

Annual Report

2012–13

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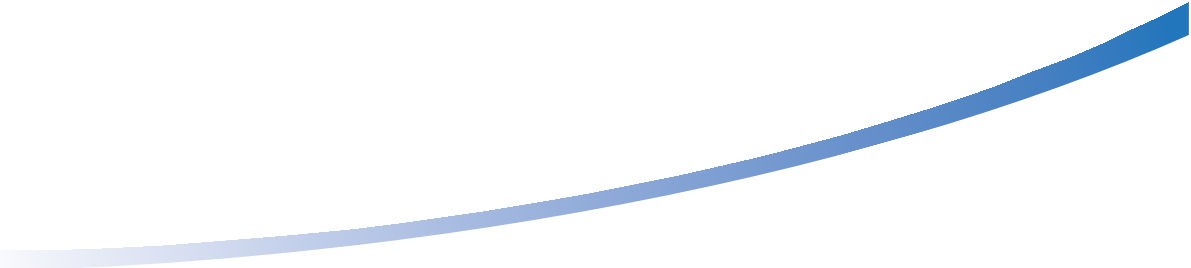
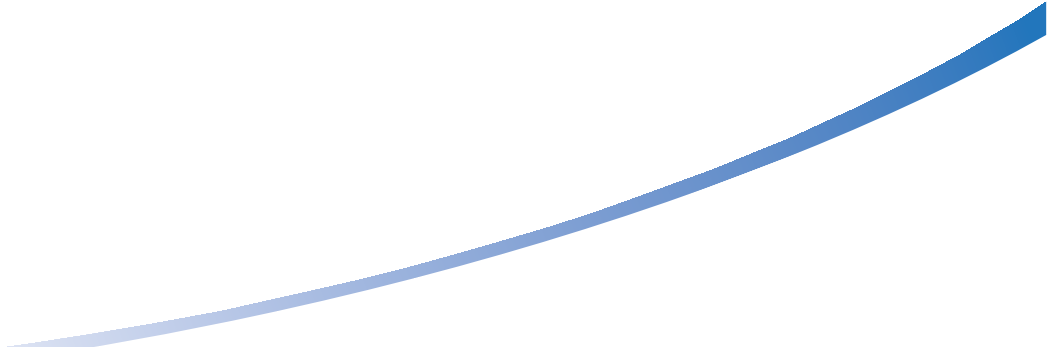
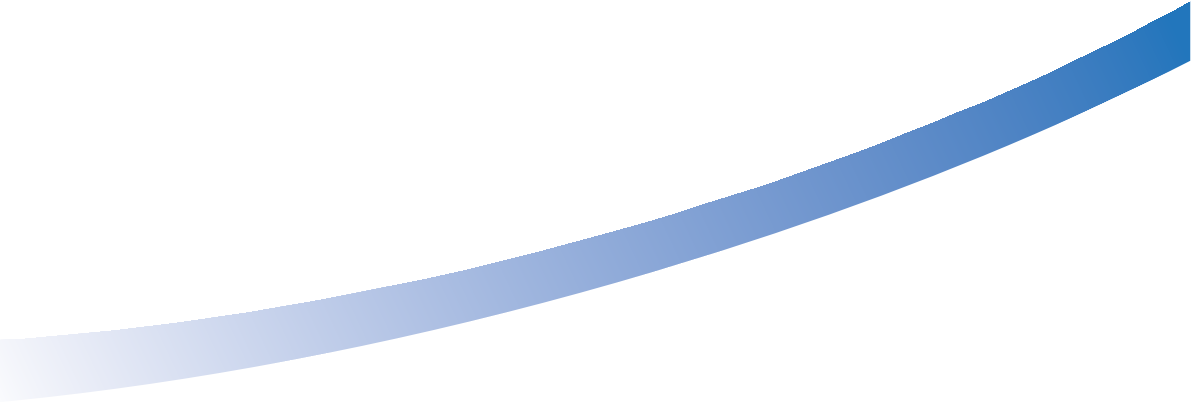
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Annual Report

2012–13



**Vision, Mission and Values**

**The Royal Victorian Eye and Ear Hospital is Australia’s leading provider of eye and ear health care.**

In 2012–13, the Eye and Ear cared for over 250,000 patients throughout Victoria and continued to improve its operational and financial performance.

**Vision**

Improving quality of life through caring for the senses.

**Mission**

We aspire to be the world’s leading eye and ear hospital:

• Excelling in specialist services

• Integrating teaching and research

• Enabling a highly engaged workforce

• Promoting health in our community

• Building a sustainable future

**Values**

**Integrity**

We act ethically, accept personal accountability, communicate openly and honestly and treat everyone with trust and respect.

**Care**

We treat patients with respect, are compassionate, thoughtful and responsive to their needs and sensitive to diversity.

**Teamwork**

We communicate openly, respect diversity of views and skills and work effectively with partners and in multi-disciplinary teams to deliver the best outcomes for patients.

**Excellence**

We give our personal best at all times, deliver exemplary customer service, monitor performance and seek leading edge ways to improve it.

**Chair and CEO Report**

**It has been an exciting year at the Royal Victorian Eye and Ear Hospital. In November 2012, plans for a comprehensive redevelopment of the hospital were given the go-ahead when the Victorian Government announced it would fund the project.**

The announcement came as the hospital prepared for its milestone

150 year anniversary in 2013 and places the hospital in an excellent position to improve its facilities and continue to provide the best possible care for our patients.

**Caring for Victorians**

We continued to experience high demand on our services, with the hospital caring for 197,724 outpatients, 12,979 inpatients and 39,767 emergency patients this year. As a state-wide provider, the hospital also supported care for patients through its network of metropolitan, regional and rural health partners. As Australia’s only specialist eye, ear, nose and throat hospital, we have an important role to play in the health of our community.

**Planning for the future**

The Eye and Ear is the largest public provider of ophthalmology and ENT services in Victoria and delivers more than half of Victoria’s public eye surgery and all

of Victoria’s public cochlear implants.

The redevelopment funding has come at a critical time for the hospital. The works will include structural upgrades to improve the hospital’s layout and enable user-friendly access for current patients and staff. The project will involve the demolition of existing buildings between the Smorgon Family Wing and Peter Howson Wing to allow construction of open plan floors from the ground to the third floor, along with connecting links in the upper floors. Clinical services will be consolidated on lower levels and provide major improvements in the emergency department, operating theatres and specialist clinics. It will also provide inpatient beds and new same-day recovery areas. A significant expansion

of onsite teaching, training and research facilities will be consolidated on the upper floors.

The work is expected to be completed in late 2017, and will allow the Eye and Ear to better meet future demand.

**150th Celebration**

In 2013, the Royal Victorian Eye and Ear Hospital celebrates 150 years of service to the Victorian community. It is a significant milestone and an exciting opportunity to look back and reflect on the many changes to the hospital during this time.

A ceremony at Government House in February officially opened the celebrations, followed by a community street party held on April 7. The Eye and Ear has also been hosting a series of public lectures, scheduled to run throughout the year.

**Service excellence**

The hospital constantly strives to apply new and efficient models of care, invest in research and training and share our knowledge to improve the eye and ear health of our community. The innovative work undertaken at the Eye and Ear has earned the hospital an international reputation for excellence over the past 150 years.

This year we continued to collaborate with other health services to improve our patients’ journey and provide

the best possible health care to the Victorian community. Our partnership with the Victorian Aboriginal Health Service (VAHS) provides a crucial link between the hospital, Aboriginal and Torres Strait Islander patients, Aboriginal Health Services and the community. We continued our specialist ENT outreach clinic at the VAHS to provide a culturally appropriate model of care where Aboriginal children can be supported through every stage of their journey as an Eye and Ear patient. We also continued a joint clinic in partnership with the Australian College of Optometry (ACO), which significantly improved access to specialist care for patients.

**Accreditation**

In December 2012, the Eye and Ear was audited on mandatory safety, quality and risk management criteria as part of the hospital’s accreditation process. We received excellent feedback and were awarded seven extensive achievements and one outstanding achievement. We have been fully accredited until 2015.

**Research collaboration**

In a major development in 2012, Bionic Vision Australia researchers successfully performed the first implantation

of an early prototype bionic eye with 24 electrodes. Dianne Ashworth, Murray Rowland and Maurice Skehan were all fitted with the device in surgery at the Eye and Ear.

The Eye and Ear is a clinical partner of the bionic eye project and as we celebrate the world first implant of this prototype bionic eye, we also look back on our proud history of bionics as the home of the bionic ear. September 12, 2012 marked 30 years since the world’s first 22 channel cochlear device was implanted in a patient, enabling Graham Carrick to hear after 17 years of silence.

We continued to collaborate with our research partners, the Centre for Eye Research Australia, the University of Melbourne, the Bionics Institute, Bionic Vision Australia and the HEARing CRC on research that translates into clinical care. Sharing our knowledge and expertise throughout the community, the Eye and Ear helps make world quality eye and ear health care available to all. We

would like to acknowledge and thank the generosity of our patients who take part in this ground breaking research.

**Awards and acknowledgements**

The Board Chair and CEO would like to thank Board Members, clinicians, volunteers and all staff for their commitment and passion throughout the year and congratulate those who have been recognised by the Eye and Ear or in the community for their dedication. A special thank you to Mr John Wilson and Mr Ian Pollerd for their contribution during their time on the Board of Directors.

At the 2012 AGM, the winners of the annual Eye and

Ear Excellence Awards, which recognise individuals and specialist groups that have contributed to achieving organisational excellence were announced. The six award categories acknowledge creative and original

thinking that results in positive outcomes for our patients, an improved working environment or improved hospital systems. In 2012, these were awarded to:

Dr Penny Allen Board Chair’s Medal

Bionic Eye team CEO’s Team Award

Dr Carmel Crock Dr J Aubrey Bowen Medal Kerryn Baker Administrative Excellence Award Sue Le Roux Nursing Excellence Award Stephanie Tsonis Allied Health Award

**Thank you**

The hospital is sincerely grateful to its financial donors, volunteers and community advisory members for their generosity.

In accordance with the *Financial Management Act 1994*, the hospital is pleased to present the Report of Operations for the Royal Victorian Eye and Ear Hospital for the year ending 30 June 2013.



Jan Boxall

Chair, Board of Directors

Ann Clark

Chief Executive Officer



**Board of Directors**

**Ms Jan Boxall** LLB FAICD

Appointed 1 July 2008, reappointed 1 July 2011

Chair Board of Directors, Remuneration Committee Member Audit Committee, Finance Committee, Quality Committee, Redevelopment Committee

Ms Boxall is an independent legal consultant, having been a partner at the national law firm, Corrs Chambers Westgarth where she advised clients in the property and infrastructure, health, statutory corporations and government sectors. She was Chair of the Board of Directors of the Cabrini Health group and a former director of the Boards of City West Water Corporation and Queen Victoria Market Pty Ltd.

Ms Boxall is a Fellow of the Australian Institute of

Company Directors.

**Dr Malcolm Brown** MBBS, DOH, FAFOEM (RACP)

Appointed 1 July 2011

Chair Primary Care and Population Health Advisory

Committee

Member Audit Committee, Quality Committee

Dr Brown is an occupational physician in private practice and has many years’ corporate experience, working primarily in the oil and gas and mining industries in Australia, the Middle East and Europe. He has sat on government expert committees, mainly on environmental health matters. Dr Brown is a Director of the Centre for Eye Research Australia (CERA) and is also an adjunct lecturer at the School of Public Health and Preventative Medicine at Monash University.

**Mr Peter Buzzard** FCA, FAICD

Appointed 1 July 2012

Chair Audit Committee from 26th June 2013

Member Audit Committee, Finance Committee

Mr Buzzard has over 40 years’ experience in professional financial practice, principally in the area of audit and corporate services in the large companies sector, with an emphasis on listed public companies. He is a Fellow of both the Institute of Chartered Accountants and the Australian Institute of Company Directors. He has been Chairman of Parks Victoria, The People & Parks Foundation and the Sustainable Melbourne Fund and

a Director of the Queen Victoria Market Pty Ltd and the

Wholesale Fish Market Pty Ltd.

**Mr Roger Greenman** AM

Appointed 1 July 2009

Chair Quality Committee, Redevelopment Committee

Member Finance Committee, Remuneration Committee

Mr Greenman is the immediate past Chief Executive Officer and former Board member of Cabrini Health. He has an acute health background with considerable

experience in hospital construction and redevelopment.

**Dr Sandra Mercer Moore** AM

Appointed 1 July 2011

Chair Community Advisory Committee

Member Quality Committee, Redevelopment Committee

Dr Mercer Moore has extensive experience in the Australian and the International Health Care industry, covering both private and public sectors. She is the immediate past-president of the World Confederation for Physical Therapy, an alternate Director of the Centre for Eye Research Australia (CERA) and a Fellow of the Australian Institute of Company Directors. Dr Mercer Moore, an independent management and training consultant, serves as a Board member for a range

of organisations.

**Mr Ian Pollerd** B.ED(BUS) E.ED (ADMIN), GRAD DIP ED ADMIN, DIP CRIM, MAICD

Appointed 1 July 2007, reappointed 1 July 2010,

term expired 30 June 2013

Member Audit Committee, Quality Committee

Mr Pollerd has extensive experience in rural health, disability services, aged care, palliative care and family and community services. He is manager of the Office of the National Health Practitioner Ombudsman and Privacy Commissioner. He is also the manager of the Office of the National Education and Care Services Ombudsman, Freedom of Information and Privacy Commissioner

and a member of the Australian Institute of Company Directors. Mr Pollerd was also previously a member of the Board of Governance Connections Uniting Care, the Chinese Medicine Registration Board of Victoria and the Southern Metropolitan Cemeteries Trust. Mr Pollerd is currently a Director of Good Shepherd Australia and New Zealand and a Director of the Trading Circle.

**Mr Andrew Porter** MA (HONS), FCA, MAICD

Appointed 1 July 2009, reappointed 1 July 2011

Chair Finance Committee

Member Redevelopment Committee, Remuneration

Committee

Mr Porter is a Chartered Accountant and has had over 20 years’ experience in accounting and financial management. He is currently Chief Financial Officer of the ASX-listed companies Australian Foundation Investment Company

Ltd, Djerriwarrh Investments Ltd, Mirrabooka Investments

Ltd and AMCIL Ltd.

**Ms Jenny Taing** BA LLB (HONS), AAICD

Appointed 1 July 2012

Member Community Advisory Committee, Primary Care and Population Health Advisory Committee

Ms Taing is a qualified lawyer with the Australian Securities and Investments Commission. She is a board director at the Royal District Nursing Service and sits on the advisory board of the Centre for Advanced Journalism at the University of Melbourne. She is a former Commissioner

of the Victorian Multicultural Commission, which involved advising the Premier and responsible Minister on matters relating to multicultural communities. Prior to joining the board, Ms Taing was a member of the Eye and Ear’s Human Research and Ethics Committee, Animal Research and Ethics Committee and the Community Advisory Committee.

**Mr John Wilson** B.COM (HONS) CA, CPA, FFIN Appointed 3 March 2009, reappointed 1 July 2010, term expired 30 June 2013

Chair Audit Committee

Member Redevelopment Committee, Finance Committee, Remuneration Committee

Mr Wilson has extensive experience in management, securities, accountancy and corporate risk. He was formerly a senior executive and Board member at Potter Warburg and from 2003 to 2005, he was the Managing Director of Tolhurst Group Limited. Mr Wilson has worked for PriceWaterhouseCoopers as a Director in corporate finance and lectured in accountancy at the University of Melbourne. Mr Wilson is also a member of the Council

of the University of Melbourne.

**Board of Directors and Board Committees**

**The Board of Directors is appointed by the Governor in Council on the recommendation of the Victorian Minister for Health and is governed by the principles contained within the *Health Services Act 1988* (as amended).**

The Board provides governance of the Eye and Ear and is responsible for its strategic directions, the quality of its health care services, financial performance, risk management and strengthening community involvement through greater partnerships.

The Eye and Ear by-laws enable the Board to delegate certain responsibilities. The by-laws are supported by the delegations of executive and operational responsibility enabling designated executives and staff to perform their duties through the exercise of specified authority. The Board meets monthly during the year, excluding January.

**Quality Committee**

The Quality Committee membership comprises the following non-executive directors: Mr Roger Greenman AM (Chair), Ms Jan Boxall, Dr Malcolm Brown, Dr Sandra Mercer Moore AM and Mr Ian Pollerd.

The Quality Committee provides leadership and strategic direction on issues regarding the quality of services at the Royal Victorian Eye and Ear Hospital. The Committee’s focus is the delivery of the highest level of quality and safety to patients, family and staff and to ensure that all relevant standards are met. Innovation to improve quality and safety systems is a priority. The Committee works in conjunction with the Community Advisory Committee to

develop the annual Quality of Care Report which highlights patient and family centred care service improvements.

**Finance Committee**

The Finance Committee membership comprises the following non-executive directors: Mr Andrew Porter (Chair), Ms Jan Boxall, Mr Peter Buzzard, Mr Roger Greenman AM and Mr John Wilson.

The Finance Committee meets at least seven times per year and assists the Board to fulfil its duties relating to the effective financial management of the Eye and Ear.

Key responsibilities for the Finance Committee include oversight of the hospital’s annual operating and capital budget, review of the monthly financial management reports, advising the Board on the financial implications associated with major projects and reviewing the relevant financial policies and procedures. All the Finance Committee members are independent of Management.

**Audit Committee**

The Audit Committee membership comprises the following non-executive directors: Mr John Wilson (Chair), Ms Jan Boxall, Dr Malcolm Brown, Mr Peter Buzzard (Chair from 26 June 2013) and Mr Ian Pollerd.

The Audit Committee meets at least four times per year and assists the Board in monitoring compliance with laws, regulation, internal controls and standards.

Key responsibilities for the Audit Committee include: monitoring the hospital’s strategic and operational risks, developing the hospital’s strategic internal audit plan, oversight of the Internal Audit Program, review of the Draft Annual Accounts and review of the relevant risk policies and procedures. All the Audit Committee members are independent of Management.

**Redevelopment Committee**

The Redevelopment Committee membership comprises the following non-executive directors: Mr Roger Greenman AM (Chair), Ms Jan Boxall, Dr Sandra Mercer Moore AM, Mr Andrew Porter and Mr John Wilson.

The Redevelopment Committee meets bi-monthly to oversee the planning, design, construction and fit out of the redevelopment of the Eye and Ear and ensures that the works align with the hospital’s strategic direction.

The Committee ensures that the Board is advised on the progress of planning, works and of key issues arising from the redevelopment project. The Committee makes recommendations to the Board concerning matters that require Board approval, including expenditure and

design issues.

**Remuneration Committee**

The Remuneration Committee membership comprises the following non-executive directors: Ms Jan Boxall (Chair), Mr Roger Greenman AM, Mr Andrew Porter and Mr John Wilson.

The Remuneration Committee assesses and makes recommendations to the Board concerning the performance against the agreed Performance Plan; remuneration and bonus awards (if applicable); and terms and conditions of employment for the Chief Executive Officer. It also provides oversight of the remuneration and bonus arrangements (if applicable) of the Executive Directors of the hospital.

**Community Advisory Committee**

The Community Advisory Committee membership comprises the following non-executive directors: Dr Sandra Mercer Moore AM (Chair) and Ms Jenny Taing.

The Community Advisory Committee advises the Board on consumer and community participation in the development and delivery of services. The Committee meets bi-monthly and members include community, consumer and carer representatives who are appointed for a two-year term.

**Primary Care and Population Health Advisory**

**Committee**

The Primary Care and Population Health Advisory Committee membership comprises the following non- executive directors: Dr Malcolm Brown (Chair) and Ms Jenny Taing.

The Primary Care and Population Health Advisory Committee provides advice to the Board on working with primary health services and responding to population health issues. The Committee meets quarterly and membership includes representatives from community groups, partner organisations and consumer representation.

**Executive Management**

**Chief Executive Officer**

**Ms Ann Clark** BCOM, CA, GAICD

The Chief Executive Officer is accountable to the Board for executive leadership and management of operational, policy and strategic goals agreed with the Board and in accordance with the funding, planning and regulatory framework of the Victorian Government Department

of Health.

**Executive Director Ambulatory and Medical**

**Services, Chief Medical Officer**

**Dr Caroline Clarke** MD, FRACP, MRCP, FRACMA

The Executive Director, Ambulatory and Medical Services leads the development and implementation of a central framework for clinical governance and medical administration and is responsible for the outpatients and emergency departments and Ophthalmology clinical services. As Chief Medical Officer, the role requires key involvement in the recruitment, credentialing and scope

of practice of senior and junior medical staff. There are also responsibilities for medical education and research governance.

**Clinical Director Ophthalmology Services**

**Associate Professor Michael Coote** MBBS, FRANZCO, GAICD

The Clinical Director Ophthalmology Services is

responsible for ophthalmic medical leadership. The role advises on strategy and models of care in Ophthalmology that are sustainable and lead to excellence.

**Executive Director Surgical and Inpatient Services, Chief Nursing Officer**

**Ms Jenni Bliss** GENERAL NURSING, GRAD DIP, ADVANCED CLINICAL PRACTICE PAEDIATRICS AND PROFESSIONAL CERTIFICATE IN HEALTH SYSTEMS MANAGEMENT

The Executive Director Surgical and Inpatient Services

is responsible for the ear, nose and throat program and clinical services of the Eye and Ear, including the Cochlear Implant program, peri operative services, pharmacy, Radiology services, Pathology and inpatient services and clinical quality and infection control. As Chief Nursing Officer, the role also has professional responsibility for nursing staff and education.

**Clinical Director ENT Services**

**Associate Professor Robert Briggs** MBBS, FRACS, FACS

The Clinical Director ENT Services, provides clinical and

medical leadership; advice on models of care to support clinical excellence in ear, nose and throat; and surgical support services.

**Executive Director, Strategy, Planning and**

**Redevelopment**

**Ms Jenni Gratton-Vaughan** BAPPSC, GRADDIPREHABSTUD, MBUS, DIP PROJECT MGT, MAICD The Executive Director Strategy, Planning and Redevelopment has overarching responsibility for the capital redevelopment of the Eye and Ear and future strategy and service planning regarding health service delivery to meet future demand. The role also manages the Facilities and Security Department and the Program Management function which provides the governance for all projects across the Hospital.

**Executive Director Corporate Services, Chief**

**Financial Officer**

**Mr Peter Gould** BBUS, PGRADDIPSIA, FCPA, FFIN

The Executive Director Corporate Services is the Chief Financial Officer and is responsible for providing financial management leadership and oversight of the organisational financial position. The position is also responsible for leading and managing the development of effective and efficient financial and corporate support services, including; contracts and procurement, financial services, human resources, information technology services and knowledge management.

**Director of Anaesthetics**

**Dr Peter Read** MBBS, FFARCS

The Director of Anaesthetics is the head of the Department of Anaesthetics and is responsible for leadership of Anaesthetics.

**Executive Director Ophthalmology Services Mr David Lau** BPHARM, MCLINPHARM, PROFCERTHEALTHSYSMGT, FSHP

The Executive Director Ophthalmology is responsible for

providing leadership and operational oversight of the Ophthalmology Program and for service planning across specialised clinics. This position works in close partnership with the Clinical Director Ophthalmology Services in the development of effective and efficient clinical services, teaching, training and research.

**Organisational Chart**

**Board**

Board Secretary

**Clinical Director**

**Ophthalmology**

**Chief Executive**

**Officer**

Marketing and

Communications

**Clinical Director**

**ENT**

Philanthrophy and

Fundraising

**ED Surgical and Inpatient Services/ CNO**

**ED Ambulatory and Medical Services/ CMO**

**ED Corporate**

**Services**

**ED Strategy, Planning and Redevelopment**

Clinical Quality and

Infection Control

Inpatient Services

Peri Operative Services

Anaesthetics Nurse Education Pharmacy

Emergency Services

Specialist Clinics and

Ambulatory Services

Diagnostic Eye

Services

Audiology and Speech

Pathology

Social Services

Finance

Human Resources

ICT

Knowledge and

Information

Contract Management and Procurement

Strategic and Service

Planning

Capital Planning, Redevelopment and Business Redesign

Project Management

Facilities Management

Cochlear

Junior and Senior

Medical Workforce

Research

Medical Training and

Education

**Donors and Supporters**

**The Eye and Ear acknowledges and appreciates the continued support of our donors, ambassadors and volunteers.**

The financial donations we receive enable us to improve our services to patients through the purchase of state-of-the-art equipment, upgrading our facilities and continued research into new treatments.

**Patron**

Mrs Elizabeth Chernov

We are also appreciative to our supporters who have expressed their intent to leave a bequest and those who have left a legacy to help us continue to improve care and treatment for those living with vision and hearing loss.

**Wagstaff Fellowships**

A significant bequest from Ernest Wagstaff received in 1996, established major research fellowships in Ophthalmology and Otolaryngology.

**Wagstaff Fellows 2012-13**

Wagstaff Fellow in Ophthalmology:

Associate Professor Ian Trounce PhD for study into improving ocular health in ageing by optimising mitochondrial function.

Wagstaff Fellow in Otolaryngology:

Associate Professor Gary Rance PhD for study of auditory neuropathy in patients with neurodegenerative disease.

**Churches Award**

A bequest from the Estate of Ronald Keith Churches was received in 2007. From these funds an award is granted annually to a researcher to be used for “promoting and supporting research into the causation, prevention, diagnosis and treatment of diseases of the eye”.

**Churches Award 2012–2013**

Dr Jonathan Yeoh, for his project Study of anti-VEGF

in Ocular Rebleeding (SAVIOR).

**Our Major Donors, Bequestors, Corporate and Community Supporters:**

**Trusts and Philanthropic Donations**

Managed by ANZ Trustees Limited

• Estate of Dr Mark Ashkenasy

• The Louis & Lesley Nelken Trust

• Estate of Martha Miranda Livingstone

• George T and Lockyer Potter Charitable Trust

• Estate of Heather Sybil Smith

• Estate of Ernest and Letitia Wears

• William Hall Russell Trust Fund

• Estate of John F Wright

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Managed by Equity Trustees Limited

• The Howard & Georgina Berry Benevolent Fund

• Estate of Erica Wareham Cromwell

• The Joseph Kronheimer Charitable Fund

• Estate of Eliza Wallis

The Handelsman CharitableTrust The Orloff Family Charitable Trust Managed by Perpetual

• Estate of John Alexander Anderson

• Estate of Alfred H W Dehnert

• The Joseph and Kate Levi Charitable Trust

Managed by State Trustees Limited

• Estate of Harriet Rose Mulcahy

• Estate of Bruce L Powell

• Estate of Jessie Ross

Managed by The Trust Company

• The Rudolph Hally and Pia Martin Memorial Trust

Joe White Bequest

The Harry Yoffa Charitable Bequest

**Major Donors** Gandel Philanthropy Mr Glen Annetts

Mr Keith Bailey

Mr John R. Borchers

Mrs Betty Brown

Mr Stanley Bugg

Mrs Josephine Canals Mrs Ann Chlebnikowski Mrs Joan Coghlan

Mrs Beryl Coombs

Mr John Cooper Mr Robert Croft Ms Glenys Crutch

Mr John and Mrs Thelma Davidson

Mr Hilton Patrick De Jong

Mr Robert Denton

Mrs Elizabeth Donovan Mrs Margaret Dorrington Mr Trevor Edwards

Mr Zelman Elton Mr Ya Wah Fung Mr Brian Goddard

Mr Kenneth Grenda

Mr Arthur Hall

Mr Philip Hammond Mr Richard Harbig Ms Valda Hegarty

Mr P.T. and Master Christopher Heinz

Miss Patricia Holmes

Mr Harold and Mrs Margaret Jarvis

Mrs Marjory Jones Ms Nonette Jones Mr Con Kalfadellis Mrs Catherine King Mrs Margaret King

Ms Norma Klausmeier

Mr Brian Krahnert Mr Darren Krongold Mrs Deirdre Lazarus

Mr Johannes and Mrs Brigitte Lempe

Mr Chrisanthus Lobo Thao Nguyen Pharmacy Ms Doreen Macdonald Dr Shirley Macintyre

Mrs Patricia Marks

Mr Alan McKay

Mrs Judy McKenzie

Mr Douglas S McLean

Mr John Mealy

Mr Pasquale Micelotta

Mr Phillip Moloney

Mr Greg Shalit and Ms Miriam Faine

Mr Salih Mustafa Mr Troy Nicholson Mr Herbert Palmer

Mr Frank Penhalluriack

Mr Newton Poole Mr Hugh Portbury Mrs Gian Quach Mrs Sheila Randell Ms Anna Rossel Mrs Irene Rossiter

Ms Elizabeth Russell

Mr John Schotkamp

Ms Christine Schutheiss

Mr James Smith

Mr Harry Soultanidis

Mr David Southwick MLA Mr Kalman Tertelyi

Mrs Marjorie Todd Ms Maria Traianon Mr Arthur Tsilibakis Mr Geoffrey Turner

Mr David and Mrs Fiona Walker

Mr Ian Wallis

Mr Stephen Wargula Mrs Patricia Webb Miss M Wilson

Ms Cathy Wilson

Mr Marko Zitterschlarg

Mrs Suzanne Wright

**Bequests**

Estate of Brenda Tynan Donald Estate of Alan Patrick Dwyer Estate of Doris Ellis

Estate of Cynthia Reichelt Estate of John Pask Rosevear Estate of Enos Stonehouse

Estate of Mary Louise Torbet Estate of Frances Townsend Estate of Theo Williams

**Corporate Supporters** CAF Community Fund Complete Mailing Pty Ltd

Executive Edge Travel and Events

Marriner Group Patersons Securities Perfect Events Ritchies Stores Rocket Catering

TCS Group Australia Scent of a Flower Zouki Catering

**Community Supporters**

Ballarat Combined Charities Card Shop

Banh Mi Boys

Banyule Support and Information Centre

Ms Tamar Black

Blind Cricket Association of Victoria Boroondara Volunteer Resource Centre Camcare Charity Gift Shop

Melbourne Chinese Masonic Society

The Doctettes Divine Divas Federation Square Frankston Friends

Lions Club of Richmond Lions Club of Speed Malta Star of the Sea

Manningham Senior Choir Melbourne Chinese Choir Mitcham Uniting Church Centre

Monash Waverley Community Information and Support

Centre

Mojo and Alan Fletcher

Nunawading Friends

Taralye: The Oral Language Centre for Deaf Children

TCS Group Australia

The King David School

Toby Hocking Memorial Dinner supported by RACV Club

Uniting Church of Australia, Melbourne

**Volunteers**

The hospital is fortunate to have a very dedicated group of volunteers who play various roles within the hospital. This year they provided over 4,290 hours of their time to assist patients with directions, information and that extra bit of help to reassure patients in need. Once again we would like to take the opportunity to thank our Auxiliary members who continue to raise vital funds both within the hospital and the wider community.

**Service Overview**

**The Royal Victorian Eye and Ear Hospital has provided state- wide eye, ear, nose and throat health care since it was founded in 1863.**

The hospital is accountable to the people of Victoria, through the

Minister for Health.

**Manner of establishment and relevant minister** The Eye and Ear was founded in 1863 by the pioneer surgeon, Dr Andrew Sexton Gray. The hospital is a public health service and is established under the *Health Services Act 1988* (as amended). The responsible

Minister during the reporting period was The Hon David

Davis MLC.

**Powers and Duties**

The power and duties of the Royal Victorian Eye and

Ear Hospital are prescribed by the Health Services Act.

**Nature and Range of Services**

The Royal Victorian Eye and Ear Hospital provides a

state-wide specialist tertiary and emergency eye and ear health care service. It is internationally recognised as a leader in clinical service delivery, teaching and research

in both ophthalmology and otolaryngology.

The hospital operates from a central hub at East Melbourne to ensure ease of access to Eye and Ear specialists. Services are provided in outpatient and community settings and via telemedicine facilities in four regional and rural health services across Victoria.

As the largest public provider of ophthalmology and ENT

services in Victoria, the hospital delivers more than half

of Victoria’s public eye surgery and all of Victoria’s public cochlear implants. The Eye and Ear has over 50 different outpatient clinics for the diagnosis, monitoring and treatment of vision and hearing loss and provides a

24 hour emergency eye and ENT health service. The majority of services provided at the Eye and Ear are on an outpatient or same day basis. In 2012–13

we cared for:

• 197,724 Outpatients

• 12,979 Inpatients

• 39,767 Emergency patients

The hospital is a teaching and research centre and has key partnerships with the Centre for Eye Research Australia, the University of Melbourne, the Bionics Institute, Bionic Vision Australia and HEARing CRC.

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**Disability Action Plan**

The Eye and Ear is committed to providing an inclusive and accessible environment for staff, patients and visitors to the hospital, regardless of ability or capacity. A Disability Action Plan (DAP) was endorsed by the Eye

and Ear Board after a rigorous development phase that included extensive consultation, the formation of an action group and a review by the hospital Executive and Community Advisory Committee. The DAP reflects the strategic priorities of the Eye and Ear, whilst meeting the requirements of the *Federal Disability Discrimination Act*

*2006* (D.D.A.). Major plan achievements implemented in

2012-13 include: a regular review of signage, promotion of volunteer recruitment to peak bodies representing people with a disability and improved facilities, including the installation of new LED lighting in examination rooms, ward areas and corridors.

**Privacy**

Privacy is an important part of the culture at the Eye and Ear and since the Health Records Act became legally binding in 2002, the hospital has aimed to ensure all staff are aware of the Act and its implications in the work place. The hospital also aims to ensure compliance with the *Information Privacy Act 2000*. The Eye and Ear’s Privacy Officer is the Executive Director, Ambulatory and Medical Services.

**Freedom of Information**

The Victorian *Freedom of Information (FOI) Act 1982*

provides members of the public with the right to apply

to the Eye and Ear for access to information held by the hospital. The hospital provides an annual report of all FOI requests to the Victorian Department of Justice.

FREEDOM OF INFORMATION APPLICATIONS

2012–13

|  |  |
| --- | --- |
| Total Requests | 138 |
| Fully granted | 137 |
| Completed | 138 |

**Human Resources**

The Human Resources Department provides advice and services relating to recruitment and employment, award interpretation, employee relations, occupational health and safety, emergency management, injury management, equal opportunity, employee benefits and performance management. The department is responsible for facilitating staff education and reward

WORKFORCE DATA BY LABOUR CATEGORY

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Labour Category | June 2012  Current month | June 2013  Current month | June 2012  YTD FTE | June 2013  YTD FTE |
| Nursing | 163 | 168 | 157 | 162 |
| Administration and Clerical | 150 | 160 | 150 | 158 |
| Medical Support | 44 | 45 | 42 | 44 |
| Hotel and Allied Services | 11 | 11 | 10 | 11 |
| Medical Officers | — | — | — | — |
| Hospital Medical Officers | 57 | 59 | 55 | 56 |
| Sessional Clinicians | 27 | 29 | 27 | 28 |
| Ancillary Staff (Allied Health) | 38 | 36 | 37 | 36 |
|  | 490 | 508 | 478 | 495 |

**Employment Principles**

Merit, fairness and reasonable treatment, equal employment opportunity and avenues of redress are principles that are promoted and applied to our people processes. The organisation disseminates the Code of Conduct and has a team of trained managers and contact officers to facilitate and promote bullying prevention.

**Recruitment**

The Human Resource Strategy articulates initiatives to

‘…. *retain and further attract the best quality clinicians and support staff*…”. Human Resources have upgraded the online recruitment system. This has streamlined recruitment processes and meets the special requirements of junior medical staff intake. An orientation program is held for all new employees in addition to a local departmental induction.

**Pre-employment checks**

All clinical staff are required to hold and maintain current registration with relevant National Board in conjunction with the National Agency (AHPRA) or equivalent. All staff are required to have a satisfactory National Criminal Record Check and relevant clinical staff are obliged to hold a valid Working With Children Check.

**Staff Recognition**

Staff Excellence Awards are held annually at the Annual General Meeting. The Excellence Awards recognise individuals and craft groups that have contributed to improving patient outcomes with a clinical initiative, work system or excellence in leadership and teamwork.

The following categories are awarded:

• Board Chair’s Medal

• CEO’s Team Award

• Nursing Excellence Award

• Allied Health Award

• Dr J Aubrey Bowen Medal

• Administrative Excellence Award.

The quarterly staff reward and recognition program is called, *I see you, I hear you*, Values in Action. The award aims to recognise and retain staff, who contribute to the organisation’s vision of *improving quality of life through caring for the senses*. Nominations are submitted by patients, staff and managers and selected individual or team award recipients have demonstrated consistent application of the organisation’s values and behaviours

in their daily efforts.

**Developing Our Workforce**

A new online learning system, ‘My Learning’ was developed and launched in March. ‘My Learning’ allows staff to complete, track, and monitor training courses required for their roles.

The Leadership Effectiveness Program continued,

with 21 managers attending. The staff training calendar included key areas such as: managing change, conducting effective performance appraisals, bullying prevention / EEO Awareness, having difficult conversations, building positive attendance and customer service.

The 360 degree feedback process continued with senior managers participating in the process to identify opportunities for leadership development. The process provided participants with individual feedback about how they are perceived by their direct reports, peers and manager.

The annual performance appraisal process was reviewed, with increased emphasis on SMART goals (specific, measurable, achievable/yet aggressive, time bound) and personal development planning to include behavioural change.

The Eye and Ear participated in the 2013 People Matter Survey conducted by the State Services Authority (SSA) in April and achieved a 33% participation rate. The survey provides staff the opportunity to provide confidential feedback on communication, leadership, teamwork and workplace behaviours.

**Staff support services**

The Employee Assistance Program is a confidential, external counselling service available to staff and their family. The counselling service can assist to resolve personal, family or work issues that impact well-being and quality of life. Approximately 38 staff or family members accessed the service in the year.

**Payroll**

Payroll is outsourced to Melbourne Health who process approximately 19,000 pays per year.

**Occupational Health and Safety**

The Eye and Ear is committed to providing a safe environment for employees, patients, visitors, volunteers and contractors and operates in accordance with the *Victorian OHS Act 2004*, OHS Regulations 2007, Accident Compensation Act 1995 and other relevant legislation.

As part of our commitment to OHS, the Eye and Ear continues to build a strong safety culture within the organisation.

OHS activities undertaken in the year include:

• OHS education provided to new staff at orientation and induction;

• A review of our manual handling system was completed and improvement initiatives are underway;

• Accident and incident investigation involves implementing remedial action;

• Quarterly workplace inspections to identify and control OHS hazards;

• Training including: Chemical Biological and Radiation (CBR), Laser and Radiation Safety, Emergency Response and Emergency Warden, OHS Representatives refresher and Aggression Management.

During the year there were six claims lodged under the *Accident Compensation Act 1985* (see comparison with previous four years in graph).

STANDARD CLAIMS REPORTED

10

9

8

7

6

**Building and Maintenance compliance**

There is a requirement under the *Building Act 1993; Building Regulations 2006*, Regulation 1209 and 1215

for the hospital to establish comprehensive management of the Essential Safety Measures (ESM). In March 2013, the hospital once again achieved 100% compliance with mandatory ESM inspections, testing, maintenance and documentation in relation to building safety. The hospital has established a comprehensive process to manage maintenance of the ESM. All ESM are identified on the Certificate of Occupancy, issued by the building surveyor. Each ESM is maintained as per certified maintenance agreements at the specified time intervals. The Building Surveyor, Stokes Perna, audits the maintenance of all the ESM at the hospital annually and certifies the ESM report as evidence of an appropriate level of maintenance of the relevant physical fire safety measures. The ESM compliance certificates can be located on display at the main entrance of the hospital.

**Environmental Achievements**

The environmental focus continues at the Eye and Ear, in particular our responsibility to use resources wisely and reduce our consumption where possible. This is important from both financial and corporate social responsibility perspectives, and increasingly important during the hospital’s redevelopment project. As part of the redevelopment project we will look to minimise impacts by applying environmentally sustainable design principles, and by partnering with suppliers, staff and contractors.

In the past 12 months the Eye and Ear has:

• continued our recycling program

• adopted a 80% virtual desktop fleet, a thin PC

technology, which has reduced energy consumption

• installed approximately 1000 LED globes to create brighter and more efficient lighting replacing fluorescent globes

**Victorian Industry Participation Policy Disclosure** The Eye and Ear complies with the intent of the *Victorian Industry Participation Policy Act 2003*. The Act requires wherever possible local industry participation in supplies, taking into consideration the principle of value for money and transparent tendering processes.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5 |  |  | | | | | | |  |  |
| 4 |  | | |  |  | | |  |
| 3 |  | | |  |  |  |  |
| 2 |  | | |  |  |  |
| 1 |  |  |  |  |  |  |
| 0 |  |  |  |  |  |

2008–

2009

2009–

2010

2010–

2011

2011–

2012

2012–

2013

**National Competition Policy**

In accordance with the Competition Principals

Agreement (CPA), Victoria is obliged to apply competitive neutrality policy and principals to all significant business activities undertaken by government agencies and local authorities.

The Victorian Government’s Competitive Neutrality policy commits public health services to apply this policy on all dealings. This includes the adoption of pricing principles to take account of the full cost attribution for net competitive advantages conferred by government ownership. The policy gives direction that where the Government’s business activities involve it in competition with private sector business activities, the net

advantages that accrue to a government business are offset.

Competitive Neutrality Policy Victoria 2000 sets out the Victorian approach to competitive neutrality. The Eye and Ear complies to this policy in all relevant business activities

**Compliance**

The Eye and Ear has complied with the Tax Compliance Framework Certification and Financial Management Compliance Framework Certification in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework for the year ended

30 June 2013.

**Consultancies less than $10k**

In 2012–13, the Eye and Ear engaged three consultancies where the total fees payable to the consultants were less than $10,000, with a total expenditure of $9,947 (excl. GST).

**Consultancies more than $10k**

In 2012–13, the Eye and Ear engaged one consultant, DCWC Pty Ltd to undertake a strategic review, with a total expenditure of $19,520 (excl. GST).

**Disclosure of Ex-Gratia payments**

The Eye and Ear made no ex-gratia payments for the year ending 30 June 2013.

**Additional information available on request**

**(FRD 22D Appendix)**

In compliance with the requirements of FRD 22D Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained

by the Royal Victorian Eye and Ear Hospital and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

• A statement that declarations of pecuniary interests have been duly completed by all relevant officers;

• Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;

• Details of publications produced by the entity about the activities of the Health Service, and how they can be obtained;

• Details of changes in prices, fees, charges, rates and levies charged by the entity;

• Details of any major external reviews carried out on the entity;

• Details of major research and development activities undertaken by the entity;

• 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 entity 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;

• General statement on industrial relations within

the entity and details of time lost through industrial accidents and disputes;

• A list of major committees sponsored by the entity, the purposes of each committee and the extent to which those purposes have been achieved;

• Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

**Key Financial and Service Performance Reporting**

**Part A: Strategic Priorities**

**Priority Action Deliverables Outcomes**

Developing a system that is responsive to people’s needs

In partnership with other local providers apply existing service capability frameworks to maximise the use of

available resources across the catchment.

Develop opportunities for greater private sector collaboration, coordination and integration.

Eye and Ear and Australian College of Optometry (ACO) joint clinic operationalised.

Cochlear outreach service model developed and pilot clinic established.

ACO monthly clinic operating from November 2012.

Cochlear review undertaken and strategic directions document endorsed. First

off-site partnership clinic established by October 2013.

Improving every Victorian’s health status and experiences

Identify service users who are vulnerable to poor health, and develop interventions that improve their outcomes relative to other groups, for example, Aboriginal people and people affected by mental illness.

Use existing service capability frameworks, patient pathways and clinical guidelines to support better health outcomes.

Aboriginal Ear Health Community Outreach Project completed.

Clinical thresholds for referral and discharge from eye outpatient services agreed, defined and implemented.

All project initiatives implemented.

Clinical thresholds for all new referrals implemented. Discharge thresholds in development and implementation in 2013-14.

Expanding service, workforce and system capacity

Build workforce capability and flexibility to meet service requirements, and be accountable for supporting

the professional education process.

Nursing Professional Development Plan implemented.

Nursing Plan developed to include competencies for all nurses.

Identify opportunities to address workforce gaps by optimising workforce capability and capacity, and

exploring alternative workforce models.

Mandatory training procedures documented and linked to roles and competencies.

Online learning system launched in March 2013. Staff can complete, track and monitor training courses required for their roles.

Increasing the system’s financial sustainability and productivity

Identify opportunities for efficiency and better value service delivery.

CMBS Billing system implemented to accommodate increased number of CMBS clinics.

Developed MBS Manual and appointed MBS Coordinator to implement MBS clinics.

Examine and reduce variation in administrative overheads.

Redevelopment Business Case revised and submitted to Treasury.

Financial indicators established to enable benchmarking with other health services to inform efficiency strategies in regard to administrative overheads.

Updated Redevelopment Business Case submitted. Confirmation that redevelopment project can proceed to next stage.

An industry working group has been formed and a draft set of financial indicators developed to enable benchmarking with other health services.

Implementing continuous improvements and innovation

Develop and implement improvement strategies that better support patient flow and the quality and safety of hospital services.

Performance metrics further developed and reported regularly to drive improvement.

Business Intelligence Tool implemented and provides a daily snapshot of all activity and a monthly Balanced Scorecard showing performance against all KPIs.

Increasing accountability and transparency

Develop and implement strategies that support service innovation and redesign.

Implement systems that support streamlined approaches to clinical governance at all levels of the organisation.

Increase transparency and accountability in reporting of accurate and relevant information about the organisation’s performance.

Eye and Ear change map created and implemented which focusses on clinical and business pathways supporting new models of care.

RiskmanQ software utilised to centralise reporting of quality activities and improvements.

Data warehouse and Business

Intelligence tool established for automated organisational reporting and decision support.

The change map is in place, focussing on four major areas of change and improvement, including; Acute Ophthalmology Service implementation, Otology, the Digital Health Record and theatre utilisation.

Central repository for Riskman Q developed and implemented. Key stakeholders engaged to capture and track major projects and quality improvement initiatives.

Data warehouse and Business Intelligence Tool implemented, providing on-line access to activity and performance reporting.

Improving utilisation of e-health and communications technology.

Maximise the use of health

ICT infrastructure.

MEDPIC image management system implemented.

MEDPIC image management system implemented and images now captured electronically.

Trial, implement and evaluate strategies that use e-health as an enabler of better patient care.

Tele-health pilot identified and implemented.

Tele-health prototype devices developed and trials underway. Video appointments initiated.

**Part B: Performance Priorities**

FINANCIAL PERFORMANCE

**Operating Result**

Target 2012–13 actuals

Annual Operating Result ($m) 0 $0.045

**WIES activity performance**

Percentage of WlES (public and private)

performance to target 100 100

|  |  |  |
| --- | --- | --- |
| **Cash Management/Liquidity** |  | |
| Creditors | <60 days | 21 |
| Debtors | <60 days | 25 |

ACCESS PERFORMANCE

**Emergency care**

Percentage of ambulance transfers within

Target 2012–13 actuals

40 minutes 90 97

NEAT – Percentage of emergency presentations to physically leave the

emergency department for admissions to hospital, be referred to another hospital for treatment, or be discharged within

four hours (July – December 2012)

NEAT – Percentage of emergency presentations to physically leave the emergency department for admissions to hospital, be referred to another hospital for treatment, or be discharged within

four hours (January – June 2013)

Number of patients with length of stay in the emergency department greater than

24 hours

Percentage of Triage Category 1

70 74

75 78

0 0

emergency patients seen immediately 100% 100% Percentage of Triage Category 1 to 5

emergency patients seen within clinically

recommended times

80% 57%

**Elective surgery**

Percentage of Urgency Category 1

elective patients treated within 30 days 100 100

NEST – Percentage of Urgency Category

2 elective surgery patients treated within

90 days (July – December 2012)

NEST – Percentage of Urgency Category

2 elective surgery patients treated within

90 days (January – June 2013)

NEST – Percentage of Urgency Category

3 elective surgery patients treated within

365 days (July – December 2012)

NEST – Percentage of Urgency Category

3 elective surgery patients treated within

365 days (January – June 2013)

Number of patients on the elective

75 95

80 92

93 98

94.5 96

surgery waiting list 2324 2252

Number of Hospital Initiated

Postponements per 100 scheduled admissions

8.0 3.6

SERVICE PERFORMANCE

**Elective Surgery**

Number of patients admitted from the

Target 2012–13 actuals

elective surgery waiting list – Quarter 1 2983 3099

Number of patients admitted from the

elective surgery waiting list – Quarter 2 2775 2705

Number of patients admitted from the

elective surgery waiting list – Quarter 3 2381 2465

Number of patients admitted from the

elective surgery waiting list – Quarter 4 2601 2559

**Total 10740 10828**

**Quality and Safety**

Health service accreditation Full compliance Achieved Cleaning standards Full compliance Achieved Submission of data to VICNISS Full compliance Achieved Hospital acquired infection surveillance No outliers Achieved Hand Hygiene (rate) 70% Achieved SAB rate per occupied bed days 2/10,000 Nil cases Victorian Patient Satisfaction Monitor

(VPSM) Overall Care Index 73 Achieved

VPSM Consumer Participation Indicator 75 Achieved

People Matter Survey 30% Achieved

**Part C: Activity and Funding**

Activity and funding 2012–13 Activity Achievement

**Admitted patients**

Same day separations 8624

Multi day separations 4355

**Total separations 12979**

Total bed days 16104

Average length of stay in days 1.24

Funding type 2012–13 Activity Achievement

**Acute Admitted**

WIES Public 6973

WIES Private 2480

**Total PPWIES (Public and Private) 9453**

WIES DVA 86

WIES TAC 6

**WIES TOTAL 9545**

**Acute Non-admitted**

Emergency services 39,767

Specialist clinics 197,724

**Total occasions of service 237,491**

**Summary of Financial Results**

For the year ended 30 June 2013 compared with the last five financial years

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2013  $’000 | 2012  $’000 | 2011  $’000 | 2010  $’000 | 2009  $’000 |
| Total Revenue | 85,676 | 89,252 | 83,602 | 79,614 | 73,662 |
| Total Expenses | (90,694) | (89,250) | (87,700) | (80,567) | (78,489) |
| Operating Surplus/(Deficit) | (5,018) | 2 | (4,098) | (953) | (4,827) |
| Retained Surplus/ (Accumulated Deficit) | (11,823) | (8,626) | (6,374) | (4,451) | (2,848) |
| Total Assets | 184,623 | 183,053 | 182,415 | 183,711 | 181,909 |
| Total Liabilities | (19,202) | (19,529) | (17,502) | (16,720) | (18,563) |
| Net Assets | 165,421 | 163,524 | 164,913 | 166,991 | 163,346 |
| **Total Equity** | 165,421 | 163,524 | 164,913 | 166,991 | 163,346 |

Prepared in accordance with Australian Accounting Standards which include A-IFRS

**Significant Changes in Financial Position During 2012–13**

There were no significant changes in financial position during 2012–13.

**Summary of Major Changes or Factors, which have Affected the Achievement of the Operational**

**Objectives for the Year.**

There were no major changes or factors, which have affected the achievement of the operational objectives for the year.

**Events Subsequent to Balance Date, which may have a Significant Effect on the Operations of the Entity in Subsequent Years.**

There have been no subsequent to balance date affecting the operations of the hospital.

REVENUE INDICATORS As at 30 June 2013

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | 2013 | 2012 |
| **Average Collection Days** |  |  |  |  |  |  |
| Private |  |  |  |  | 30 | 24 |
| Transport Accident Commission |  |  |  |  | 0 | 0 |
| Victorian WorkCover Authority |  |  |  |  | 104 | 129 |
| Other Compensable |  |  |  |  | 22 | 7 |
|  | Under  30 Days | 31–60 Days | 61–90 Days | Over 90 Days | Total  30/06/13 | Total  30/06/12 |
|  | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| **Inpatient debtors outstanding a**  Private | **s at 30 June 2**  246 | **013**  42 | 11 | 20 | 319 | 226 |
| Victorian WorkCover Authority | 39 | 0 | 4 | 0 | 43 | 32 |
| Other Compensable | 11 | 0 | 0 | 12 | 23 | 3 |

**Financial Analysis of Operating Revenues and Expenses**

REVENUE

Revenue from Ordinary Activities

|  |  |  |
| --- | --- | --- |
|  | 2012–13 | 2011–12 |
| **Services supported by Health Services Agreement** |  |  |
| Government Grants | 71,020 | 71,117 |
| Indirect Contributions by Human Services – Insurances | (39) | 175 |
| Patient Fees | 4,614 | 4,307 |
| Other Revenue | 1,560 | 1,757 |
|  | **77,155** | **77,356** |
| **Services supported by Hospital and Community Initiatives** |  |  |
| Government Grants | 1,061 | 3,674 |
| Private Practice Fees | 1,155 | 1,214 |
| Donations and Bequests | 1,262 | 998 |
| Interest | 3,230 | 4,474 |
| Property Income | 271 | 288 |
| Other Revenue | 1,542 | 1,249 |
|  | **8,521** | **11,897** |
| **Total Revenue from Ordinary Activities** | **85,676** | **89,252** |

EXPENSES

Expenses from Ordinary Activities

|  |  |  |
| --- | --- | --- |
| **Services supported by Health Services Agreement** |  | |
| Salaries and Related Expenses | 53,149 | 52,300 |
| Supplies and Consumables | 16,473 | 16,579 |
| Other | 10,956 | 10,732 |
|  | **80,578** | **79,611** |

|  |  |  |
| --- | --- | --- |
| **Services supported by Hospital and Community Initiatives** |  | |
| Salaries and Related Expenses | 226 | 703 |
| Supplies and Consumables | 222 | 281 |
| Other | 9,668 | 8,655 |
|  | **10,116** | **9,639** |
| **Total Expenses from Ordinary Activities** | **90,694** | **89,250** |
| **Net Results from Ordinary Activities** | **(5,018)** | **2** |

**Attestations**

**Attestation on Data Integrity**

I, Ann Clark certify that the Royal Victorian Eye and Ear Hospital has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. The Royal Victorian Eye and Ear Hospital has critically reviewed these controls and processes during the year.



Ann Clark Accountable Officer Melbourne

22 August 2013

**Attestation for compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance**

To the best of my knowledge and belief, I, Ann Clark: Chief Executive certify that the Royal Victorian Eye and Ear Hospital has complied with Ministerial Direction 4.5.5.1 – Insurance, except for the maintenance of a current register of all contractual indemnities and recording the valuation and basis for valuation of all self-insured retained losses. The Royal Victorian Eye and Ear Hospital has a listing of material contractual indemnities but is presently assessing its completeness.

The Royal Victorian Eye and Ear Hospital is also updating its contract management system which will assist the Royal Victorian Eye and Ear Hospital in the identification of any further contractual indemnities and will record in a single register our contractual indemnities.

The Royal Victorian Eye and Ear Hospital has made an assessment as to its material self-insured events and is presently compiling a register which will capture all such exposures.



Ann Clark Accountable Officer Melbourne

22 August 2013

**Attestation on Compliance with Australian / New Zealand Risk Management Standard**

I, Ann Clark certify that the Royal Victorian Eye and Ear Hospital has risk management processes in place consistent with the *AS/NZS ISO 31000:2009* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of the Royal Victorian Eye and Ear Hospital has been critically reviewed within the last 12 months.



Ann Clark Accountable Officer Melbourne

22 August 2013

**Responsible Bodies Declaration**

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for the

Royal Victorian Eye and Ear Hospital for the year ending 30 June 2013.



Jan Boxall

Chair, Board of Directors

Melbourne

**Disclosure Index**



The annual report of the Royal Victorian Eye and Ear 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.

MINISTERIAL DIRECTIONS

**Legislation Requirement Page Reference**

Charter and purpose

FRD 22D Manner of establishment and the relevant Ministers 12

FRD 22D Objectives, functions, powers and duties 12

FRD 22D Nature and range of services provided 12

Management and structure

FRD 22D Organisational structure 9

Financial and other information

FRD 10 Disclosure index 24

FRD 11 Disclosure of exgratia payments 15

FRD 15B Executive officer disclosures 70

FRD 21B Responsible person and executive officer disclosures 69,70

FRD 22D Application and operation of *Freedom of Information Act 1982* 12

FRD 22D Compliance with building and maintenance provisions of *Building Act 1993* 14

FRD 22C Details of consultancies over $10,000 15

FRD 22C Details of consultancies under $10,000 15

FRD 22D Major changes or factors affecting performance 21

FRD 22D Occupational health and safety 14

FRD 22D Operational and budgetary objectives and performance against objectives 16,17,18,19,20

FRD 22D Significant changes in financial position during the year 21

FRD 22D Statement of availability of other information 15

FRD 22D Statement on National Competition Policy 15

FRD 22D Subsequent events 21

FRD 22D Summary of the financial results for the year 21

FRD 22D Workforce Data Disclosures including a statement on the application of employment

and conduct principles 13

FRD 25A Victorian Industry Participation Policy disclosures 14

SD 4.2(j) Sign-off requirements 23

SD 3.4.13 Attestation on data integrity 23

SD 4.5.5.1 Attestation on data insurance 23

SD 4.5.5 Attestation on Compliance with Australian/New Zealand Risk Management Standard 23

Financial statements required under Part 7 of the FMA

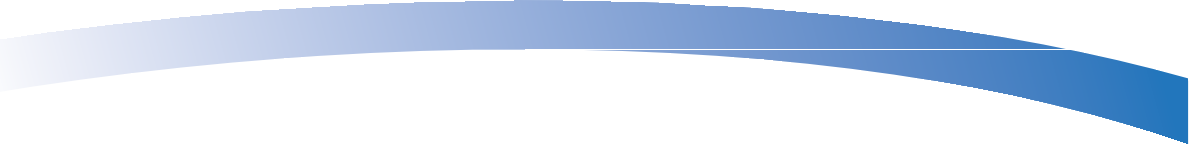
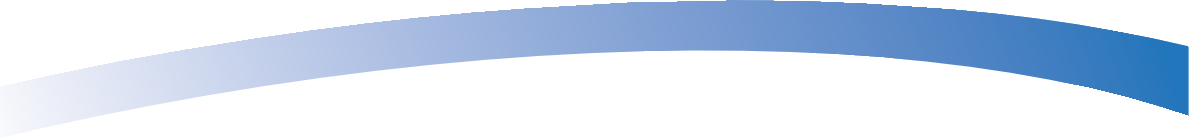
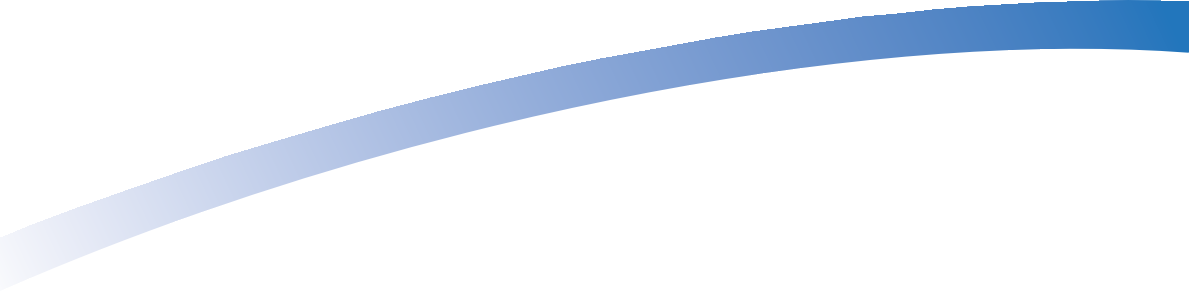
|  |  |  |
| --- | --- | --- |
| SD 4.2(a) | Statement of changes in equity | 28 |
| SD 4.2(b) | Comprehensive operating statement | 26 |
| SD 4.2(b) | Balance sheet | 27 |
| SD 4.2(b) | Cash flow statement | 29 |
| Other requirements under Standing Directions 4.2 | | |
| SD 4.2(a) | Compliance with Australian accounting standards and other authoritative pronouncements | 31,71,72 |
| SD 4.2(c) | Accountable officer’s declaration | 71 |
| SD 4.2(c) | Compliance with Ministerial Directions | 31,69 |
| SD 4.2(d) | Rounding of amounts | 33 |
| **Legislation** |  |  |
| *Freedom of Information Act 1982* | | 12 |
| *Victorian Industry Participation Policy Act 2003* | | 14 |
| *Building Act 1993* | | 14 |
| *Financial Management Act 1994* | | 3,23,31,69 |

**Financial Statements**

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Annual Report

2012–13



**Comprehensive Operating Statement**

For the year ended 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2013  $’000 | 2012  $’000 |
| Revenue from Operating Activities | 2 | 79,753 | 80,461 |
| Revenue from Non-Operating Activities | 2 | 1,731 | 1,413 |
| Employee Expenses | 3 | (51,889) | (50,442) |
| Non Salary Labour Costs | 3 | (1,486) | (2,562) |
| Supplies & Consumables | 3 | (16,695) | (16,860) |
| Administrative Costs | 3 | (4,311) | (4,517) |
| Other Expenses | 3 | (7,058) | (7,398) |
| **Net Result Before Capital & Specific Items** |  | **45** | **95** |
| Capital Purpose Income | 2 | 4,192 | 7,378 |
| Depreciation and Amortisation | 4 | (8,308) | (7,217) |
| Written Down Value of Assets sold | 2c | (101) | (25) |
| Expenditure using Capital Purpose Income | 3 | (846) | (229) |
| **Net Result For The Year** |  | **(5,018)** | **2** |
| **Other Comprehensive Income** |  |  |  |
| Items that will not be reclassified to net result  Net fair value revaluation on Non Financial Assets | 16 | 3,645 | - |
| **Items that may be reclassified subsequently to net result** |  |  |  |
| Net fair value gains/(losses) on Available for Sale Financial Assets | 16 | 3,270 | (1,391) |
| **Total Other Comprehensive Income** |  | **6,915** | **(1,391)** |
| **Comprehensive Result For The Year** |  | **1,897** | **(1,389)** |

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

**Balance Sheet**

For the year ended 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2013  $’000 | 2012  $’000 |
| **Current Assets** |  |  |  |
| Cash and Cash Equivalents | 5 | 3,233 | 1,639 |
| Receivables | 6 | 1,028 | 1,149 |
| Investments and Other Financial Assets | 7 | 69,391 | 67,223 |
| Inventories | 8 | 556 | 575 |
| Other Assets | 9 | 1,128 | 950 |
| **Total Current Assets** |  | **75,336** | **71,536** |
| **Non-Current Assets** |  |  |  |
| Receivables | 6 | 475 | 678 |
| Investments and Other Financial Assets | 7 | 1,734 | 2,722 |
| Property, Plant & Equipment | 10 | 104,119 | 105,511 |
| Intangible Assets | 11 | 1,994 | 1,606 |
| Investment Properties | 12 | 965 | 1,000 |
| **Total Non-Current Assets** |  | **109,287** | **111,517** |
| **Total Assets** |  | **184,623** | **183,053** |
| **Current Liabilities** |  |  |  |
| Payables | 13 | 3,879 | 4,466 |
| Provisions | 14 | 11,443 | 11,371 |
| Other Liabilities | 15 | 1,172 | 1,268 |
| **Total Current Liabilities** |  | **16,494** | **17,105** |
| **Non-Current Liabilities** |  |  |  |
| Provisions | 14 | 2,708 | 2,424 |
| **Total Non-Current Liabilities** |  | **2,708** | **2,424** |
| **Total Liabilities** |  | **19,202** | **19,529** |
| **Net Assets** |  | **165,421** | **163,524** |
| **Equity** |  |  |  |
| Property, Plant & Equipment Revaluation Surplus | 16a | 66,107 | 62,462 |
| Financial Asset Available for Sale Revaluation Surplus | 16a | 6,497 | 3,227 |
| General Purpose Surplus | 16a | 18,809 | 23,939 |
| Restricted Specific Purpose Surplus | 16a | 34,263 | 30,954 |
| Contributed Capital | 16b | 51,568 | 51,568 |
| Accumulated Surpluses/(Deficits) | 16c | (11,823) | (8,626) |
| **Total Equity** | 16d | **165,421** | **163,524** |
| Commitments | 19 |  |  |
| Contingent Assets and Contingent Liabilities | 20 |  |  |

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

**Statement of Changes in Equity**

For the year ended 30 June 2013

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Property, Plant & Equipment Revaluation Surplus | Financial Asset Available for Sale  Revaluation  Surplus | General Purpose Surplus | Restricted Specific Purpose Surplus | Contributions by owners | Accumulated Surpluses/ (Deficits) | Total |
| Note | $'000 | $'000 | $'000 | $'000 | $’000 | $'000 | $'000 |
| **Balance at**  **1 July 2011** |  | **62,462** | **4,618** | **22,372** | **30,267** | **51,568** | **(6,374)** | **164,913** |
| Net result for the year as restated |  |  |  |  |  |  | 2 | 2 |
| Other comprehensive income for the year | 16a |  | (1,391) |  |  |  |  | (1,391) |
| Transfer to / (from) General Purpose Surplus | 16a |  |  | 1,567 |  |  |  | 1,567 |
| Transfer to / (from) Restricted Specific Purpose Surplus | 16a |  |  |  | 687 |  |  | 687 |
| Transfer to / (from) Accumulated Surplus | 16a, c |  |  |  |  |  | (2,254) | (2,254) |
| **Balance at**  **30 June 2012** |  | **62,462** | **3,227** | **23,939** | **30,954** | **51,568** | **(8,626)** | **163,524** |
| Net result for the year |  |  |  |  |  |  | (5,018) | (5,018) |
| Other comprehensive income for the year | 16a |  | 3,270 |  |  |  |  | 3,270 |
| Revaluation Increment/ (Decrements) |  | 3,645 |  |  |  |  |  | 3,645 |
| Transfer to / (from) General Purpose Surplus | 16a |  |  | (5,130) |  |  |  | (5,130) |
| Transfer to / (from) Restricted Specific Purpose Surplus | 16a |  |  |  | 3,309 |  |  | 3,309 |
| Transfer to / (from) Accumulated Surplus | 16a, c |  |  |  |  |  | 1,821 | 1,821 |
| **Balance at**  **30 June 2013** |  | **66,107** | **6,497** | **18,809** | **34,263** | **51,568** | **(11,823)** | **165,421** |

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

**Cash Flow Statement**

For the year ended 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2013  $’000 | 2012  $’000 |
| **Cash Flows From Operating Activities** |  |  |  |
| Operating Grants from Government |  | 71,223 | 71,658 |
| Patient Fees Received |  | 4,699 | 4,596 |
| Private Practice Fees Received |  | 1,187 | 1,264 |
| Donations and Bequests Received |  | 859 | 1,011 |
| GST Received from/(paid to) ATO |  | 2,515 | 2,893 |
| Interest Received |  | 1,133 | 1,012 |
| Dividend Received |  | 273 | 401 |
| Property Rental Income |  | 325 | 288 |
| Other Receipts |  | 2,292 | 2,278 |
| **Total Receipts** |  | **84,506** | **85,401** |
| Employee Expenses Paid |  | (51,889) | (47,737) |
| Non Salary Labour Costs |  | (1,486) | (3,398) |
| Payments for Supplies & Consumables |  | (31,786) | (31,576) |
| **Total Payments** |  | **(85,161)** | **(82,711)** |
| **Cash Generated from Operations** |  | **(655)** | **2,690** |
| Capital Grants from Government |  | 1,061 | 3,670 |
| Other Capital Receipts |  | 3,131 | 3,298 |
| **Net Cash Inflow/(Outflow) From Operating Activities** | 17 | **3,537** | **9,658** |
| **Cash Flows From Investing Activities** |  |  |  |
| Purchase of Investments |  | - | (3,843) |
| Payments for Non-Financial Assets |  | (4,038) | (4,969) |
| Proceeds from sale of Non-Financial Assets | 2c | 5 | 10 |
| Proceeds from sale of Investments |  | 2,090 | - |
| **Net Cash Inflow/(Outflow) From Investing Activities** |  | **(1,943)** | **(8,802)** |
| **Cash Flows From Financing Activities** |  | **-** | **-** |
| **Net Cash Inflow/(Outflow) From Financing Activities** |  | **-** | **-** |
| **Net Increase/(Decrease) In Cash And Cash Equivalents Held** |  | **1,594** | **856** |
| Cash and Cash Equivalents at Beginning of Year |  | 1,639 | 783 |
| **Cash and Cash Equivalents at End of Year** | 5 | **3,233** | **1,639** |

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

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**Note 1:** Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for The Royal Victorian Eye and Ear Hospital (“The Hospital”) for the period ending 30 June 2013. The purpose of the report is to provide users with information about the Health Services’ stewardship of resources entrusted to it.

**(a) Statement of Compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) issued by the

Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB101 *Presentation of Financial Statements*.

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

The Hospital is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to “not-for-profit” Health Services under the AASs.

The annual financial statements were authorised for issue by the Board of The Royal Victorian Eye and Ear Hospital on 22 August 2013.

**(b) Basis of Accounting Preparation and**

**Measurement**

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying

transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended

30 June 2013, and the comparative information presented in these financial statements for the year ended 30 June 2012.

The going concern basis was used to prepare the financial statements.

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

the Hospital.

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

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

• Non-current physical assets, which subsequent

to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent losses. Revaluations are made and are

reassessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their

fair values;

• Investment properties after initial recognition are measured at fair value through profit or loss;

• Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised;

• The fair value of assets other than land is generally based on their depreciated replacement value.

Historical cost is based on the fair values of the consideration given in exchange for assets.

In the application of AASs management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the

financial statements and estimates, with a risk of material adjustments in the subsequent reporting period,

relate to:

• the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(i));

• superannuation expense (refer to note 1(f)); and

• actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(j)).

**(c) Reporting Entity**

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

Its principal address is:

32 Gisborne Street East Melbourne Victoria 3002.

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

**Objectives and funding**

The Royal Victorian Eye and Ear Hospital’s overall objective is to improve the quality of life to Victorians by caring for the senses.

The Royal Victorian Eye and Ear Hospital is predominantly funded by accrual based grant funding for the provision

of outputs.

**(d) Scope and Presentation of Financial Statements**

**Fund Accounting**

The Hospital operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Hospital’s Capital and Specific Purpose Funds include unspent capital donations and receipts from fund-raising activities conducted solely in respect of these funds.

**Services Supported By Health Services Agreement and Services Supported By Hospital and Community Initiatives**

Activities classified as *Services Supported by Health*

*Services Agreement* (HSA) are substantially funded by

the Department of Health and are also funded from other sources such as the Commonwealth and patients, while *Services Supported by Hospital and Community Initiatives* (H&CI) are funded by the Hospital’s own activities or local initiatives and/or the Commonwealth.

**Comprehensive Operating Statement**

The Comprehensive Operating Statement includes the subtotal entitled ‘Net Result Before Capital & Specific Items’ to enhance the understanding of the financial performance of the Hospital. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, expenditure using capital purpose income and items of an unusual nature and amounts such as specific income and expenses. The exclusion of these items is

made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The ‘Net Result Before Capital & Specific Items’ is used by the management of the Hospital, the Department of Health and the Victorian Government to measure the ongoing performance of Health Services. Capital and specific items, which are excluded from

this sub-total, comprise:

• Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer Note 1 (e)). The recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.

• Specific income/expense, comprises the following items, where material:

− Non-current asset revaluation increments/

decrements

− Diminution/impairment of investments

− Restructuring of operations (disaggregation/

aggregation of Health Services)

− Litigation settlements

− Non-current assets lost or found

− Reversals of provisions

− Voluntary changes in accounting policies (which are not required by an accounting standard or

other authoritative pronouncement of the Australian

Accounting Standards Board)

• Impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Notes 1 (h) and (i)

• Depreciation and amortisation, as described in

Note 1 (f)

• Assets provided or received free of charge (refer to

Notes 1 (e) and (f))

• Expenditure using capital purpose income comprises expenditure which either falls below the asset capitalisation threshold or doesn’t meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

**Balance Sheet**

Assets and liabilities are categorised either as current or non-current (non-current being those assets or liabilities expected to be recovered/settled more than

12 months after reporting period), are disclosed in the notes where relevant.

**Statement of Changes in Equity**

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income.

**Cash Flow Statement**

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings in the balance sheet.

**Rounding**

All amounts shown in the financial statements are expressed to the nearest $1,000 unless otherwise stated.

Minor discrepancies in tables between totals and sum of components are due to rounding.

**Comparative Information**

Where necessary, the previous year’s figures have been reclassified to facilitate comparisons.

**(e) Income from transactions**

Income is recognised in accordance with AASB 118

Revenue and is recognised as to the extent that it is probable that the economic benefits will flow to the Hospital and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance.

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

If conditions are attached to a grant, the recognition of the grant as revenue will be deferred until the conditions have been satisfied.

**Government Grants and Other Transfers of Income**

**(other than contributions by owners)**

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

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

**Indirect Contributions from the Department of**

**Health**

• Insurance is recognised as revenue following advice from the Department of Health.

• Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013.

**Patient Fees**

Patient fees are recognised as revenue at the time invoices are raised.

**Private Practice Fees**

Private practice fees are recognised as revenue at the time invoices are raised.

**Revenue from Commercial Activities**

Revenue from commercial activities such as private pharmacy sales is recognised at the time invoices are raised.

**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 the specific restricted purpose surplus.

**Dividend Revenue**

Dividend revenue is recognised when the right to receive payment is established.

**Interest Revenue**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset.

**Sale of Investments**

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

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

Resources received free of charge or for nominal consideration are recognised at their fair value when the 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 value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

**(f) Expense Recognition**

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

**Cost of Goods Sold**

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

**Employee Expenses**

Employee expenses include:

• Wages and salaries;

• Annual leave;

• Sick leave;

• Long service leave; and

• Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

*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 superannuation plans represents the contributions made by the Hospital to the superannuation plans in respect of the services

of current Hospital staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

Employees of the Hospital are entitled to receive

**Depreciation**

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset’s useful life. Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health.

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

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

2013 2012

Buildings Up to 40 years Up to 40 years

superannuation benefits and the Hospital contributes to both the defined benefit and defined contribution plans. The defined benefit plan(s) provide benefits based on years of service and final average salary.

The name and details of the major employee

Plant &

Equipment

Medical

Equipment

Computers & Communication

5–20 years 5–20 years

3–10 years 3–10 years

3–10 years 3–10 years

superannuation funds and contributions made by the

Hospital are as follows:

Contributions Paid or

Payable for the year

Furniture & Fitting 3–15 years 3–15 years

Motor Vehicles From 4 years From 4 years

Please note: the estimated useful lives, residual values and depreciation method are reviewed at the end of

Fund

**Defined benefit plans**

2013

$’000

2012

$’000

each annual reporting period, and adjustments made where appropriate.

As part of the buildings valuation, building values were

Health Super Pty Ltd 173 178

**Defined contribution plans**

Health Super Pty Ltd 2,932 2,742

Hesta 845 780

Other 222 277

Total 4,172 3,977

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 from transactions on a systematic basis over the asset’s useful life.

**Amortisation**

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

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

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

• Annually; and

• whenever there is an indication that the intangible asset may be impaired.

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

Intangible assets with finite useful lives are amortised over a 3 year period (2012: 3-5 years).

**Other operating expenses**

Other operating expenses generally represent the day- to-day running costs incurred in normal operations

and include:

**Supplies and consumables**

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

**Bad and doubtful debts**

Refer to Note 1 (j) Impairment of financial assets.

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

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are

imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying value.

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

**(g) Other comprehensive income**

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

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

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

**Revaluation gains/(losses) of non-financial physical assets**

Refer to Note 1(i) Revaluations of non-financial physical assets.

**Disposal of non-financial assets**

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined

after deducting from the proceeds the carrying value of the asset at that time.

**Net gain/(loss) on financial instruments**

Net gain/(loss) on financial instruments includes:

• realised and unrealised gains and losses from revaluations of financial instruments at fair value;

• impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1 (i)); and

• disposals of financial assets and derecognition of financial liabilities

**Revaluations of financial instruments at fair value**

Refer to Note 1 (h) Financial instruments.

**Other gains/(losses) from other comprehensive income**

Other gains/(losses) include:

• the revaluation of the present value of the long service leave liability due to changes in the bond interest

rates; and

• transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

**(h) 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 Hospital’s activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and

those that do not. 35

The following refers to financial instruments unless otherwise stated.

**Categories of non-derivative financial instruments** *Financial assets and liabilities at fair value through profit or loss*

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial

assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result.

*Loans and receivables*

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

*Held-to-maturity investments*

If the Hospital has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity.

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity

financial assets are measured at amortised cost using

the effective interest method, less any impairment losses.

The Hospital makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Hospital would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

*Available-for-sale financial assets*

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition gains and losses arising from changes in fair value are recognised in ‘other comprehensive income’ until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result

for the period. Fair value is determined in the manner described in Note 18.

*Financial liabilities at amortised cost*

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the

redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

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

**(i) Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents 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.

**Receivables**

Receivables consist of:

• Contractual receivables, which includes mainly debtors in relation to goods and services, loans to third parties, accrued investment income; and

• Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial

instruments because they do not arise from a contract.

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

are written off when identified.

**Investments and Other Financial Assets** Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value,

net of transaction costs.

Investments are classified in the following categories:

• Financial assets at fair value through profit or loss;

• Loans and receivables; and

• Available-for-sale financial assets.

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

at initial recognition.

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

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

**Inventories**

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

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

The bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was

originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when

an item no longer functions the way it did when it was first acquired.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Inventories acquired for no cost or nominal

considerations are measured at current replacement cost at the date of acquisition.

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

**Non-financial Physical Assets Classified as Held for Sale**

Non-financial physical assets and disposal groups and related liabilities are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset’s sale (or disposal

group) is expected to be completed within 12 months from the date of classification, and the asset is available for immediate use in the current condition.

Non-financial physical assets (including disposal groups) classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation.

**Property, Plant and Equipment**

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

***Crown Land*** is measured at fair value with regard to the property’s highest and best use after due consideration

is made for any legal or constructive restrictions imposed on the 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 asset(s) are not taken into account until it is

virtually certain that any restrictions will no longer apply.

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

***Plant, Equipment and Vehicles*** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for fair

value because of the short lives of the assets concerned.

***Restrictive Nature of Cultural and Heritage Assets, Crown Land and Infrastructure Assets***

During the reporting period, the Hospital may hold cultural assets, heritage assets, Crown land and infrastructure assets.

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

**Revaluations of Non-current Physical Assets**

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103D Non- current physical assets. This revaluation process normally occurs at least every five years, based upon the asset’s Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are

used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments

or decrements arise from differences between an asset’s carrying value and fair value.

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

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation surplus.

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

Revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103D, the Hospital’s non- current physical assets were assessed to determine whether revaluation of the non-current physical assets was required (refer to Note 10 for additional details).

**Intangible Assets**

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, and computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Hospital.

**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 State of Victoria.

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 Hospital.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually. Changes in the fair value are recognised as income or expenses in the period that they arise. Investment properties are neither depreciated nor tested for impairment.

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.

**Prepayments**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**Disposal of Non-Financial Assets**

Any gain or loss on the sale of non-financial assets is recognised in the Comprehensive Operating Statement at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

**Impairment of Non-Financial Assets**

Apart from intangible assets with indefinite useful lives (and intangible assets not yet available for use), all other non-financial assets are assessed annually for indications of impairment, except for:

• inventories;

• financial assets;

• assets arising from construction contracts;

• non-current physical assets held for sale; and

• investment properties.

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

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

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the

use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

**Impairment of Financial Assets**

At the end of each reporting period the Hospital assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets, except those measured

at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and the allowance for doubtful debts are classified as ‘other comprehensive income’ in the net result.

The amount of the allowance is the difference between the financial asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

In order to determine an appropriate fair value as at 30

June 2013 for its portfolio of financial assets, the Hospital obtained a valuation based on the best available advice using an estimated fair value based on market value through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2013. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

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

of Assets.

**Net Gain/(Loss) on Financial Instruments**

Net gain/(loss) on financial instruments includes:

• realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held- for-trading;

• impairment and reversal of impairment for financial instruments at amortised cost; and

• disposals of financial assets.

*Revaluations of Financial Instruments at Fair Value* The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

**(j) Liabilities**

**Payables**

Payables consist of:

• contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the hospital prior to the end of

the financial year that are unpaid, and arise when the hospital becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually Nett 30 days.

• statutory payables, such as goods and services tax and fringe benefits tax payables.

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

**Provisions**

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

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

When some or all of the economic benefits required to settle a provision are expected to be received from a

third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**Employee Benefits**

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

*Wages and Salaries, Annual Leave, Sick Leave and*

*Accrued Days Off*

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and accrued days off which are expected to be settled within

12 months of the reporting date are recognised in the provision for employee benefits in respect of employee’s services up to the reporting date, and are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within

12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration

rate expected to apply at the time of settlement.

*Long Service Leave*

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability – Unconditional LSL (representing 10 or more years of continuous service) is disclosed in the notes to the financial statements as a current liability even where the Hospital 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.

The components of this current LSL liability are measured at:

• present value – component that the Hospital does not expect to settle within 12 months; and

• nominal value – component that the Hospital expects to settle within 12 months.

Non-Current Liability – Conditional LSL (representing less than 10 years of continuous service) 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. Conditional LSL is required to be measured at present value.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

*Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those

employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

**On-Costs**

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

**Superannuation Liabilities**

The Hospital does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Hospital has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and

Finance administers and discloses the State’s defined benefit liabilities in its financial statements.

**(k) Leases**

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Operating Leases**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**(l) Equity**

**Contributed Capital**

Consistent with Australian Accounting Interpretation

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

**Property, Plant & Equipment Revaluation Surplus** The asset revaluation surplus is used to record increments and decrements on the revaluation of non- current physical assets.

**Financial Asset Available-for-Sale Revaluation**

**Surplus**

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

**Restricted Specific Purpose Surplus**

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

**(m) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 20) at their nominal value and are inclusive of the 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.

**(n) 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.

**(o) 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 taxation authority. 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 taxation

authority 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 taxation authority, are presented as an operating cash flow.

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

**(p) Events after the Reporting Period**

Assets, liabilities, income or expenses arise from past transactions or other past events. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

**(q) AASs issued that are not yet effective** Certain new Australian accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period.

As at 30 June 2013, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The Hospital has not and does not intend to adopt these standards early.

|  |  |  |  |
| --- | --- | --- | --- |
| **Standard/ Interpretation** | **Summary** | **Applicable for annual reporting periods beginning or ending on** | **Impact on financial statements** |
| AASB 1053 Application of Tiers of Australian Accounting Standards | This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. | 1 July 2013 | The Victorian Government is currently considering  the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector. |
| AASB 2010-2  Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements | This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities. | 1 July 2013 | The Victorian Government is currently considering  the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector. |
| AASB 2011-11  Amendments to AASB  119 (September 2011) arising from Reduced Disclosure Requirements | This Standard makes amendments to AASB  119 Employee Benefits (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements. | 1 July 2013 | The Victorian Government is currently considering  the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will  be implemented in the  Victorian public sector. |
| 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB  13, AASB 140 & AASB  141] | This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards  as a consequence of the issuance of AASB 13 Fair Value Measurement. | 1 July 2013 | As the Victorian whole of government and the general government (GG) sector are subject to Tier  1 reporting requirements  (refer to AASB 1053  Application of Tiers of Australian Accounting Standards), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector. |

**(r) Category groups**

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

**Admitted Patient Services (Admitted Patients)** comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered

in public hospitals, or free standing day hospital facilities, hearing and ophthalmic aids.

**Outpatient Services (Outpatients)** comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered

in public hospital outpatient clinics, or free standing day hospital facilities, or outpatient clinics specialising in ophthalmic aids.

**Emergency Department Services (EDS)** comprises all recurrent health revenue/expenditure on emergency department services that are available free of charge to public patients.

**Other Services excluded from Australian Health Care Agreement (AHCA) (Other)** comprises revenue/ expenditure for services not separately classified above, including: Public Health Services including Kooris

liaison officers, immunisation and screening services, Drugs services, counselling, clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs and various support services. Health and Community Initiatives also falls in this category group.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Note 2:** Revenue | HSA 2013 | | HSA 2012 | H&CI 2013 | H&CI 2012 | Total 2013 | Total 2012 |
|  | $’000 | | $’000 | $’000 | $’000 | $’000 | $’000 |
| **Revenue from Operating Activities** | |  |  |  | | |  |
| Government Grants | |  |  |  | | |  |
| – Department of Health | | 20,809 | 65,714 | - - 20,809 | | | 65,714 |
| – Victorian Health Funding Pool | | 47,167 | - | - - 47,167 | | | - |
| – State Government (Other) | | - | 571 | - - - | | | 571 |
| – Other | | 3,247 | 3,670 | - - 3,247 | | | 3,670 |
| **Total Government Grants** | | **71,223** | **69,955** | **- - 71,223** | | | **69,955** |
| **Indirect Contributions by Department of Health** | | | | | | | |
| Insurance |  | (242) | 1,336 | - | - | (242) | 1,336 |
| **Total Indirect Contributions by Department of Health** |  | **(242)** | **1,336** | **-** | **-** | **(242)** | **1,336** |
| **Patient Fees** |  |  |  |  |  |  |  |
| Patient Fees (refer Note 2b) |  | 4,614 | 4,307 | 85 | 300 | 4,699 | 4,607 |
| **Total Patient Fees** |  | **4,614** | **4,307** | **85** | **300** | **4,699** | **4,607** |
| **Business Units** |  |  |  |  |  |  |  |
| Research |  | - | - | 142 | 165 | 142 | 165 |
| **Total Commercial Activities**  **& Specific Purpose Funds** |  | - | - | **142** | **165** | **142** | **165** |
| Donations & Bequests |  | - | 13 | 859 | 998 | 859 | 1,011 |
| Recoupment from Private Practice for Use of Hospital Facilities |  | 32 | 50 | 1,155 | 1,214 | 1,187 | 1,264 |
| Other Revenue from  Operating Activities |  | 1,130 | 1,456 | 755 | 667 | 1,885 | 2,123 |
| **Sub-Total Revenue from**  **Operating Activities** |  | **76,757** | **77,117** | **2,996** | **3,344** | **79,753** | **80,461** |
| **Revenue from Non-Operating Activities** | | | | | | | |
| Interest & Dividends |  | 398 | 238 | 1,333 | 1,175 | 1,731 | 1,413 |
| **Sub-Total Revenue from**  **Non-Operating Activities** |  | **398** | **238** | **1,333** | **1,175** | **1,731** | **1,413** |
| **Capital Purpose Income** |  |  |  |  |  |  |  |
| State Government Capital Grants |  |  |  |  |  |  |  |
| – Targeted Capital Works and  Equipment |  | - | - | 1,061 | 3,670 | 1,061 | 3,670 |
| Capital Interest |  | - | - | 1,831 | 3,085 | 1,831 | 3,085 |
| Capital Dividends |  | - | - | 66 | 213 | 66 | 213 |
| Donations & Bequests |  | - | - | 403 | - | 403 | - |
| Proceeds on sale of Non  Financial Assets (refer Note 2c) |  | - | - | 5 | 10 | 5 | 10 |
| Other Capital Purpose Income |  | - | - | 826 | 400 | 826 | 400 |
| **Sub-Total Revenue from**  **Capital Purpose Income** |  | **-** | **-** | **4,192** | **7,378** | **4,192** | **7,378** |
| **Total Revenue (refer to**  **Note 2a)** |  | **77,155** | **77,356** | **8,521** | **11,897** | **85,676** | **89,252** |

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

This note relates to revenues above the net result line only, and does not reconcile to comprehensive income.

**Note 2a:** Analysis of Revenue by Source

(based on the consolidated view of note 2)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Admitted  Patients | | Outpatients | EDS | Other | Total |
| 2013  $’000 | | 2013  $’000 | 2013  $’000 | 2013  $’000 | 2013  $’000 |
| **Revenue from Services Supported by Health Services Agreement** | | | | | |
| Government Grants | 40,608 | 25,620 | 4,995 | - 71,223 | |
| Indirect contributions by Department of Health | (138) | (87) | (17) | - (242) | |
| Patient Fees (refer Note 2b) | 2,630 | 1,660 | 324 | - 4,614 | |
| Recoupment from Private Practice for Use of  Hospital Facilities | 19 | 11 | 2 | - 32 | |
| Other Revenue from Operating Activities | 644 | 407 | 79 | - 1,130 | |
| Interest & Dividends | 227 | 143 | 28 | - 398 | |
| **Sub-Total Revenue from Services**  **Supported by Health Services Agreement** | **43,990** | **27,754** | **5,411** | **- 77,155** | |

**Revenue from Services Supported by Hospital and Community Initiatives**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Donations & Bequests (non capital) | - | - | - | 859 | 859 |
| Other |  |  |  |  |  |
| – Patient Fees (refer Note 2b) |  |  |  | 85 | 85 |
| – Private Practice and Other Patient Activities | - | - | - | 1,155 | 1,155 |
| – Pharmacy Fees | - | - | - | 189 | 189 |
| – Car Park | - | - | - | 13 | 13 |
| – Property Income | - | - | - | 271 | 271 |
| – Research | - | - | - | 142 | 142 |
| – Investment Returns | - | - | - | 1,333 | 1,333 |
| – Other | - | - | - | 282 | 282 |
| Capital Purpose Income (refer Note 2) | - | - | - | 4,192 | 4,192 |
| **Sub-Total Revenue from Services Supported by Hospital and Community Initiatives** | **-** | **-** | **-** | **8,521** | **8,521** |
| **Total Revenue** | **43,940** | **27,754** | **5,411** | **8,521** | **85,676** |

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Admitted  Patients | | Outpatients | EDS | Other | Total |
| 2012  $’000 | | 2012  $’000 | 2012  $’000 | 2012  $’000 | 2012  $’000 |
| **Revenue from Services Supported by Health Services Agreement** | | | | | |
| Government Grants |  |  |  |  |  |
| – Department of Health | 43,714 | 21,361 | 4,309 | — | 69,384 |
| – State Government – Other | 360 | 176 | 35 | — | 571 |
| Indirect contributions by Department of Health |  |  |  |  |  |
| – Insurance | 842 | 411 | 83 | — | 1,336 |
| Patient Fees (refer Note 2b) | 3,439 | 868 | — | — | 4,307 |
| Donations & Bequests (non capital) | — | 13 | — | — | 13 |
| Recoupment from Private Practice for Use of  Hospital Facilities | 10 | 40 | 1 | — | 51 |
| Other Revenue from Operating Activities | 554 | 853 | 48 | — | 1,455 |
| Interest & Dividends | 150 | 73 | 15 | — | 238 |
| **Sub-Total Revenue from Services**  **Supported by Health Services Agreement** | **49,069** | **23,795** | **4,491** | **—** | **77,355** |

**Revenue from Services Supported by Hospital and Community Initiatives**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Donations & Bequests (non capital) | — | — | — | 998 | 998 |
| Other |  |  |  |  |  |
| – Patient Fees (refer Note 2b) | — | — | — | 300 | 300 |
| – Private Practice and Other Patient Activities | — | — | — | 1,214 | 1,214 |
| – Pharmacy Fees | — | — | — | 65 | 65 |
| – Car Park | — | — | — | 13 | 13 |
| – Property Income | — | — | — | 235 | 235 |
| – Research | — | — | — | 165 | 165 |
| – Investment Returns | — | — | — | 1,175 | 1,175 |
| – Other | — | — | — | 354 | 354 |
| Capital Purpose Income (refer Note 2) | — | — | — | 7,378 | 7,378 |
| **Sub-Total Revenue from Services Supported by Hospital and Community Initiatives** | **—** | **—** | **—** | **11,897** | **11,897** |
| **Total Revenue** | **49,069** | **23,795** | **4,491** | **11,897** | **89,252** |

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

**Note 2b:** Patient Fees Raised

**Patient Fees**

Acute

2013

$’000

2012

$’000

– Inpatients 3,709 3,439

– Outpatients 990 1,168

**Total Patient Fees 4,699 4,607**

**Note 2c:** Net Gain/(Loss) on Disposal of Non-Financial Assets

**Proceeds from Disposals of Non-Current Assets**

2013

$’000

2012

$’000

Medical Equipment 5 10

**Total Proceeds from Disposal of Non-Current Assets 5 10**

**Less: Written Down Value of Non-Current Assets Sold**

Plant and Equipment - 1

Medical Equipment 101 21

Computer - 3

**Total Written Down Value of Non-Current Assets Sold 101 25**

**Net gain/(loss) on Disposal of Non-Financial Assets (96) (15)**

**Note 3:** Expenses

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | HSA  2013 | HSA  2012 | H&CI  2013 | H&CI  2012 | Total  2013 | Total  2012 |
| **Employee Expenses** |  |  |  |  |  |  |
| Salaries & Wages | 46,262 | 44,538 | 213 | 379 | 46,475 | 44,917 |
| WorkCover Premium | 210 | 291 | 1 | 2 | 211 | 293 |
| Departure Packages | 48 | (26) | - | 2 | 48 | (24) |
| Long Service Leave | 984 | 1,279 | (1) | - | 983 | 1,279 |
| Superannuation | 4,163 | 3,947 | 9 | 30 | 4,172 | 3,977 |
| **Total Employee Expenses** | **51,667** | **50,029** | **222** | **413** | **51,889** | **50,442** |
| **Non Salary Labour Costs** |  |  |  |  |  |  |
| Agency Costs – Nursing | 451 | 624 | - | - | 451 | 624 |
| Agency Costs – Other | 1,031 | 1,647 | 4 | 291 | 1,035 | 1,938 |
| **Total Non Salary Labour**  **Costs** | **1,482** | **2,271** | **4** | **291** | **1,486** | **2,562** |
| **Supplies & Consumables** |  |  |  |  |  |  |
| Drug Supplies | 5,240 | 5,656 | 185 | 240 | 5,425 | 5,896 |
| Medical, Surgical Supplies and Prosthesis | 9,916 | 9,650 | 28 | 34 | 9,944 | 9,684 |
| Pathology Supplies | 790 | 779 | - | 1 | 790 | 780 |
| Food Supplies | 527 | 494 | 9 | 6 | 536 | 500 |
| **Total Supplies & Consumables** | **16,473** | **16,579** | **222** | **281** | **16,695** | **16,860** |
| **Other Expenses** |  |  |  |  |  |  |
| Domestic Services & Supplies | 2,321 | 2,265 | 24 | 29 | 2,345 | 2,294 |
| Fuel, Light, Power and Water | 756 | 580 | - | - | 756 | 580 |
| Insurance costs funded by  Department of Health | 1,147 | 957 | - | - | 1,147 | 957 |
| Motor Vehicle Expenses | 12 | 182 | 1 | - | 13 | 182 |
| Repairs & Maintenance | 927 | 1,338 | 16 | - | 943 | 1,338 |
| Maintenance Contracts | 401 | 428 | - | 1 | 401 | 429 |
| Patient Transport | 287 | 207 | - | - | 287 | 207 |
| Bad & Doubtful Debts | 44 | 24 | (6) | 2 | 38 | 26 |
| Lease Expenses | - | 2 | - | - | - | 2 |
| Postal and Telephone | 267 | 397 | - | 34 | 267 | 431 |
| Other | 529 | 569 | 211 | 103 | 740 | 672 |
| Audit Fees |  |  |  |  |  |  |
| – VAGO – Audit of Financial  Statements | 48 | 54 | - | - | 48 | 54 |
| – Other | 73 | 226 | - | - | 73 | 226 |
| **Total Other Expenses** | **6,812** | **7,229** | **246** | **169** | **7,058** | **7,398** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expenditure Using Capital**  **Purpose Income** |  | | | | | |
| Other Expenses |
| – Repairs and Maintenance | - | - | 11 | 81 | 11 | 81 |
| – Administrative Expenses | - | - | 800 | 148 | 800 | 148 |
| – Other | - | - | 35 | - | 35 | - |
| **Total Other Expenses** | **-** | **-** | **846** | **229** | **846** | **229** |
| **Total Expenditure using**  **Capital Purpose Income** | **-** | **-** | **846** | **229** | **846** | **229** |
| Depreciation & Amortisation | - | - | 8,308 | 7,217 | 8,308 | 7,217 |
| Written Down Value of Assets sold (refer Note 2c) | - | - | 101 | 25 | 101 | 25 |
| **Total Expenses** | **80,578** | **79,611** | **10,116** | **9,639** | **90,694** | **89,250** |

This note relates to expenditures above the net result line only, and does not reconcile to comprehensive income.

**Note 3a:** Analysis of Expenses by Source

Admitted

Patients Outpatients EDS Other Total

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2013  $‘000 | 2013  $‘000 | 2013  $‘000 | 2013  $‘000 | 2013  $‘000 |
| **Services Supported by Health Services Agreement** |  |  |  |  |  |
| Employee Expenses | 35,295 | 9,944 | 6,428 | - | 51,667 |
| Non Salary Labour Costs | 1,301 | 53 | 128 | - | 1,482 |
| Supplies & Consumables | 10,721 | 5,171 | 581 | - | 16,473 |
| Administrative Costs | 1,936 | 1,510 | 698 | - | 4,144 |
| Other Expenses from Continuing Operations | 3,879 | 1,916 | 1,017 | - | 6,812 |
| **Total Expenses from Services Supported by Health Services Agreement** | **53,132** | **18,594** | **8,852** | **-** | **80,578** |
| **Services Supported by Hospital and Community Initiatives** | | | | | |
| Employee Expenses | - | - | - | 222 | 222 |
| Non Salary Labour Costs | - | - | - | 4 | 4 |
| Supplies & Consumables | - | - | - | 222 | 222 |
| Administrative Costs | - | - | - | 167 | 167 |
| Other Expenses from Continuing Operations | - | - | - | 246 | 246 |
| **Total Expense from Services Supported by**  **Hospital and Community Initiatives** | **-** | **-** | **-** | **861** | **861** |
| **Expenditure using Capital Purpose Income** |  |  |  |  |  |
| Other Expenses | - | - | - | 846 | 846 |
| **Total Expenditure using Capital Purpose**  **Income** | **-** | **-** | **-** | **846** | **846** |
| Depreciation & Amortisation (refer Note 4) | - | - | - | 8,308 | 8,308 |
| Written Down Value of Assets sold  (refer Note 2c) | - | - | - | 101 | 101 |
| **Total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives** | **-** | **-** | **-** | **8,409** | **8,409** |
| **Total Expenses** | **53,132** | **18,594** | **8,852** | **10,116** | **90,694** |

Admitted

Patients Outpatients EDS Other Total

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2012  $‘000 | 2012  $‘000 | 2012  $‘000 | 2012  $‘000 | 2012  $‘000 |
| **Services Supported by Health Services Agreement** |  |  |  |  |  |
| Employee Expenses | 29,921 | 14,847 | 5,261 | - | 50,029 |
| Non Salary Labour Costs | 1,306 | 850 | 115 | - | 2,271 |
| Supplies & Consumables | 11,083 | 4,799 | 697 | - | 16,579 |
| Administrative Costs | 1,509 | 1,455 | 539 | - | 3,503 |
| Other Expenses from Continuing Operations | 3,113 | 3,002 | 1,114 | - | 7,229 |
| **Total Expenses from Services Supported by Health Services Agreement** | **46,932** | **24,953** | **7,726** | **-** | **79,611** |
| **Services Supported by Hospital and Community Initiatives** | | | | | |
| Employee Expenses | - | - | - | 413 | 413 |
| Non Salary Labour Costs | - | - | - | 291 | 291 |
| Supplies & Consumables | - | - | - | 281 | 281 |
| Administrative Costs | - | - | - | 1,014 | 1,014 |
| Other Expenses from Continuing Operations | - | - | - | 169 | 169 |
| **Total Expense from Services Supported by**  **Hospital and Community Initiatives** | **-** | **-** | **-** | **2,1698** | **2,168** |
| **Expenditure using Capital Purpose Income** |  |  |  |  |  |
| Other Expenses | - | - | - | 229 | 229 |
| **Total Expenditure using Capital Purpose**  **Income** | **-** | **-** | **-** | **229** | **229** |
| Depreciation & Amortisation (refer Note 4) | - | - | - | 7,217 | 7,217 |
| Written Down Value of Assets sold  (refer Note 2c) | - | - | - | 25 | 25 |
| **Total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives** | **-** | **-** | **-** | **7,242** | **7,242** |
| **Total Expenses** | **46,932** | **24,953** | **7,726** | **9,639** | **89,250** |

**Note 3b:** Analysis of Expenses by Internally Managed and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

|  |  |  |
| --- | --- | --- |
| Commercial Activities | 2013  $’000 | 2012  $’000 |
| Private Practice and Other Patient Activities | (58) | 914 |
| Pharmacy Services | 276 | 270 |
| Property Expenses | 8 | 7 |
| Other | 125 | 405 |
| Other Activities | | |
| Fundraising and Community Support | 243 | 212 |
| Research and Scholarship | 253 | 355 |
| Education and Training | 14 | 5 |
| **Total** | **861** | **2,168** |

**Note 4:** Depreciation and Amortisation

|  |  |  |
| --- | --- | --- |
|  | 2013  $’000 | 2012  $’000 |
| **Depreciation** |  |  |
| Buildings | 4,650 | 4,612 |
| Plant & Equipment | 184 | 178 |
| Medical Equipment | 1,115 | 1,239 |
| Computers and Communication | 507 | 514 |
| Non-Medical Equipment | 10 | 10 |
| Furniture and Fittings | 23 | 23 |
| Motor Vehicle | 7 | 7 |
| **Total Depreciation** | **6,496** | **6,583** |
| **Amortisation** |  |  |
| Intangible Assets | 1,812 | 634 |
| **Total Amortisation** | **1,812** | **634** |
| **Total Depreciation & Amortisation** | **8,308** | **7,217** |

**Note 5:** Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

|  |  |  |
| --- | --- | --- |
|  | 2013  $’000 | 2012  $’000 |
| Cash on Hand | 2 | 2 |
| Cash at Bank | 271 | 1,624 |
| Deposits at Call | 2,960 | 13 |
| **Total Cash and Cash Equivalents** | **3,233** | **1,639** |
| **Represented by:** |  |  |
| Cash for Health Service Operations (as per Cash Flow Statement) | 3,233 | 1,639 |
| **Total Cash and Cash Equivalents** | **3,233** | **1,639** |

**Note 6:** Receivables

Current

**Contractual**

2013

$’000

2012

$’000

Inter Hospital Debtors 193 228

Trade Debtors 183 225

Patient Fees 423 288

Accrued Revenue - Other 54 107

Less Allowance for Doubtful Debts

– Trade Debtors (20) (31)

– Patient Fees (56) (29)

**777 788**

**Statutory**

GST Receivable 251 361

**251 361**

**Total Current Receivables 1,028 1,149**

Non-current

**Statutory**

Long Service Leave – Department of Health

475 678

**Total Non-Current Receivables 475 678**

**Total Receivables 1,503 1,827**

a. Movement in the Allowance for doubtful debts

Balance at beginning of year 60 58

Amounts written off during the year 22 26

Increase/(decrease) in allowance recognised in net result (6) (24)

**Balance at end of year 76 60**

b. Ageing analysis of receivables

Please refer to note 18(b) for the ageing analysis of contractual receivables.

c. Nature and extent of risk arising from receivables

Please refer to note 18(b) for the nature and extent of credit risk arising from contractual receivables.

**Note 7:** Investments and other Financial Assets

Specific Purpose

Fund Total

2013

2012

2013

2012

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Current | $’000 | $’000 | $’000 | $’000 |
| **Term Deposit** |  |  |  |  |
| Aust. Dollar Term Deposits > 3 months\* | 47,800 | 48,951 | 47,800 | 48,951 |
| **Equities and Managed Investment Schemes** |  |  |  |  |
| Australian Listed Equity Securities | 21,591 | 18,272 | 21,591 | 18,272 |
| **Total Current**  Non Current | **69,391** | **67,223** | **69,391** | **67,223** |
| **Available-for-Sale Financial Assets** |  |  |  |  |
| Units in Managed Funds | 1,734 | 2,722 | 1,734 | 2,722 |
| **Total Non Current** | **1,734** | **2,722** | **1,734** | **2,722** |
| **Total Investments And Other Financial Assets** | **71,125** | **69,945** | **71,125** | **69,945** |
| **Represented by** |  |  |  |  |
| Health Service Investments | 71,125 | 69,945 | 71,125 | 69,945 |
| **Total Investments And Other Financial Assets** | **71,125** | **69,945** | **71,125** | **69,945** |

\* Term deposits under ‘investments and other financial assets’ class include only term deposits with maturity greater than 90 days.

(a) Ageing analysis of investments and other financial assets

Please refer to note 18(b) for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from investments and other financial assets

Please refer to note 18(b) for the nature and extent of credit risk arising from investments and other financial assets.

(c) Restrictions on investments

The Hospital has cash and cash equivalents that are subject to restrictions. As at the reporting date the Hospital held Specific

Purpose Funds that are restricted.

**Note 8:** Inventories

**Pharmaceuticals\***

2013

$’000

2012

$’000

At cost 166 196

**Medical and Surgical Lines\***

At cost 383 373

**Total Medical and Surgical lines 549 569**

**Other \***

Gift Shop – At Cost 7 6

**Total Inventories 556 575**

\* All categories are valued at the lower of Cost or Net Realisable Value.

**Note 9:** Other Assets

|  |  |  |
| --- | --- | --- |
| Current | 2013  $’000 | 2012  $’000 |
| Prepayments | 150 | 124 |
| Accrued Investment Income | 978 | 826 |
| **Total Current Other Assets** | **1,128** | **950** |
| Non-Current | | |
| **Total Non-Current Other Assets** | **-** | **-** |
| **Total Other Assets** | **1,128** | **950** |

**Note 10:** Property, Plant & Equipment

**Land**

2013

$’000

2012

$’000

Land at Fair Value 30,805 27,160

**Total Land 30,805 27,160**

**Buildings**

Buildings at Fair Value 181,770 181,770

Buildings at Cost 4,238 2,630

– Less Acc'd Depreciation (122,368) (117,718)

**Total Buildings 63,640 66,682**

**Plant and Equipment**

Plant and Equipment at Fair Value 3,536 3,536

– Less Acc'd Depreciation (1,462) (1,278)

**Total Plant and Equipment 2,074 2,258**

**Medical Equipment**

Medical Equipment at Fair Value 16,314 16,062

– Less Acc'd Depreciation (11,729) (10,933)

**Total Medical Equipment 4,585 5,129**

**Computers and Communication**

Computers and Communication at Cost 1,964 1,870

– Less Acc'd Depreciation (1,364) (858)

**Total Computers and Communication 600 1,012**

**Non-Medical Equipment**

Non-Medical Equipment at Cost 170 139

– Less Acc'd Depreciation (87) (76)

**Total Non-Medical Equipment 83 63**

**Furniture and Fittings**

Furniture and Fittings at Cost 398 398

– Less Acc'd Depreciation (256) (233)

**Total Furniture and Fittings 142 165**

**Motor Vehicles**

Motor Vehicles at Fair Value 27 27

– Less Acc'd Depreciation (17) (10)

**Total Motor Vehicles 10 17**

**Work in Progress**

Work in Progress at Cost 2,180 3,025

**Total Work in Progess 2,180 3,025**

**Total Property, Plant & Equipment 104,119 105,511**

2012 Buildings at Fair Value and Buildings at Cost have been restated to correctly reflect the Buildings at Fair Value and at Costs. There is no change to the value of the Total Buildings.

Reconciliations of the carrying amounts of each class of asset for the Hospital at the beginning and end of the previous and current financial year is set out below.

Plant &

Medical

Computers

Non- Medical

Furniture

Motor

Work in

Land Buildings

Equipment

Equipment & Comm’ns Equipment

& Fittings Vehicles

Progress Total

**Balance at**

**1 July 2011**

$'000 $'000 $'000 $'000 $'000 $'000 $'000 $'000 $'000 $'000

**27,160 68,664 2,116 5,341 1,066 69 178 24 2,535 107,153**

Additions - 2,630 324 1,079 460 13 67 - 490 5,064

Disposals - - (4) (52) - (9) (57) - - (121)

Depreciation and Amortisation (Note 4)

**Balance at**

**1 July 2012**

- (4,612) (178) (1,239) (514) (10) (23) (7) - (6,582)

**27,160 66,682 2,258 5,129 1,012 63 165 17 3,025 105,511**

Additions - - - 672 95 30 - - 2,199 2,996

Assets transferred between Classes

- 1,608 - - - - - - (2,766) (1,158)

Disposals - - - (101) - - - - - (101)

Revaluation Increments/ (Decrements)

Assets written back and transferred to expense

Depreciation and Amortisation (Note 4)

**Balance at**

**30 June 2013**

3,645 - - - - - - - - 3,645

- - - - - - - - (278) (278)

- (4,650) (184) (1,115) (507) (10) (23) (7) - (6,496)

**30,805 63,640 2,074 4,585 600 83 142 10 2,180 104,119**

Land and buildings carried at valuation

For the year ended 30 June 2009 an independent valuation of the Hospital’s property, plant and equipment was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. This exercise resulted in the assets being revalued in that year leading to an increase in the Asset Revaluation Reserve of $50.754 million.

For the year ended 30 June 2013 management conducted an assessment of land and buildings via the application of the Valuer

General of Victoria indices relevant to 2012-13 and the resulting change in the asset revaluation reserve was $3.645 million.

Plant, Equipment, Furniture and Fittings

For the year ended 30 June 2013 the Hospital reviewed the carrying values of a large number of Medical Equipment assets against the replacement costs of these assets in order to assess carrying value against fair value. This exercise indicated that fair value did not materially differ from the current value and as a result no adjustment was recorded.

**Note 11:** Intangible Assets

|  |  |  |
| --- | --- | --- |
|  | 2013  $’000 | 2012  $’000 |
| Computer Software | 3,912 | 2,500 |
| – Less Acc'd Amortisation | (2,973) | (1,160) |
|  | **939** | **1,340** |
| Computer Software – Work in Progress | 1,055 | 266 |
|  | **1,055** | **266** |
| **Total Intangible Assets** | **1,994** | **1,606** |

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

Comp S’ware

|  |  |  |  |
| --- | --- | --- | --- |
|  | Computer  Software | Work in  Progess | Total |
| $’000 | $’000 | $’000 |
| **Balance at 1 July 2011** | **1,849** | **43** | **1,892** |
| Additions | 125 | 223 | 348 |
| Disposals | (919) | - | (919) |
| Amortisation (Note 4) | (634) | - | (634) |
| Amortisation on disposals | 919 | - | 919 |
| **Balance at 1 July 2012** | **1,340** | **266** | **1,606** |
| Additions | 253 | 789 | 1,042 |
| Assets transferred between Classes | 1,158 | - | 1,158 |
| Amortisation (Note 4) | (1,812) | - | (1,812) |
| **Balance at 30 June 2013** | **939** | **1,055** | **1,994** |

**Note 12:** Investment Properties

|  |  |  |
| --- | --- | --- |
|  | 2013  $’000 | 2012  $’000 |
| Land | 670 | 600 |
| Buildings | 330 | 40 |
| **Balance at Beginning of Period** | **1,000** | **640** |
| Net Gain/(Loss) from Fair Value Adjustments | (35) | 360 |
| **Balance at End of Period** | **965** | **1,000** |
| Net Rental Income  Rental Income | 40 | 42 |
| Rental Expenses | (2) | (2) |
| **Net Rental Income** | **38** | **40** |

Valuation

An independent valuation of the Hospital’s investment properties was performed by the Valuer-General Victoria to determine fair value as at 30 June 2009. This valuation was based on independent assessment and Fair (Market) Value subject to lease.

At 30 June 2013, management verified this valuation by applying the City of Yarra valuation and rates notice relevant for the asset category and period. Accordingly, the carrying value has been adjusted by $35,000 to reflect an approximation of fair value.

**Note 13:** Payables

Current

**Contractual**

2013

$’000

2012

$’000

Trade Creditors 1,802 1,813

Accrued Expenses 2,060 2,416

**3,862 4,229**

**Statutory**

GST Payable 17 112

Fringe Benefits Tax Payable - 125

**17 237**

**Total Current 3,879 4,466**

Non Current

**Total Non Current** - -

**Total Payables 3,879 4,466**

a. Maturity analysis of payables

Please refer to Note 18c for the ageing analysis of contractual payables.

b. Nature and extent of risk arising from payables

Please refer to Note 18c for the nature and extent of risks arising from contractual payables.

**Note 14:** Provisions

**Current Provisions**

Employee Benefits

2013

$’000

2012

$’000

– Unconditional and expected to be settled within 12 months (ii) 6,839 6,778

– Unconditional and expected to be settled after 12 months (iii) 3,955 3,979

**10,794 10,757**

Provisions related to Employee Benefit On-Costs

– Unconditional and expected to be settled within 12 months (iii) 649 614

**649 614**

**Total Current Provisions 11,443 11,371**

**Non-Current Provisions**

Employee Benefits (i) 2,708 2,424

**Total Non-Current Provisions 2,708 2,424**

**Total Provisions 14,151 13,795**

a. Employee Benefits and Related On-Costs

**Current Employee Benefits and related on-costs**

Unconditional LSL Entitlement 3,806 3,867

Annual Leave Entitlements 3,893 3,790

Accrued Wages and Salaries 2,685 2,718

Accrued Days Off 131 142

Other

– Superannuation 279 240

**Non-Current Employee Benefits and related on-costs**

Conditional Long Service Leave Entitlements (iii) 2,708 2,424

**Total Employee Benefits 13,502 13,181**

Current On-Costs 649 614

**Total On-Costs 649 614**

**Total Employee Benefits and Related On-Costs 14,151 13,795**

b. Movement in Provisions

**Movement in Long Service Leave**

**Balance at start of year 6,904 6,239**

Provision made during the year

– Revaluations (13) (220)

– Expense recognising Employee Service 983 1,499

Settlement made during the year (712) (614)

**Balance at end of year 7,162 6,904**

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs. (ii) The amounts disclosed are nominal amounts

(iii) The amounts disclosed are discounted to present values

**Note 15:** Other Liabilities

**Current**

2013

$’000

2012

$’000

Prepaid Revenue 107 30

Bond Money 9 9

Patient Fees 54 46

Income in Advance – Department of Health 978 1,154

Income in Advance – Rent 24 29

**Total Current 1,172 1,268**

**Non Current**

**Total Non-Current - - Total Other Liabilities 1,172 1,268**

**Note 16:** Equity

a. Surpluses

**Property, Plant & Equipment Revaluation Surplus 1**

2013

$’000

2012

$’000

Balance at the beginning of the reporting period 62,462 62,462

Revaluation Increment/(Decrements)

– Land 3,645 -

**Balance at the end of the reporting period\* 66,107 62,462**

\* Represented by:

– Land 20,716 17,071

– Buildings 45,391 45,391

**66,107 62,462**

**Financial Assets Available-for-Sale Revaluation Surplus 2**

Balance at the beginning of the reporting period 3,227 4,618

Valuation gain/(loss) recognised 3,270 (1,391)

**Balance at end of the reporting period 6,497 3,227**

**General Purpose Surplus**

Balance at the beginning of the reporting period 23,939 22,372

Transfer (to) and from:

– Restricted Specific Purpose Surplus 467 5,092

– Accumulated Surplus / (Deficits) (5,597) (3,525)

**Balance at the end of the reporting period 18,809 23,939**

(1) The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant and equipment. For the year ended 30 June

2013 management conducted an asseement of land and buildings via the application of the Valuer General of Victoria indices relevant to 2012-13 and the resulting change in the asset revaluation reserve was $3.6 million.

(2) The financial assets available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to the financial asset, and is effectively realised, is recognised in the net result. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in net result.

**Restricted Specific Purpose Surplus**

Balance at the beginning of the reporting period 30,954 30,267

Transfer (to) and from:

– General Purpose Surplus (467) (5,092)

– Accumulated Surpluses / (Deficits) 3,776 5,779

**Balance at the end of the reporting period 34,263 30,954**

**Total Surpluses 125,676 120,582**

b. Contributed Capital

2013

$’000

2012

$’000

Balance at the beginning of the reporting period 51,568 51,568

**Balance at the end of the reporting period 51,568 51,568**

c. Accumulated Surpluses/(Deficits)

Balance at the beginning of the reporting period (8,626) (6,374) Net Result for the Year (5,018) 2

Transfers (to) and from:

– General Purpose Reserve 5,597 3,525

– Restricted Specific Purpose Reserve (3,776) (5,779)

**Balance at the end of the reporting period (11,823) (8,626)**

**d. Total Equity at end of financial year 165,421 163,524**

**Note 17:** Reconciliation of Net Result for the Year to Net Cash Inflow/ (Outflow) from Operating Activities

2013

$’000

2012

$’000

**Net Result for the Year (5,018) 2**

**Non-cash movements**

Depreciation 6,496 6,583

Amortisation of Intangibles 1,812 634

Revaluation of Investment Properties 35 (360) Provision for Doubtful Debts 16 2

Write off of WIP to Operating Expense 278 -

**Movements included in investing and financing activities**

Net (Gain)/Loss from Disposal of Non Financial Physical Assets 96 15

**Movements in assets and liabilities**

Change in Operating Assets & Liabilities

– (Increase)/Decrease in Accrued Income (152) 197

– (Increase)/Decrease in Receivables 308 372

– (Increase)/Decrease in Other Assets - 1

– (Increase)/Decrease in Prepayments (26) 267

– Increase/(Decrease) in Payables (587) 206

– Increase/(Decrease) in Provisions 356 1,870

– Increase/(Decrease) in Other Liabilities (96) (46)

– Increase/(Decrease) in Inventories 19 (85)

**Net Cash Inflow/(Outflow) From Operating Activities 3,537 9,658**

**Note 18:** Financial Instruments

**(a) Financial Risk Management objectives and policies**

The Hospital’s principal financial instruments comprise of:

• Cash Assets

• Term Deposits

• Receivables (excluding statutory receivables)

• Investment in Equities

• Payables (excluding statutory payables)

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 are disclosed in Note 1 to the financial statements.

The Hospital’s main financial risks include credit risk, liquidity risk and interest rate risk. The Hospital manages these financial risks in accordance with its financial risk management policy.

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

CATEGORISATION OF FINANCIAL INSTRUMENTS

Details of each categories in accordance with AASB 139, shall be disclosed either on the face of the balance sheet or in the notes.

**Financial Assets**

Carrying

Amount

2013

$’000

Carrying

Amount

2012

$’000

Cash and cash equivalents 3,233 1,639

Loans and Receivables 777 788

Available for Sale 71,125 69,945

**Total Financial Assets (i) 75,135 72,372**

**Financial Liabilities**

Financial Liabilities at Amortised Cost 3,862 4,229

Other Liabilities at Amortised Cost 1,172 1,268

**Total Financial Liabilities (ii) 5,034 5,497**

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable) (ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payables)

NET HOLDING GAIN/(LOSS) ON FINANCIAL INSTRUMENTS BY CATEGORY

**Financial Assets**

Net holding gain/ (loss)

2013

$’000

Net holding gain/ (loss)

2012

$’000

Available for Sale (i) 3,270 (1,391)

**Total Financial Assets 3,270 (1,391)**

**Financial Liabilities**

**Total Financial Liabilities - -**

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

**b. Credit Risk**

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

Credit risk associated with the Hospital’s contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Hospital’s policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

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

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

Except as otherwise detailed, the Royal Victorian Eye and Ear Hospital’s exposure to credit risk and effective weighted average interest rate by ageing periods is set out in the following table. For interest rates applicable to each class of asset refer to individual notes to the financial statements.

CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

Financial

institutions (AAA credit rating)

Not Past Due and Not

Impaired Total

2013 $’000 $’000 $’000

**Financial Assets**

Cash and Cash Equivalents 3,233 - 3,233

Receivables

– Trade Debtors - 356 356

– Other Receivables - 421 421

Other Financial Assets

– Other Financial Assets 23,325 - 23,325

– Term Deposit 47,800 - 47,800

**Total Financial Assets 74,358 777 75,135**

2012

**Financial Assets**

Cash and Cash Equivalents 1,639 - 1,639

Receivables

– Trade Debtors - 422 422

– Other Receivables - 366 366

Other Financial Assets

– Other Financial Assets 20,994 - 20,994

– Term Deposit 48,951 - 48,951

**Total Financial Assets 71,584 788 72,372**

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

AGEING ANALYSIS OF FINANCIAL ASSET AS AT 30 JUNE

Past Due But Not Impaired

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Carrying  Amount | Not Past Due and Not Impaired | Less than 1  Month | 1-3 Months | 3 months –  1 Year |
| 2013 | $’000 | $’000 | $’000 | $’000 | $’000 |
| **Financial Assets** |  |  |  |  |  |
| Cash and Cash Equivalents | 3,233 | 3,233 | - | - | - |
| Receivables |  |  |  |  |  |
| – Trade Debtors | 356 | 247 | 34 | 35 | 40 |
| – Other Receivables | 421 | 344 | 52 | 23 | 2 |
| Other Financial Assets |  |  |  |  |  |
| – Other Financial Assets | 23,325 | 23,325 | - | - | - |
| – Term Deposit | 47,800 | 47,800 | - | - | - |
| **Total Financial Assets** | **75,135** | **74,949** | **86** | **58** | **42** |
| 2012 |  |  |  |  |  |
| **Financial Assets** |  |  |  |  |  |
| Cash and Cash Equivalents | 1,639 | 1,639 | - | - | - |
| Receivables |  |  |  |  |  |
| – Trade Debtors | 422 | 175 | 226 | 15 | 6 |
| – Other Receivables | 366 | 314 | 28 | 20 | 4 |
| Other Financial Assets |  |  |  |  |  |
| – Other Financial Assets | 20,994 | 20,994 | - | - | - |
| – Term Deposit | 48,951 | 48,951 | - | - | - |
| **Total Financial Assets** | **72,372** | **72,073** | **254** | **35** | **10** |

**Contractual financial assets that are either past due or impaired**

There are no material financial assets which are individually determined to be impaired. Currently the Hospital does not hold any collateral as security nor credit enhancements relating to its financial assets.

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

**c. Liquidity Risk**

Liquidity risk is the risk that the Hospital would be unable to meet its financial obligations as and when they fall due.

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

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

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 30 JUNE

Maturity Dates

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Carrying  Amount | Contractual  Cash Flows | Less than 1  Month | 1-3 Months | 3 months –  1 Year | 1–5 Years |
| 2013 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| **Financial Liabilities** |  |  |  |  |  |  |
| Payables  Other Financial Liabilities (i)  – Other | 3,862  1,172 | 3,862  1,172 | 3,554  1,090 | 293  38 | 15  35 | -  9 |
| **Total Financial Liabilities**  2012 | **5,034** | **5,034** | **4,644** | **331** | **50** | **9** |
| **Financial Liabilities** |  |  |  |  |  |  |
| Payables  Other Financial Liabilities (i)  – Other | 4,229  1,268 | 4,229  1,268 | 3,863  1,236 | 359  10 | 7  13 | -  9 |
| **Total Financial Liabilities** | **5,497** | **5,497** | **5,099** | **369** | **20** | **9** |

(i) Ageing analysis of financial liabilities excludes the types of statutory financial liabilities (i.e GST payable)

**d. Market Risk**

The Hospital’s exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

**Currency Risk**

The Hospital is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

**Interest Rate Risk**

Exposure to interest rate risk might arise primarily through the Hospital’s interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, the Hospital mainly undertakes financial liabilities with relatively even maturity profiles.

**Other Price Risk**

Market Price Risk is the risk that the value of a financial instrument will fluctuate due to factors specific to the individual instruments or factors affecting all instruments traded in the market. The Hospital is exposed to securities price risk and this is managed by an asset allocation strategy of diversification of investments accross industries and geographic locations.

INTEREST RATE EXPOSURE OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE

Interest Rate Exposure

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Weighted Average Effective Interest Rate | Carry  Amount | Fixed Interest  Rate | Variable  Interest Rate | Non-Interest  Bearing |
| 2013 | (%) | $’000 | $’000 | $’000 | $’000 |
| **Financial Assets** |  |  |  |  |  |
| Cash and Cash Equivalents  Receivables(i)  – Trade Debtors | 3.15  - | 3,233  356 | -  - | 3,233  - | -  356 |
| – Other Receivables  Other Financial Assets  – Other Financial Assets | -  - | 421  23,325 | -  - | -  - | 421  23,325 |
| – Term Deposit | 4.81 | 47,800 | 47,800 | - | - |
| **Totals** |  | **75,135** | **47,800** | **3,233** | **24,102** |
| **Financial Liabilities** |  |  |  |  |  |
| Payables(i)  Other Financial Liabilities  – Other | -  - | 3,862  1,172 | -  - | -  - | 3,862  1,172 |
| **Totals** |  | **5,034** | **-** | **-** | **5,034** |
| 2012 |  |  |  |  |  |
| **Financial Assets** |  |  |  |  |  |
| Cash and Cash Equivalents  Receivables(i)  – Trade Debtors | 4.36  - | 1,639  422 | -  - | 1,639  - | -  422 |
| – Other Receivables  Other Financial Assets  – Other Financial Assets | -  - | 366  20,994 | -  - | -  - | 366  20,994 |
| – Term Deposit | 5.8 | 48,951 | 48,951 | - | - |
| **Totals** |  | **72,372** | **48,951** | **1,639** | **21,782** |
| **Financial Liabilities** |  |  |  |  |  |
| Payables(i)  Other Financial Liabilities  – Other | -  - | 4,229  1,268 | -  - | -  - | 4,229  1,268 |
| **Totals** |  | **5,497** | **-** | **-** | **5,497** |

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

**Sensitivity Disclosure Analysis**

Taking into account past performance, future expectations, economic forecasts, and management’s knowledge and experience of the financial markets, the Royal Victorian Eye and Ear Hospital believes the following movements are

‘reasonably possible’ over the next 12 months

• A shift of +2% and -2% in market interest rates (AUD) from year-end rates of 4%;

• A parallel shift of +2% and -2% in inflation rate from year-end rates of 2%

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

Interest Rate Risk Other Price Risk

-2% 2% -2% 2%

2013

**Financial Assets**

Carrying

Amount

Profit

$’000

Equity

$’000

Profit

$’000

Equity

$’000

Profit

$’000

Equity

$’000

Profit

$’000

Equity

$’000

Cash and Cash Equivalents(i) 3,233 (65) (65) 65 65 - - - - Receivables(ii)

– Trade Debtors 356 - - - - - - - -

– Other Receivables 421 - - - - - - - - Other Financial Assets

– Other Financial Assets 23,325 - - - - (467) (467) 467 467

– Term Deposit 47,800 (956) (956) 956 956 - - -

**75,135 (1,021) (1,021) 1,021 1,021 (467) (467) 467 467**

**Financial Liabilities**

Payables 3,862 - - - - (77) (77) 77 77

Other Financial Liabilities(ii) - - - - - - - - -

– Other 1,172 - - - - (23) (23) 23 23

5,034 **- - - - (100) (100) 100 100**

**70,101 (1,021) (1,021) 1,021 1,021 (567) (567) 567 567**

2012

**Financial Assets**

Cash and Cash Equivalents(i) 1,639 (33) (33) 33 33 - - - - Receivables(ii)

– Trade Debtors 422 - - - - - - - -

– Other Receivables 366 - - - - - - - - Other Financial Assets

– Other Financial Assets 20,994 - - - - (420) (420) 420 420

– Term Deposit 48,951 (979) (979) 979 979 - - -

**72,372 (1,012) (1,012) 1,012 1,012 (420) (420) 420 420**

**Financial Liabilities**

Payables 4,229 - - - - (85) (85) 85 85

Other Financial Liabilities(ii)

– Other 1,268 - - - - (25) (25) 25 25

**5,497 - - - - (110) (110) 110 110**

**66,875 (1,012) (1,012) 1,012 1,012 (530) (530) 310 310**

(i) eg. Sensitivity of cash and cash equivalents to a +2% movement in interest rates: [$4,332k\*0.08]-[$4,332k\*0.06] = $87k. Similar for a -2%

movement in interest rate, impact = $(87k).

(ii) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable).

**e. Fair Value**

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

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

• Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly;

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

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

COMPARISON BETWEEN CARRYING AMOUNT AND FAIR VALUE

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying  Amount | Fair value | Carrying  Amount | Fair value |
| 2013  $’000 | 2013  $’000 | 2012  $’000 | 2012  $’000 |
| **Financial Assets** |  |  |  |  |
| Cash and Cash Equivalents | 3,233 | 3,233 | 1,639 | 1,639 |
| Receivables(i) |  |  |  |  |
| – Trade Debtors | 356 | 356 | 422 | 422 |
| – Other Receivables | 421 | 421 | 366 | 366 |
| Other Financial Assets |  |  |  |  |
| – Other Financial Assets | 23,325 | 23,325 | 20,994 | 20,994 |
| – Term Deposit | 47,800 | 47,800 | 48,951 | 48,951 |
| **Total Financial Assets** | **75,135** | **75,135** | **72,372** | **72,372** |
| **Financial Liabilities** |  |  |  |  |
| Payables | 3,862 | 3,862 | 4,229 | 4,229 |
| Other Financial Liabilities(i) |  |  |  |  |
| – Other | 1,172 | 1,172 | 1,268 | 1,268 |
| **Total Financial Liabilities** | **5,034** | **5,034** | **5,497** | **5,497** |

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable).

FINANCIAL ASSETS MEASURED AT FAIR VALUE

Carrying Amount as at 30 June

Fair value measurement at end of reporting period using:

2013 $’000

**Financial assets at fair value through profit & loss**

Available for sale financial assets

Level 1

$’000

Level 2

$’000

– Equities and managed funds 23,325 18,132 5,193

**Total Financial Assets 23,325 18,132 5,193**

2012

**Financial assets at fair value through profit & loss**

Available for sale financial assets

– Equities and managed funds 20,994 15,234 5,760

**Total Financial Assets 20,994 15,234 5,760**

*Level 1 means*

Quoted prices (unadjusted) in active markets for identical assets.

*Level 2 means*

Inputs other than quoted prices that are observable, either directly as prices or indirectly derived. At 30 June 2013 the hospital holds an investment in a Global Properties Securities Fund of $3.459M (2012 - $3.038M) and a Wholesale Infrastructure Income Fund of $1.734M (2012 - $2.722M) managed by Colonial First State Global Asset Management. Prices are provided by the Manager at each balance date and are measured at fair value in line with AASB139.

There is no significant transfer between Level 1 and Level 2.

**Note 19:** Commitments

**Capital Expenditure Commitments Other Expenditure Commitments** Payable:

2013

$’000

2012

$’000

– Consumables/Supplies 420 410

– Maintenance 890 3,168

**Total Other Expenditure Commitments 1,310 3,578**

Not later than one year 1,267 2,688

Later than 1 year and not later than 5 years 43 890

**Total 1,310 3,578**

**Total Commitments (inclusive of GST) 1,310 3,578**

Less GST recoverable from the Australian Tax Office (119) (325)

**Total Commitments (exclusive of GST) 1,191 3,253**

All amounts shown in the commitments note are nominal amounts inclusive of GST.

**Note 20:** Contingent Assets and Contingent Liabilities

The Hospital does not have any contingent assets or contingent liabilities, (2011-12:$nil).

**Note 21:** Operating Segments

The Royal Victorian Eye and Ear Hospital derives all its revenue from the Acute Health Programs Services.

**Geographical Segment**

The Hospital operates predominantly in Melbourne, Victoria. More than 90% of revenue, net surplus from ordinary activities and assets relate to operations in Melbourne, Victoria. The Hospital has spoke services at Blackburn.

**Note 22a:** Responsible Persons Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act*

*1994*, the following disclosures are made regarding responsible persons for the reporting period.

Period

**Responsible Ministers**

The Honourable David Davis, MLC, Minister for Health and Ageing 1/07/2012 - 30/06/2013

The Honourable Mary Wooldridge, MLA, Minister for Mental Health 1/07/2012 - 30/06/2013

**Governing Boards**

Ms Jan Boxall 1/07/2012 - 30/06/2013

Dr Malcolm Brown 1/07/2012 - 30/06/2013

Mr Peter Buzzard 1/07/2012 - 30/06/2013

Mr Roger Greenman AM 1/07/2012 - 30/06/2013

Dr Sandra Mercer-Moore AM 1/07/2012 - 30/06/2013

Mr Ian Pollerd 1/07/2012 - 30/06/2013

Mr Andrew Porter 1/07/2012 - 30/06/2013

Ms Jenny Taing 1/07/2012 - 30/06/2013

Mr John Wilson 1/07/2012 - 30/06/2013

**Accountable Officers**

Ms Ann Clark 1/07/2012 - 30/06/2013

REMUNERATION OF RESPONSIBLE PERSONS

The number of Responsible Persons are shown in their relevant income bands

**Income band**

2013

No.

2012

No.

$0 - $9,999 - -

$10,000 - $19,999 8 8

$20,000 - $29,999 - -

$40,000 - $49,999 1 1

$100,000 - $109,999 - -

$190,000 - $199,999 - -

$270,000 - $279,999 - -

$280,000 - $289,999 - 1

$290,000 - $299,999 - -

$300,000 - $309,999 - -

$310,000 - $319,999 1 -

**Total Numbers 10 10**

**Total remuneration received or due and receivable by Responsible Persons from the**

**reporting entity amounted to: $510,606 $489,266**

Amounts relating to Responsible Ministers are reported in the financial statements of the

Department of Premier and Cabinet.

**Other Transactions of Responsible Persons and their Related Parties**

There were no other transactions with Responsible Persons and their Related Parties.

**Note 22b:** Executive Officer Disclosures

**Executive Officers’ Remuneration**

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands.

The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Total | Remuneration | Base | Remuneration |
| 2013  No. | 2012  No. | 2013  No. | 2012  No. |
| $130,000 – $139,999 | - | - | - | 1 |
| $140,000 – $149,999 | - | - | 1 | 1 |
| $150,000 – $159,999 | 1 | 1 | 1 | - |
| $160,000 – $169,999 | - | - | 1 | 2 |
| $170,000 – $179,999 | 1 | 1 | 1 | - |
| $180,000 – $189,999 | - | - | 1 | 1 |
| $190,000 – $199,999 | 2 | 2 | - | - |
| $200,000 – $209,999 | - | 1 | - | - |
| $210,000 – $219,999 | 1 | - | - | - |
| **Total** | **5** | **5** | **5** | **5** |
| **Total annualised employee equivalents (AEE) (i)** | **5** | **5** | **5** | **5** |
| **Total Remuneration** | **$938,006** | **$909,227** | **$823,941** | **$796,997** |

(i) Annualised employee equivalents is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

**Note 23:** Remuneration of Auditors

2013

$’000

2012

$’000

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Hospital's current financial report

Fees paid to Ernst & Young:

47 45

– Internal audit 61 180

– Compliance audit 14 55

**Total Paid and Payable 122 280**

**Note 24:** Events Occurring after the Balance Sheet Date

There were no events after the Balance Sheet Date of 30 June 2013 that materially affected the financial result for that period.

**Board Member’s, Accountable Officer’s and**

**Chief Finance and Accounting Officer’s Declaration**

The attached financial statements for the Royal Victorian Eye and Ear Hospital have been prepared in accordance with Standing Directions 4.2 of 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

2013 and the financial position of the Royal Victorian

Eye and Ear Hospital at 30 June 2013.

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.



Jan Boxall

Chair, Board of Directors

22 August 2013



Ann Clark

Accountable Officer

22 August 2013



Peter Gould

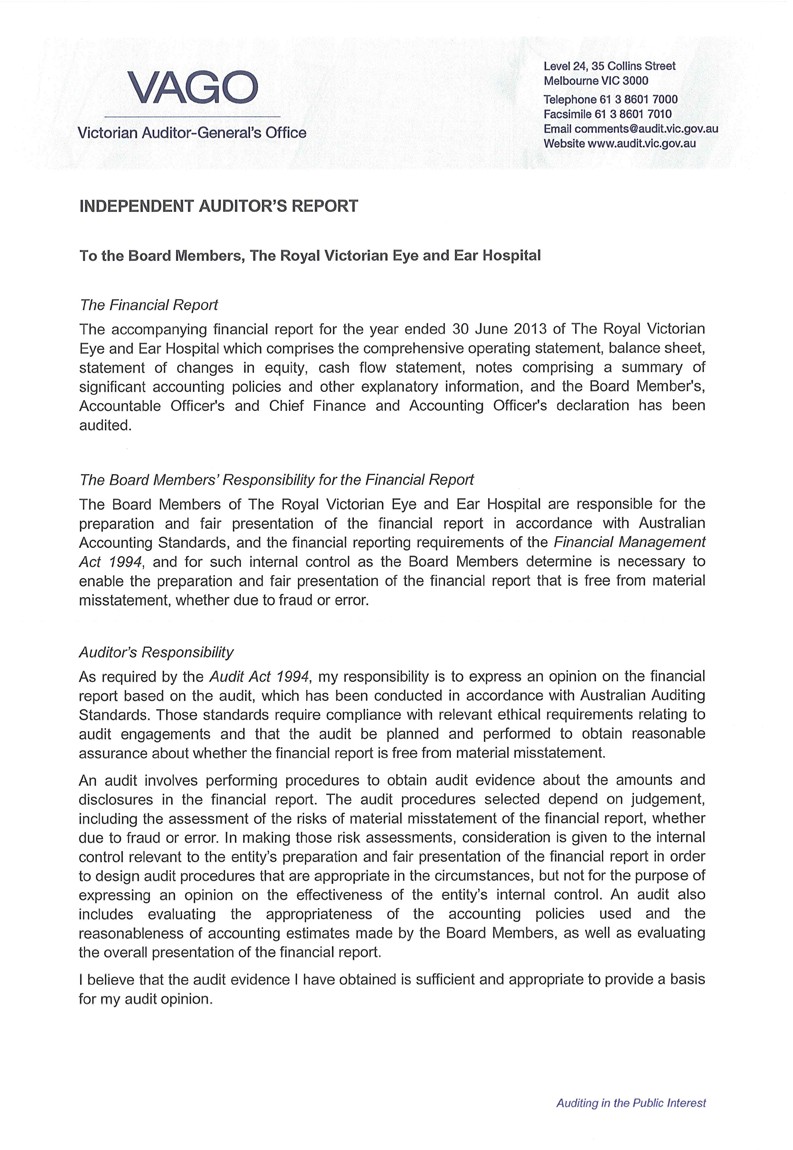
Chief Finance and Accounting Officer

22 August 2013

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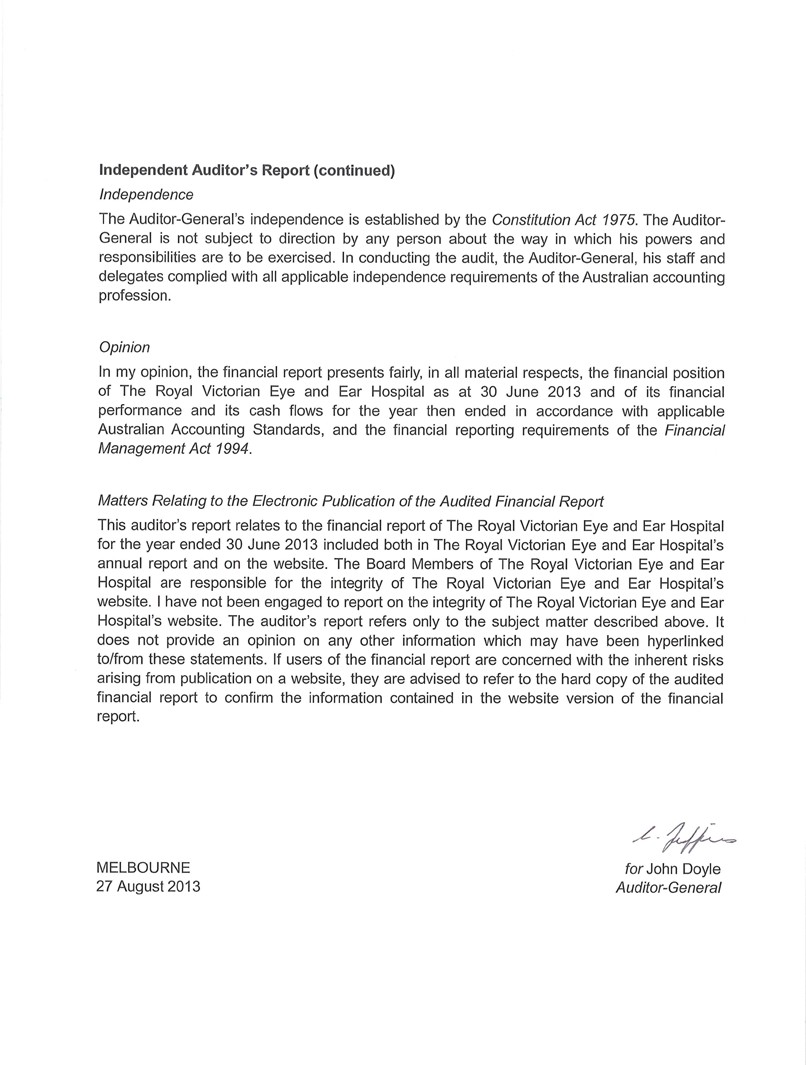
2012–13



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2012–13

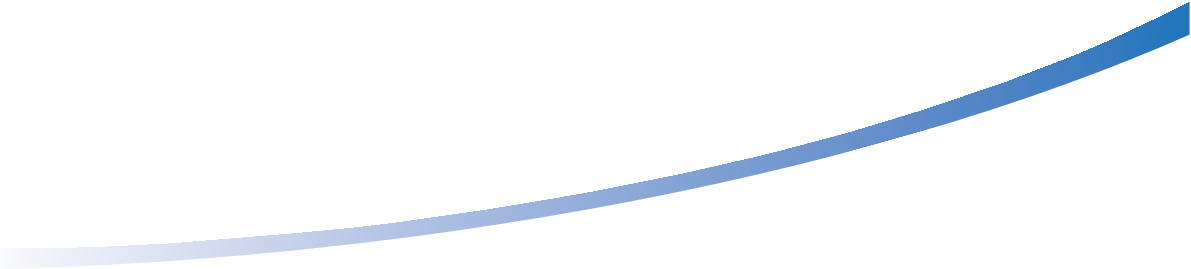
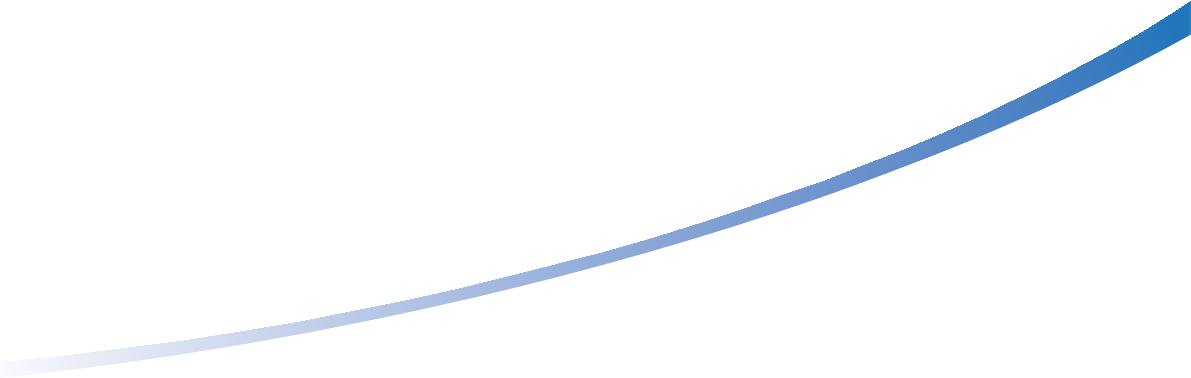
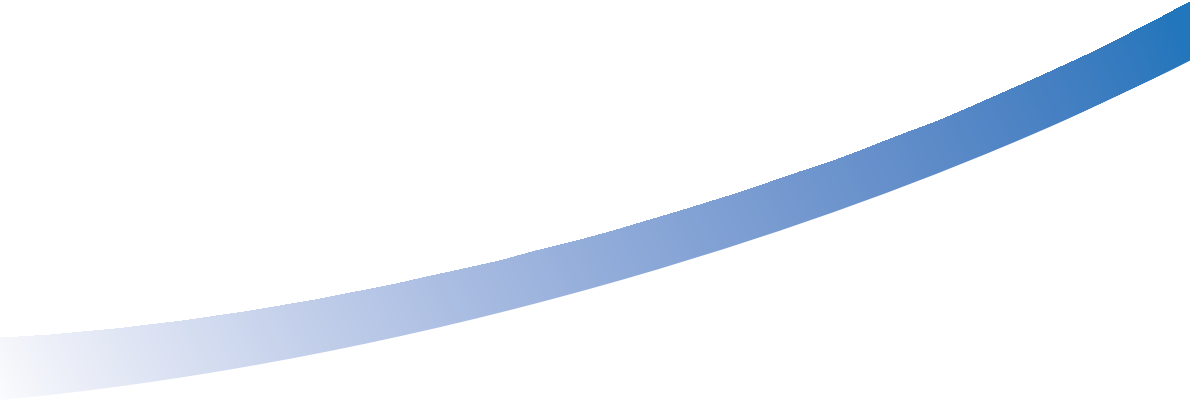


**The Royal Victorian Eye and Ear Hospital**

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2012–2013



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W [www.eyeandear.org.au](http://www.eyeandear.org.au/)

**The Royal Victorian Eye and Ear Hospital is affiliated with:**

Bionic Vision Australia

Lions Eye Donations Service Melbourne

The Bionics Institute

The Centre for Eye Research Australia

The HEARing CRC

The University of Melbourne

**The Royal Victorian Eye and Ear Hospital is a member of:**

**The World Association of Eye Hospitals**

Members: Tun Hussein On National Eye Hospital, Kuala Lumpur, Malaysia; The Department of Ophthalmology of the University Hospital Leuven, Belgium; Singapore National Eye Centre, Singapore; Moorfields Eye

Hospital, London, UK; The Royal Victorian Eye and Ear Hospital, Melbourne, Australia; Rutnin Eye Hospital, Bangkok, Thailand; St Erik Eye Hospital, Stockholm, Sweden; The Rotterdam Eye Hospital, The Netherlands; The Royal Victoria Eye and Ear Hospital, Dublin, Ireland; Jakarta Eye Center, Jakarta, Indonesia; Tianjin Medical University Eye Centre, China; Sydney Eye Hospital, Australia; Kim’s Eye Hospital, Seoul, South Korea;

Aditya Jyot Eye Hospital, Maharashtra, India.

**The American Association of Eye and Ear Centers of Excellence**

Members: Bascom Palmer Eye Institute, Florida, USA; Emory Eye Centre, Georgia, USA; Massachusetts Eye and Ear Infirmary, Massachusetts, USA; Moorfields Eye Hospital, London, UK; New York Eye and Ear Infirmary, New York, USA; Phillips Eye Institute, Minnesota, USA; Rotterdam Eye Hospital, The Netherlands; The Royal Victorian Eye and Ear Hospital, Melbourne, Australia; Rutnin Eye Hospital, Bangkok, Thailand; Show Chwan Health Care System, Taiwan; Singapore National Eye Centre, Singapore; St. Erik’s Eye Hospital, Stockholm, Sweden; Wills Eye Hospital, Pennsylvania, USA; Wilmer Eye Institute, Maryland, USA.