits and related on-costs	**23,217**	**26,702**
Total employee benefits and related on-costs	**184,649**	**179,050**

(a) Employee benefits and related on-costs

Current employee benefits and related on-costs		
Unconditional accrued days off	1,524	1,193
Unconditional annual leave entitlements	60,973	56,508
Unconditional long service leave entitlements	98,934	94,647
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements (present value)	23,217	26,702
Total employee benefits and related on-costs	**184,649**	**179,050**
Attributable to:		
Employee benefits	165,223	160,614
Provision for related on-costs	19,425	18,436
Total employee benefits and related on-costs	**184,649**	**179,050**

(b) Provision for related on-costs movement schedule

Movement in provision related on-costs		
Carrying amount at start of the year	**18,436**	**15,331**
Additional provision recognised	6,713	6,457
Settled during the year	(4,767)	(4,159)
Net (gain)/loss from revaluation of long service leave liability	(956)	807
Carrying amount at end of year	**19,425**	**18,436**

Employee benefit recognition

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

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

Annual leave and accrued days off

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

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

- Nominal value – if the RCH expects to wholly settle within 12 months; or
- Present value – if the RCH does not expect to wholly settle within 12 months.

Long Service Leave (LSL)

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

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

The components of this current LSL liability are measured at:

- Nominal value – if the RCH expects to wholly settle within 12 months; and
- Present value – if the RCH does not expect to wholly settle within 12 months.

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

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

Termination benefits

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

On-costs related to employee expenses

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

Note 3.4: Superannuation

	Paid contributions for the year		Contribution outstanding at year end	
	Consolidated 2022 $'000	Consolidated 2021 $'000	Consolidated 2022 $'000	Consolidated 2021 $'000
Defined benefit plans [(i)]				
Aware Super Scheme	470	555	35	38
Defined contribution plans				
Aware Super Scheme	28,161	26,863	2,364	2,274
Hesta	13,543	12,265	1,181	1,063
Other	6,742	4,711	690	462
Total	**48,916**	**44,393**	**4,271**	**3,838**

(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 $898k. This becomes payable once the full pay run is processed and paid in July 2022.

Defined contribution superannuation plans

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

Defined benefit superannuation plans

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

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

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

Superannuation liabilities

The RCH does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the RCH has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The DTF administers and discloses the State's defined benefit liabilities in its financial statements. The RCH includes superannuation contributions paid or payable for the reporting period as part of employee benefits in the comprehensive operating statement..

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Key assets to support service delivery

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

Structure

COVID-19 impact

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

Key judgements and estimates

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

Note 4.1: Investments and other financial assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
CURRENT		
Financial assets – at fair value through profit or loss		
Managed funds[(i)]	98,681	108,720
Total current	**98,681**	**108,720**
Represented by:		
Investments held by The Royal Children's Hospital Foundation	98,681	108,720
	98,681	**108,720**

(i) The managed funds consisted of investments held by the RCH Foundation Trust Fund (the Trust) in 2022. The Trust is consolidated into the RCH for reporting purposes as the RCH is the ultimate beneficiary of the Trust. The Trust is registered under the Australian Charities and Not-for-profits Commission.

Investments and other financial assets

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

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

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

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

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

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

Note 4.2: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Consolidated 2022 $'000	Consolidated 2021 $'000
Land		
Crown land for hospital use at fair value	152,913	128,886
Freehold	19,006	17,286
Total land	**171,919**	**146,172**
Leased buildings		
Buildings - right of use	344	974
Less accumulated depreciation	(344)	(586)
Total leased buildings	**-**	**388**
Buildings		
Buildings at fair value	20,631	20,592
Less accumulated depreciation	(1,296)	(839)
Total buildings	**19,335**	**19,754**
Leasehold improvements		
Leasehold improvements at cost	1,313	1,311
Less accumulated depreciation	(534)	(622)
Total leasehold improvements	**779**	**689**
Plant and equipment		
Plant and equipment at fair value	1,833	1,910
Less accumulated depreciation	(1,244)	(1,216)
Total plant and equipment	**589**	**694**
Medical equipment		
Medical equipment at fair value	89,686	87,584
Less accumulated depreciation	(66,214)	(66,166)
Total medical equipment	**23,472**	**21,417**
Computers and communication		
Plant and equipment at fair value	15,744	16,796
Less accumulated depreciation	(10,135)	(10,895)
Total computers and communication	**5,610**	**5,900**
Furniture and fittings		
Furniture and fittings at fair value	4,168	3,942
Less accumulated depreciation	(1,092)	(854)
Total furniture and fittings	**3,075**	**3,088**
Motor vehicles		
Motor vehicles at fair value	172	362
Less accumulated depreciation	(127)	(307)
Total motor vehicles	**44**	**54**
Artwork		
Artwork at fair value	604	604
Total artwork	**604**	**604**
Right of use - plant, equipment, furniture, fittings and vehicles		
Right of use - plant, equipment, furniture, fittings and vehicles	4,681	4,065
Less accumulated depreciation	(2,876)	(1,933)
Total right of use - plant, equipment, furniture, fittings and vehicles	**1,805**	**2,132**
PPP assets		
Right of use PPP - buildings at fair value	1,232,352	1,232,352
Less accumulated depreciation	(129,129)	(86,086)
Total right of use PPP - buildings	**1,103,223**	**1,146,266**
Right of use PPP - fittings at fair value	44,175	44,175
Less accumulated depreciation	(15,318)	(13,838)
Total right of use PPP - fittings	**28,857**	**30,337**
Right of use PPP - equipment	33,413	33,413
Less accumulated depreciation	(11,404)	(10,261)
Total right of use PPP - plant and equipment	**22,009**	**23,151**
Total right of use PPP assets	**1,154,089**	**1,199,754**
Total property, plant and equipment	**1,381,323**	**1,400,646**

Note 4.2: Property, plant and equipment (continued)

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

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

	Land	Right of use - buildings	Buildings	Plant and equip.	Medical equip.	Computers and communic.	Furniture and fittings	Motor vehicles	Artwork	Right of use - PP&E, F and V	PPP assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	**146,172**	**3,171**	**21,088**	**632**	**19,204**	**5,623**	**2,757**	**67**	**604**	**2,796**	**1,245,419**	**1,447,532**
Additions	-	-	7	183	5,964	1,931	587	-	-	292	-	8,964
Disposals	-	-	-	(24)	(49)	(55)	(1)	-	-	-	-	(129)
Lease accounting adjustments		(2,489)	-	-	-	-	-	-		170	-	(2,319)
Depreciation and amortisation (note 4.4)	-	(293)	(653)	(97)	(3,701)	(1,599)	(255)	(13)	-	(1,127)	(45,665)	(53,402)
Balance at 1 July 2021	**146,172**	**388**	**20,443**	**694**	**21,417**	**5,901**	**3,088**	**54**	**604**	**2,132**	**1,199,754**	**1,400,646**
Additions	-	-	2	17	6,736	1,791	319	-	-	393	-	9,259
Disposals	-	(0)	-	(37)	(163)	(40)	(51)	-	-	(2)	-	(293)
Lease accounting adjustments		(384)	-	-	-	-	-	-		250	-	(134)
Revaluation increments/ (decrements)	25,748	-	38	-	-	-	-	-	-	-	-	25,786
Net transfers between classes	-	-	-	-	(1)	-	1	-	-	-	-	-
Depreciation and amortisation (note 4.4)	-	(4)	(368)	(85)	(4,517)	(2,042)	(283)	(10)	-	(967)	(45,665)	(53,941)
Balance at 30 June 2022	**171,919**	**0**	**20,114**	**589**	**23,472**	**5,610**	**3,075**	**44**	**604**	**1,805**	**1,154,090**	**1,381,323**

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

An independent valuation of the RCH's land and buildings was conducted by the Valuer-General Victoria (VGV) in May 2019 to determine the fair value of the land and buildings in accordance with the requirements of Financial Reporting Direction (FRD) 103H Non-Financial Physical Assets. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2019. As of 30 June 2022, a managerial revaluation has been completed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Property, plant and equipment

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

Initial recognition

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

The cost of constructed non-financial physical assets includes the cost of all materials used in construction and direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Subsequent measurement

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

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

Further information regarding fair value measurement is disclosed below.

Revaluation

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

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

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

An independent valuation of the RCH's land and buildings was conducted by VGV in May 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2022 indicated an overall:

- Increase in fair value of land of 17.8%
- Increase in fair value of buildings of 6.5%

As the cumulative increase was less than 10% for buildings since the last managerial revaluation, a managerial revaluation adjustment was not required as at 30 June 2022.

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

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

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

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

Note 4.2: Property, plant and equipment (continued)

Impairment

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

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

Right of use assets

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

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

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

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

Presentation of right-of-use assets

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

Initial recognition

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

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

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

Subsequent measurement

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

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

Impairment

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

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

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

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

Consolidated	Carrying amount as at 30 June 2021 $'000	Fair value measurement at end of reporting period using: Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Land at fair value				
Non-specialised land	17,286		17,286	
Specialised land	128,886			128,886
Total land at fair value	**146,172**	**-**	**17,286**	**128,886**
Buildings at fair value				
Non-specialised buildings	18,178		18,178	
Specialised buildings	2,653			2,653
Total buildings at fair value	**20,831**	**-**	**18,178**	**2,653**
Other plant and equipment at fair value				
Plant and equipment at fair value	694			694
Motor vehicles at fair value	54			54
Medical equipment at fair value	21,417			21,417
Computers and communication equipment at fair value	5,900			5,900
Furniture and fittings at fair value	3,088			3,088
Artwork at fair value	604		604	
Right of use - PP&E, furniture & fittings and vehicles	2,132		2,132	
Total other plant and equipment at fair value	**33,890**	**-**	**2,736**	**31,154**
PPP assets at fair value				
PPP - specialised leased buildings at fair value	1,146,266			1,146,266
PPP - other leased assets at fair value	53,488			53,488
Total right of use PPP assets at fair value	**1,199,754**	**-**	**-**	**1,199,754**
Total	**1,400,646**	**-**	**38,200**	**1,362,447**

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

Note 4.2: Property, plant and equipment (continued)

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

	Land	Buildings	Plant and equipment	Motor vehicles	Medical equipment	Computers and comm.	Furniture and fittings	PPP assets[ii]
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	**128,886**	**2,714**	**632**	**67**	**19,204**	**5,623**	**2,757**	**1,245,419**
Additions/(disposals)	-	-	159	-	5,914	1,876	586	-
Gains/(losses) recognised in net result								
- Depreciation and amortisation		(62)	(97)	(13)	(3,701)	(1,599)	(255)	(45,665)
Balance at 1 July 2021	**128,886**	**2,653**	**694**	**54**	**21,417**	**5,901**	**3,088**	**1,199,754**
Additions/(disposals)	-	-	(20)	-	6,573	1,751	269	-
Net transfers between classes	-	-	-	-	(1)	-	1	-
Gains/(losses) recognised in net result								
- Depreciation and amortisation	-	(62)	(85)	(10)	(4,517)	(2,042)	(283)	(45,665)
Items recognised in other comprehensive income								
- Revaluation	24,028	-	-	-	-	-	-	-
Balance at 30 June 2022	**152,913**	**2,591**	**589**	**44**	**23,472**	**5,610**	**3,075**	**1,154,090**

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

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

Asset class	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community service obligations adjustments[i]
Specialised buildings	Current replacement cost approach	Direct cost per square meter Useful life of specialised buildings
Plant and equipment	Current replacement cost approach	Useful life
Motor vehicles	Current replacement cost approach	Useful life
Medical equipment	Current replacement cost approach	Useful life
Computers and communication equipment	Current replacement cost approach	Useful life
Furniture and fittings	Current replacement cost approach	Useful life
PPP assets	Current replacement cost approach	Building cost per square meter Useful life

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

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

Fair value measurement

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

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

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

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

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

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

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

Non-specialised land, non-specialised buildings and artwork

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

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

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

For the period ended 30 June 2022, the RCH has performed a managerial revaluation and recognised an increase in land value.

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

Specialised land and specialised buildings

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

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

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

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

Note 4.2: Property, plant and equipment (continued)

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

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

For the period ended 30 June 2022, the RCH has performed a managerial revaluation and recognised an increase in land value.

Vehicles

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

Furniture, fittings, plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2022.

(f) Property, plant and equipment revaluation surplus

	Consolidated 2022 $'000	Consolidated 2021 $'000
Property, plant and equipment revaluation surplus[i]		
Balance at the beginning of the reporting period	578,245	578,245
Revaluation increment/(decrement)[i]		
- Land	25,748	-
- Buildings	38	-
Balance at the end of the reporting period	**604,031**	**578,245**
Represented by		
- Land	120,417	94,669
- Buildings	10,506	10,467
- Leased building	473,106	473,106
- Artwork	2	2
	604,031	**578,245**

(i) The revaluation of land for 2022 is a result of a managerial revaluation. The latest scheduled revaluation in accordance with FRD 103 was in 2019.

Note 4.3: Intangible assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Software	64,274	64,736
Less accumulated amortisation	(43,137)	(37,355)
	21,136	**27,381**
Car park revenue rights[i]	30,000	30,000
Less accumulated amortisation	(11,553)	(10,281)
	18,447	**19,719**
Intangible work in progress	27	649
Total intangible assets	**39,610**	**47,749**

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

	Software $'000	Car park revenue rights $'000	Intangible WIP $'000
Balance at 1 July 2020	**33,249**	**20,991**	**1,689**
Additions	1,616	-	(1,040)
Amortised as rent expense	(7,484)	-	-
Amortisation	-	(1,272)	-
Balance at 1 July 2021	**27,381**	**19,719**	**649**
Additions	690	-	(114)
Disposals	(24)	-	-
Net transfers between classes	507	-	(507)
Amortisation	(7,419)	-	-
Other economic flows	-	(1,272)	-
Balance 30 June 2022	**21,136**	**18,446**	**27**

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

Intangible assets

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

Initial recognition

Purchased intangible assets are initially recognised at cost.

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

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

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

Note 4.3: Intangible assets (continued)

Subsequent measurement

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

Impairment

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

Note 4.4: Depreciation and amortisation

	Consolidated 2022 $'000	Consolidated 2021 $'000
Depreciation		
Buildings	368	653
Plant and equipment	85	97
Motor vehicles	10	13
Medical equipment	4,517	3,701
Computers and communication equipment	2,042	1,599
Furniture and fittings	283	255
Leased fittings	1,480	1,480
Leased equipment	1,142	1,142
Right of use assets		
- Right of use PPP buildings	43,043	43,043
- Right of use buildings	(4)	293
- Right of use plant, equipment and vehicles	967	1,127
Total depreciation	**53,934**	**53,402**
Amortisation		
Software	7,419	7,484
Total depreciation and amortisation	**61,352**	**60,886**

Depreciation

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

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

Amortisation

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

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

Useful life

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

	2022	2021
Non PPP assets		
Buildings		
- Structure shell building fabric	50 years	50 years
Plant and equipment (non-medical)	3 to 25 years	3 to 25 years
Medical equipment	5 to 15 years	5 to 15 years
Computers and communication equipment	3 to 10 years	3 to 10 years
Network and infrastructure	7 years	7 years
Furniture and fittings	10 to 50 years	10 to 50 years
Motor vehicles	7 to 10 years	7 to 10 years
Intangible assets	3 to 25 years	3 to 25 years
PPP assets		
Buildings		
- Structure shell building fabric	60 years	60 years
- Site engineering services and central plant	40 years	40 years
Central plant		
- Fit out	25 years	25 years
- Trunk reticulated building system	30 years	30 years
Plant and equipment (non-medical)	30 years	30 years
Medical equipment	30 years	30 years
Computers and communication equipment	30 years	30 years
Network and infrastructure	30 years	30 years
Furniture and fittings	30 years	30 years

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

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

Note 4.5: Investment properties

(a) Movements in carrying value for investment properties

	Consolidated 2022 $'000	Consolidated 2021 $'000
Balance at the beginning of the reporting period	9,617	9,617
Net gain/(loss) from fair value adjustments	1,254	-
Balance at end of period	**10,871**	**9,617**

(b) Fair value measurement hierarchy for investment properties

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

	Carrying amount as at 30 June 2021 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Investment properties	9,617	-	9,617	-
Total	**9,617**	**-**	**9,617**	**-**

(i) Classified in accordance with the fair value hierarchy.

Investment properties

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

Initial recognition

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

Subsequent measurement

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the period that they arise. Investment properties are neither depreciated nor tested for impairment.

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

The fair value of the RCH's investment properties as at 30 June 2019 has been arrived at on the basis of an independent valuation carried out by the Valuer-General Victoria. As there are no indications of significant movements in market value since the most recent valuation, the RCH's assessment is that the valuation gives a fair view of the value of the investment properties as at as at 30 June 2022.

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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2022.

Inventories

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

Note 5: Other assets and liabilities

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

Structure

COVID-19 impact

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

Key judgements and estimates

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

Note 5.1: Receivables

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
CURRENT			
Contractual			
Inter hospital debtors		482	5,559
Trade debtors		2,215	4,329
Patient fees		7,539	7,271
Accrued investment income		2,241	1,504
Diagnostic debtors		1,490	1,577
Sundry debtors		14,312	8,054
Accrued revenue Department of Health		910	1,776
Less allowance for impairment losses			
Trade debtors		(161)	(207)
Patient fees		(504)	(443)
Diagnostic debtors		(179)	(99)
	7.1 (a)	**28,346**	**29,322**
Statutory			
GST receivable		1,865	993
Total current receivables		**30,210**	**30,315**
NON-CURRENT			
Contractual			
Accrued LSL revenue Department of Health		43,615	41,028
Total non-current receivables		**43,615**	**41,028**

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Balance at the beginning of the reporting period	749	874
Amounts written off during the year	(49)	(234)
Increase/(decrease) in allowance recognised in net result	144	109
Balance at the end of the reporting period	**844**	**749**

Receivables

Receivables consist of:

- Contractual receivables, which mostly include debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The RCH holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment; and
- Statutory receivables, which mostly include amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The RCH applies AASB 9 for initial measurement of the statutory receivables, and as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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

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

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

Impairment losses of contractual receivables

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

Note 5.2: Payables and contract liabilities

(a) Payables and contract liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000
CURRENT		
Contractual		
Trade creditors	18,940	31,638
Accrued salaries and wages	19,598	13,287
Accrued expenses	12,157	9,814
Deposits	25	25
Department of Health - deferred grant income[(i)]	23,404	16,345
Payable to the Department of Health	3,756	11,955
Superannuation and workcover	5,386	4,746
Sundry creditors	917	3,210
	84,185	**91,021**
Statutory		
GST payable	12	46
	12	**46**
Total current payables and contract liabilities	**84,196**	**91,067**
Payables and contract liabilities classified as financial liabilities in note 7.2 (b)		
Total payables and contract liabilities	84,196	91,067
Deferred grant income	(23,404)	(16,345)
Statutory payables	(12)	(46)
Total financial liabilities	**60,780**	**74,675**

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

Payables consist of:

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

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract. Deferred grant income that is expected to be recognised in future periods is not classified as a financial instrument because it will not be settled in cash.

Note 5.2: Payables and contract liabilities (continued)

(b) Deferred capital grant revenue

	Consolidated 2022 $'000	Consolidated 2021 $'000
Opening balance of deferred grants for capital acquisitions	6,526	4,659
Grants for capital acquisitions received during the year	3,387	4,493
Grant revenue for capital acquisitions recognised for assets acquired during the year	(1,984)	(2,626)
Closing balance of deferred grants for capital acquisitions	**7,929**	**6,526**

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

Note 5.3: Other liabilities

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
CURRENT			
Monies held in trust			
- Patient monies held in trust		17	-
- Monies held in trust (Children's Health Partnership)		1,378	1,439
Income in advance			
- Rental		349	349
- Other		17,047	9,412
Other			
- Salary packaging deposit (held on behalf of employees)		1,705	1,661
Total current		**20,496**	**12,860**
NON-CURRENT			
Income in advance			
- Rental		611	959
Total non-current		**611**	**959**
Total other liabilities		**21,106**	**13,820**
Total monies held in trust represented by the following assets			
Cash assets		17	-
Cash assets held on behalf of Children's Health Partnership		1,378	1,439
Total	6.2	**1,395**	**1,438**

Note 6: How we finance our operations

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

Structure

COVID-19 impact

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

Key judgements and estimates

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

Note 6.1: Borrowings

(a) Loans and lease liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000
CURRENT		
TCV loan[i]	1,121	1,067
Finance lease liability[ii]	41,623	39,667
Total current	**42,744**	**40,734**
NON-CURRENT		
TCV loan[i]	22,019	23,140
Finance lease liability[ii]	810,098	852,526
Total non-current	**832,117**	**875,666**
Total borrowings	**874,861**	**916,400**

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

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

Borrowings

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

Initial recognition

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

Subsequent measurement

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

Maturity analysis

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

(b) Lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Lease liabilities				
Not longer than one year	82,746	83,032	42,297	40,606
Longer than 1 year and not later than 5 years	329,346	329,879	189,077	180,744
Longer than 5 years	777,447	859,539	620,347	670,842
Minimum future lease payments	1,189,539	1,272,450	851,721	892,192
- Less future finance charges	(337,817)	(380,258)		
Present value of minimum lease payments	**851,721**	**892,192**	**851,721**	**892,192**
Included in the financial statements as				
Current borrowings			41,623	39,667
Non-current borrowings			810,098	852,525
			851,721	**892,192**

Leases

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

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

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

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

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

All leases are recognised on the balance sheet, with the exception of low value leases (less than $10,000) and short term leases of less than 12 months. The following low value leases are recognised in profit or loss:

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

Separation of lease and non-lease components

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

Lease liability – initial measurement

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

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

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

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

- Motor Vehicles
- Medical Equipment
- Buildings

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

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

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

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of $142k.

Note 6.1: Borrowings (continued)

Lease liability – subsequent measurement

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

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

Short-term leases and leases of low value assets

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

Below market/peppercorn lease

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

(c) Commissioned PPP related lease liabilities

PPP finance lease liability

	Minimum future lease payments[i]		Present value of minimum future lease payments[ii]	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	82,048	82,048	41,623	39,667
Longer than 1 year and not later than 5 years	328,191	328,191	187,939	179,105
Longer than 5 years	777,447	859,495	620,347	670,805
Minimum future lease payments	1,187,686	1,269,734	849,910	889,576
- Less future finance charges	(337,777)	(380,158)		
Present value of minimum lease payments	**849,910**	**889,576**	**849,910**	**889,576**
Included in the financial statements as				
Current borrowings			41,623	39,667
Non-current borrowings			808,286	849,910
			849,910	**889,576**

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

(ii) The weighted average interest rate implicit in the finance lease is 4.84% (2020-21: 4.84%)

Source information provided by the DH.

Public private partnerships (PPP)

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

The PPP is not accounted for as a service concession arrangement within the scope of AASB 1059 *Service Concession Arrangements: Grantors* as the public service criterion is not satisfied.

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

The portion of total payments to CHP that relates to the RCH's right to use the hospital building is accounted for as a finance lease liability. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Initial measurement

PPP leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the PPP lease.

Subsequent measurement

The leased assets under the PPP arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease. If there is certainty that the RCH will obtain ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset.

Minimum lease payments are apportioned between reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Note 6.2: Cash and cash equivalents

For the purposes of the cash flow statement, cash assets 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 2022 $'000	Consolidated 2021 $'000
Cash on hand	0	0
Deposit held on behalf of employees (salary packaging)	1,705	1,661
Cash at bank	61,947	6,551
Cash at bank - CBS (excluding monies held in trust)	21,158	62,730
Cash at bank - CBS (monies held in trust)	1,395	1,438
Fixed deposits	5,239	21,410
	91,443	**93,791**
Represented by:		
Monies held in trust	1,395	1,438
Cash for health service operations[i]	90,049	92,352
	91,443	**93,791**

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

Cash and cash equivalents

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

Note 6.3: Commitments for expenditure

(a) Commitments payable

	Consolidated 2022 $'000	Consolidated 2021 $'000
Capital expenditure commitments payable		
Less than 1 year	5,001	4,615
Total capital expenditure commitments	**5,001**	**4,615**
Non-cancellable low value lease commitments		
Less than 1 year	1,000	1,000
More than 1 year but no more than 5 years	1,000	2,000
Total lease commitments	**2,000**	**3,000**
Operating commitments		
Less than 1 year	4,883	3,074
More than 1 year but no more than 5 years	5,726	3,885
More than 5 years	58	67
Total operating commitments	**10,668**	**7,026**
Public private partnership commitments		
Less than 1 year	73,898	74,720
More than 1 year but no more than 5 years	315,040	289,685
More than 5 years	1,078,867	1,142,838
Total commitments for public private partnerships	**1,467,804**	**1,507,243**
Total commitments (inclusive of GST)	**1,485,472**	**1,521,885**
Less GST recoverable from the Australian Taxation Office	(135,043)	(138,353)
Total commitments (exclusive of GST)	**1,350,429**	**1,383,531**

Expenditure commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of goods and services tax ('GST') payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

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

Short term and low value leases

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

Commissioned public private partnerships (PPP)

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

Note 7: Risks, contingencies and valuation uncertainties

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

Structure

Note 7.1: Financial instruments

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

(a) Categorisation of financial instruments

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

Consolidated 2021	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
Contractual financial assets					
Cash and cash equivalents	6.2	93,791	-	-	93,791
Receivables	5.1	29,322	-	-	29,322
Other financial assets					
- Managed funds	4.1	-	108,720	-	108,720
Total financial assets[i]		**123,112**	**108,720**	**-**	**231,832**
Financial liabilities					
Payables	5.2	-	-	74,675	74,675
TCV loan	6.1	-	-	24,207	24,207
Lease liability	6.1	-	-	892,193	892,193
Monies held in trust	6.2	-	-	1,438	1,438
Total financial liabilities[ii]		**-**	**-**	**992,514**	**992,514**

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Categories of financial assets

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

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

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

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

Financial assets at amortised cost

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

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

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

The RCH recognises the following assets in this category:

- Cash and deposits;
- Receivables (excluding statutory receivables);
- Term deposits; and
- Certain debt securities.

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

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

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

Categories of financial liabilities

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

Financial liabilities at fair value through net result

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

- Held for trading; or
- Initially designated as at fair value through net result

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

Note 7.1: Financial instruments (continued)

Financial liabilities at amortised cost

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

The RCH recognises the following liabilities in this category:

- Payables (excluding statutory payables);
- Borrowings (including finance lease liabilities); and
- Monies held in trust.

Derecognition and impairments

Derecognition of financial assets

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

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

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

Derecognition of financial liabilities

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

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

Offsetting financial instruments

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

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

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

Reclassification of financial instruments

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

Financial liabilities do not get reclassified.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7.2: Financial risk management objectives and policies

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

There has been no material change to the RCH's credit risk profile in 2021-22.

Impairment of financial assets under AASB 9

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

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

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

Contractual receivables at amortised cost

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

On this basis, the RCH determines the closing loss allowance at the end of the financial year as follows:

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

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

Consolidated 2021	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
Expected loss rate	0.1%	2.9%	15.1%	98.4%	2.8%
Gross carrying amount of contractual receivables ($'000)	23,805	1,188	1,652	459	27,104
Loss allowance ($'000)	(14)	(34)	(249)	(452)	(749)

Statutory receivables and debt investments at amortised cost

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

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

(b) Liquidity risk

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

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

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

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

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

Consolidated	Note	Carrying amount as at 30 June 2022	Nominal amount as at 30 June 2022	Maturity dates				
				Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	5.2	60,780	60,780	55,848	1,175	3,758	-	-
TCV loan	6.1	23,140	23,140	91	184	846	5,079	16,940
Lease liability	6.1	851,721	851,721	50	10,236	31,940	189,147	620,347
Monies held in trust	5.3	1,395	1,395	32	80	285	998	-
		937,036	**937,036**	**56,021**	**11,675**	**36,829**	**195,224**	**637,287**

Consolidated	Note	Carrying amount as at 30 June 2021	Nominal amount as at 30 June 2021	Maturity dates				
				Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	5.2	74,675	74,675	59,094	3,231	12,349	-	-
TCV loan	6.1	24,207	24,207	87	175	805	4,835	18,305
Lease liability	6.1	892,193	892,193	73	9,797	30,669	180,849	670,805
Monies held in trust	5.3	1,438	1,438	51	103	463	822	-
		992,514	**992,514**	**59,306**	**13,306**	**44,287**	**186,506**	**689,110**

(c) Market risk

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

Sensitivity disclosure analysis and assumptions

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

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

Interest rate risk

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

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

Foreign currency risk

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

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

Equity risk

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

Note 7.3: Contingent assets and contingent liabilities

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

As of 30 June 2022, the Board are not aware of any contingent assets or liabilities.

Note 7.4: Fair value determination

Fair value measurement

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

The following assets and liabilities are carried at fair value:

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

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

Note 7.4: Fair value determination (continued)

Valuation hierarchy

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

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

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

(a) Fair value determination of other financial assets

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

Consolidated	Note	Carrying amount as at 30 June 2021	Fair value measurement at end of reporting period using:		
			Level 1[(i)]	Level 2[(i)]	Level 3[(i)]
		$'000	$'000	$'000	$'000
Other financial assets					
Managed funds	4.1	108,720	11,886	96,834	-
Total financial assets held at feir value through profit or loss		**108,720**	**11,886**	**96,834**	-
Total		**108,720**	**11,886**	**96,834**	-

(i) Classified in accordance with the fair value hierarchy.

Note 8: Other disclosures

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

Structure

COVID-19 impact

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

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

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Net result for the year		**(24,230)**	**(10,071)**
Non-cash movements			
Depreciation and amortisation	4.4	61,352	60,886
Amortisation of non-produced intangible assets	3.2	1,272	1,272
DH - indirect contribution on repayment of finance lease liabilities		(82,048)	(82,048)
PPP non-cash finance lease interest expense		42,381	44,245
Revaluation of financial instruments through profit or loss	3.2	5,180	(17,445)
Revaluation of investment properties		(1,254)	-
Written down value of assets disposed		314	129
Non-cash accounting adjustments in accordance with AASB 16		(661)	(1,190)
Movements included in investing and financing activities			
(Increase)/decrease in payables for capital items		(439)	(316)
GST paid for capital items		926	929
Capital donations received		(595)	(60)
Movements in assets and liabilities			
Change in operating assets and liabilities			
- (increase)/decrease in receivables		(2,483)	(8,868)
- (increase)/decrease in inventories		(978)	405
- (increase)/decrease in prepayments		(1,165)	(685)
- increase/(decrease) in payables		(6,871)	49,463
- increase/(decrease) in employee entitlements		5,599	11,089
- increase/(decrease) in other liabilities		7,286	6,652
Net cash inflow/(outflow) from operating activities		**3,587**	**54,388**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8.2: Responsible persons disclosures

Responsible persons

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

	Period	
Responsible Ministers		
The Honourable Martin Foley:		
Minister for Health	1 July 2021	27 June 2022
Minister for Ambulance Services	1 July 2021	27 June 2022
The Honourable James Merlino:		
Minister for Mental Health	1 July 2021	27 June 2022
Minister for Disability, Ageing and Carers	11 October 2021	6 December 2021
The Honourable Luke Donnellan:		
Minister for Disability, Ageing and Carers	1 July 2021	11 October 2021
The Honourable Anthony Carbines:		
Minister for Disability, Ageing and Carers	6 December 2021	27 June 2022
The Honourable Mary-Anne Thomas:		
Minister for Health	27 June 2022	30 June 2022
Minister for Ambulance Services	27 June 2022	30 June 2022
The Honourable Gabrielle William:		
Minister for Mental Health	27 June 2022	30 June 2022
The Honourable Colin Brooks:		
Minister for Disability, Ageing and Carers	27 June 2022	30 June 2022
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2021	30 June 2022
Ms Elleni Bereded-Samuel AM	1 July 2021	30 June 2022
Dr Rowena Coutts	1 July 2021	30 June 2022
Dr Christine Cunningham	1 July 2021	30 June 2022
Prof Richard Doherty	1 July 2021	30 June 2022
Ms Pallavi Khanna	1 July 2021	30 June 2022
Mr Sammy Kumar	1 July 2021	30 June 2022
Dr Linden Smibert	1 July 2021	30 June 2022
Dr Michael Wildenauer	1 July 2021	30 June 2022
Accountable Officer		
Ms Bernadette McDonald (Chief Executive Officer)	13 September 2021	30 June 2022
Professor Ed Oakley (Acting Chief Executive Officer)	10 July 2021	12 September 2021
Mr John Stanway (Chief Executive Officer)	1 July 2021	9 July 2021

Rob Knowles has retired effective 30 June 2022, after serving as Chairman for 9 years and 7 months. Rowena Coutts has been appointed Chair of the RCH Board effective 1 July 2022.

Note 8.2: Responsible persons disclosures (continued)

Remuneration of responsible persons

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

Income band	2022 No.	2021 No.
$0 - $9,999	1	-
$30,000 - $39,999	-	3
$40,000 - $49,999	8	5
$80,000 - $89,999	1	1
$110,000 - $119,999	1	-
$390,000 - $399,999	1	-
$520,000 - $529,999	-	1
Total	**12**	**10**

The number of responsible persons in the table above is higher for 2022 since the role accountable officer was held by three different people throughout the reporting period.

	Total remuneration	
	2022 $'000	2021 $'000
Remuneration received or due and receivable by responsible persons from the reporting entity	962	923
Total remuneration	**962**	**923**

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

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

Note 8.3: Executive officers disclosures

Remuneration of executives

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

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

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

Post-employment benefits include pensions and other retirement benefits (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave.

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

Remuneration of executive officers

	Total remuneration	
	2022 $	2021 $
Short term employee benefits	2,083,533	2,010,170
Post employment benefits	188,534	178,234
Other long term benefits	237,232	83,335
Total remuneration	**2,509,299**	**2,271,738**
Total number of executives	**12**	**7**
Total annualised employee equivalent (AEE)	**6.38**	**6.12**

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under *AASB 124 Related Party Disclosures* and are also reported within the related parties note disclosure (note 8.4). Total number of executives is higher in 2022 because some positions have been held by more than one person throughout the year.

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

Note 8.4: Related parties

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

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

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

Key management personnel of the RCH:

	Period	
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2021	30 June 2022
Ms Elleni Bereded-Samuel AM	1 July 2021	30 June 2022
Dr Rowena Coutts	1 July 2021	30 June 2022
Dr Christine Cunningham	1 July 2021	30 June 2022
Prof Richard Doherty	1 July 2021	30 June 2022
Ms Pallavi Khanna	1 July 2021	30 June 2022
Mr Sammy Kumar	1 July 2021	30 June 2022
Dr Linden Smibert	1 July 2021	30 June 2022
Dr Michael Wildenauer	1 July 2021	30 June 2022
Accountable Officer		
Ms Bernadette McDonald (Chief Executive Officer)	13 September 2021	30 June 2022
Professor Ed Oakley (Acting Chief Executive Officer)	10 July 2021	12 September 2021
Mr John Stanway (Chief Executive Officer)	1 July 2021	9 July 2021

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

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

	Total compensation	
	2022 $'000	2021 $'000
Short term employee benefits	876	839
Post employment benefits	71	62
Other long term benefits	15	23
Total compensation	**962**	**923**

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

Transactions with key management personnel and other related parties

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Royal Children's Hospital Foundation

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

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

	Parent entity 2022 $	Parent entity 2021 $
Distributions and reimbursements by The Royal Children's Hospital Foundation	42,445,537	44,617,382
Payments to The Royal Children's Hospital Foundation	286,564	250,000
Receivable from The Royal Children's Hospital Foundation	4,310,916	5,901,346
Payable to The Royal Children's Hospital Foundation	-	540

Murdoch Children's Research Institute

The CEO and Board Chair of the RCH were also Directors of Murdoch Children's Research Institute (MCRI) during 2021-22 financial year.

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

	Parent entity 2022 $	Parent entity 2021 $
Reimbursements by Murdoch Children's Research Institute	7,007,919	8,500,967
Payments to Murdoch Children's Research Institute	22,178,313	20,945,299
Receivable from Murdoch Children's Research Institute	475,702	601,833
Payable to Murdoch Children's Research Institute	33,000	-

Victorian Clinical Genetics Services

Victorian Clinical Genetics Services (VCGS) is a wholly owned subsidiary of MCRI which the CEO and Board Chair of the RCH were Directors of during 2021-22 financial year.

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

	Parent entity 2022 $	Parent entity 2021 $
Reimbursements by Victorian Clinical Genetics Services	109,365	608,672
Payments to Victorian Clinical Genetics Services	1,205,739	869,505
Receivable from Victorian Clinical Genetics Services	5,422	182,433
Payable to Victorian Clinical Genetics Services	-	5,918

Victorian Comprehensive Cancer Centre

The CEO of the RCH was a Director of Victorian Comprehensive Cancer Centre during the 2021-22 financial year.

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

	Parent entity 2022 $	Parent entity 2021 $
Reimbursements by Victorian Comprehensive Cancer Centre	1,760	5,317
Payments to Victorian Comprehensive Cancer Centre	167,514	192,182

Note 8.4: Related parties (continued)

Monash Health

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

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

	Parent entity 2022 $	Parent entity 2021 $
Reimbursements by Monash Health	1,713,495	3,072,247
Payments to Monash Health	1,141,949	991,585
Receivable from Monash Health	33,684	166,496
Payable to Monash Health	111,274	110,194

Australian Unity

A Director of the RCH is an employee of Australian Unity.

Australian Unity is the lessor of the premises for The Royal Children's Hospital's Mental Health clinic in Sunshine. When the RCH entered the lease in 2016, a component of the agreed lease was for interest and repayment of expenses for fit-out provided by the landlord. The balance of these repayments became due when the RCH opted not to exercise an extension option of the lease, due to the growing activity of the clinic requiring larger premises. The original lease was with RND Melbourne, and transferred to Australian Unity in 2017. The lease predates Ms Bereded-Samuel's appointment to the RCH Board of Directors, and is under a division of Australian Unity that's not related to Ms Bereded-Samuel's work. The decision not to extend the lease is based on a commercial requirement.

	Parent entity 2022 $	Parent entity 2021 $
Pay-out of rent obligation	-	407,042

The Royal Children's Hospital Foundation No. 2 Trust

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

	The Royal Children's Hospital Foundation 2022 $	The Royal Children's Hospital Foundation 2021 $
Payable to The Royal Children's Hospital Foundation No. 2 Trust	5,732,797	16,625,698

Significant transactions with government-related parties

The RCH received funding from the Department of Health of $621 million (2021: $581 million) and indirect contributions of $154million (2021: $145 million).

The RCH received funding from the Department of Education and Training of $3.1 million (2021: $2.9 million).

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

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

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

Note 8.5: Remuneration of auditors

	Consolidated 2022 $'000	Consolidated 2021 $'000
Victorian Auditor-General's Office		
Audit of financial statements	198	207
Other service providers		
Audit of financial statements	73	63
Compilation of financial statements & financial reporting advice	9	8
	280	**279**

Note 8.6: Controlled entity

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

Controlled entity contribution to the consolidated results

	2022 $'000	2021 $'000
Net result for the year		
The Royal Children's Hospital Foundation Trust Fund	(11,722)	(1,926)
	(11,722)	**(1,926)**

At the time of reporting, the audit of the Royal Children's Hospital Foundation Trust Fund has not been finalised.

Note 8.7: Jointly controlled operations and assets

Name of entity	Principal activity	Ownership interest 2022	Ownership interest 2021
Victorian Comprehensive Cancer Centre	The member entities have committed to the establishment of a world leading comprehensive cancer centre in Parkville, Victoria, through the joint venture, with a view to saving lives through the integration of cancer research, education, training and patient care. RCH joined the Victorian Comprehensive Cancer Centre on 1 July 2010.	10.0%	10.0%

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

	2022 $'000	2021 $'000
ASSETS		
Current assets		
Cash and cash equivalents	815	559
Receivables	60	13
GST receivable	0	-
Prepayments	86	8
Total current assets	**962**	**580**
Non-current assets		
Property, plant and equipment	13	12
Intangible assets	31	5
Total non-current assets	**44**	**17**
TOTAL ASSETS	**1,006**	**597**
LIABILITIES		
Current liabilities		
Accrued expenses	29	18
Payables	76	24
GST payable	-	1
Provisions	32	34
Other current liabilities	11	15
Total current liabilities	**148**	**92**
Non-current liabilities		
Provisions	15	9
Total non-current liabilities	**15**	**9**
TOTAL LIABILITIES	**162**	**100**
NET ASSETS	**844**	**496**
EQUITY		
Accumulated surpluses	844	496
TOTAL EQUITY	**844**	**496**

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

	2022 $'000	2021 $'000
Revenue		
Grants and other revenue	1,238	687
Interest	3	2
Total revenue	**1,241**	**688**
Expenses		
Employee benefits	520	435
Other expenses from continuing operations	367	699
Depreciation and amortisation	6	6
Total expenses	**893**	**1,139**
NET RESULT	**347**	**(451)**

Note 8.8: Ex-gratia payments

There were no ex-gratia payments made in 2021-22 financial year (nil in 2020-21).

Note 8.9: Events occurring after the balance sheet date

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

Note 8.10: Economic dependency

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

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

Note 8.11: Equity

Contributed capital

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

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

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

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

Specific restricted purpose reserves

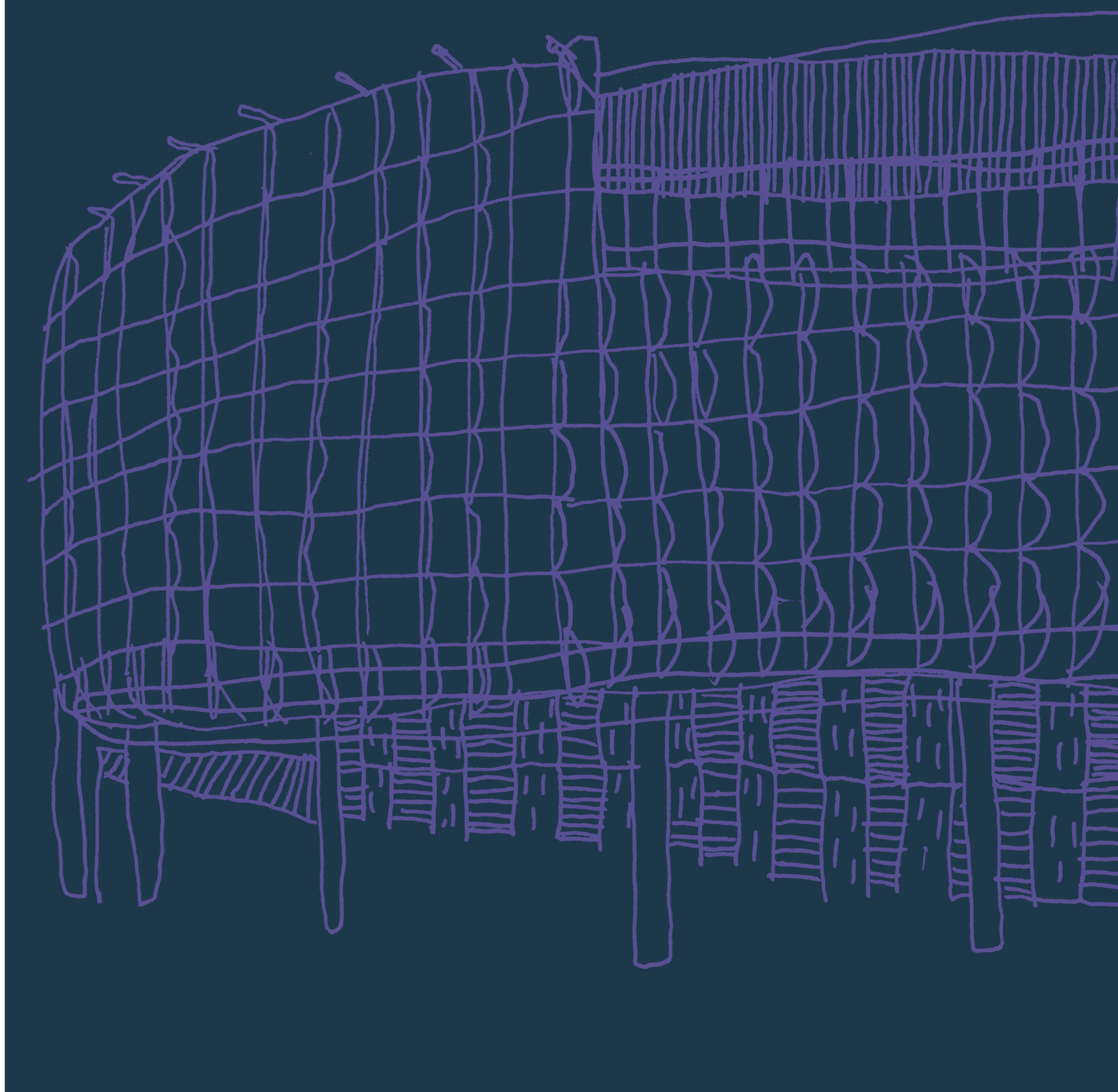
The specific restricted purpose reserve is established where the RCH has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

Note 8.12: AASBs issued that are not yet effective

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

Standard	Adoption date	Impact on public sector entity financial statements
AASB 17 *Insurance Contracts*	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	Reporting periods on or after 1 January 2022	Adoption of this standard is not expected to have a material impact.
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other amendments*	Reporting periods on or after 1 January 2022	Adoption of this standard is not expected to have a material impact.
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates*	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	Reporting periods on or after 1 January 2022	Adoption of this standard is not expected to have an impact.
AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.

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



The Royal Children's Hospital Melbourne

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