Annual Report

2017–18

the royal victorian eye and ear hospital

Contents

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Vision, Mission and Values

The Royal Victorian Eye and Ear Hospital (the Eye and Ear) is Australia's leading provider of eye and ear health care. In 2017–18, the Eye and Ear cared for approximately 220,000 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 by:

- Excelling in specialist services
- Integrating teaching and research with clinical services
- Leading workforce capability
- Partnering with consumers and communities
- 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

The Eye and Ear is the largest provider of specialist eye, ear, nose and throat care services in Victoria. Our clinical services are delivered in partnership with patients, carers, the community and other health care providers across all metropolitan, regional and rural areas.

We continued to experience high demand on our services, with the hospital caring for 159,913 outpatients, 16,940 inpatients and 42,527 emergency patients.

It was a rewarding year at The Royal Victorian Eye and Ear Hospital as we were able to deliver high quality services in the midst of a major redevelopment.

Large Health Service of the Year Award

We were delighted to be named the Premier's Large Health Service of the Year at the Victorian Public Health Awards late last year. This achievement underlines the dedication of our staff and our commitment to continued improvement in patient care. The Minister for Health, The Hon. Jill Hennessy, presented the award, judged by independent experts from across the health sector, which recognised excellence, dedication and innovation in public healthcare.

Accreditation success

In October 2017, surveyors visited the Eye and Ear as part of the accreditation process. Preparation for accreditation took a whole of hospital approach; there was a great deal of involvement from staff across all areas of the hospital and many activities throughout the year focussed on quality and safety, including a focus on quality and safety as part of a Community Board Meeting.

The Eye and Ear passed all 252 criteria of the National Safety and Quality Health Service Standards with 9 met with merits in National Standard 1 (governance) and National Standard 2 (partnering with consumers). The surveyors noted our positive culture of collaboration, focus on excellence in patient care, engagement, hospitality, and positivity and commented that they were made to feel welcome by everyone they met. Most of all they believed we upheld our values of Integrity, Care, Excellence and Teamwork and demonstrated passion and pride.

Geelong Cochlear Care Centre opens

An example of improving access, last year, was the opening of the first regional Cochlear Care Centre in Geelong in February. This provided patients in Western Victoria the opportunity to have their cochlear implants serviced without the need to travel to Melbourne. The centre, a partnership between The Royal Victorian Eye and Ear Hospital and Cochlear Ltd, was officially opened by Minister for Health, The Hon. Jill Hennessy, in February.

Technological advances

At the beginning of 2018, the Eye and Ear introduced a virtual reality based simulation training program for ophthalmology trainees to learn highly specialised micro surgery skills in a safe and controlled environment. Studies have shown that patient outcomes are improved when trainees undertake virtual reality training.

Virtual reality simulation training will be used alongside traditional training methods within the wet and dry labs to increase the breadth of surgical training for young ophthalmologists. This will enable surgeons to further enhance their skills and confidence in procedures that they can then apply when treating patients. We are very appreciative of the philanthropic support that enabled us to purchase the two eye simulators.

The Eye and Ear also began working with Northeast Health Wangaratta to run three telemedicine pilot patient groups. This project was designed to manage patients' care within their own communities. The pilot helped us to identify the most appropriate type of patients for this service: those requiring post-operative reviews and progress checks. The service worked particularly well in our Balance and Disorders Clinic, as it prevented the need for patients to travel into Melbourne for review appointments.

The eyeConnect program – a telehealth service now installed in 15 regional emergency centres around Victoria – provided a valuable community-based care model by treating appropriate patients in their local community. In the past year this innovation saw more than 65% of patients presenting to regional and rural emergency centres being treated locally, saving these patients more than 37,000 kilometres of unnecessary travel to and from the Eye and Ear.

Education and staff development

The hospital hosted its first Advanced ENT Emergency workshop and its third Advanced Eye Emergency workshop in March 2018. These practical sessions were attended by doctors from all over Australia, where they made use of small group instruction and demonstration by Consultant Otolaryngologists, Ophthalmologists and Registrars. The workshops are accredited by the Australasian College for Emergency Medicine (ACEM) for Continuing Professional Development and is supported by the Collier Foundation.

The workshops were a great success. Our specialists and registrars up skilled emergency doctors in the use of the slit lamp as well as eyelid eversion, corneal examination, retinal examination and testing for relative afferent pupillary defect, Ear, Nose and Throat examination, foreign body removal, and epistaxis management.

We also continued our GP education sessions as part of the GP liaison program. These sessions were always well attended with GPs from across Victoria and we receive outstanding feedback. The presenters were hospital clinicians who generously donated their time and expertise.

Redevelopment

Steady progress was maintained on our redevelopment project over the course of the year. Highlights from the year included demolition of the former infill buildings and the early fit out of some of the floors under construction in the existing wings. There was a great deal of work done by staff across the hospital to develop models for improved ways of working and ensuring that the design and specification of new equipment complemented the new models.

We took the opportunity to improve the Specialist Clinics area at our temporary home at Eye and Ear on the Park. We commenced repainting waiting rooms, corridors, we relocated the pre-admissions area to provide more space and we replaced sections of carpet in key areas.

Staff Excellence award winners

The Eye and Ear Excellence Awards celebrate those individuals and specialist groups who have contributed to achieving organisational excellence. The five award categories acknowledge creative and original thinking that results in positive outcomes for our patients, an improved working environment or improved hospital systems.

Recipients of the 2018 Excellence Awards were:

- Board Chair's Medal – **Jim Gonis**, Security
- Dr J Aubrey Bowen Medal – **Ms Anne Cass**, Head of Head and Neck Clinic
- Nursing Excellence – **Deb Digman and Ivy Tamparong**, Associate Nurse Managers (ANUMs), Emergency Department
- Allied Health Excellence – **Hamish McCracken**, Pharmacist
- Administrative/Clerical/Support Services Excellence – **Clinical Improvement Team**

Staff celebrating 10, 15, 20, 25, 30, 35 or 40 years of service with the Eye and Ear were also congratulated and presented with certificates on the night. The staff included Anne Chow, Angela Wai Ng, Susan Royston and Trevor Williams for their 40 years' service at the hospital and Dr Peter Ashton, Dr Richard Stawell, Julie Tyers and Dr Faye Walker for the 35 years that they have worked at the Eye and Ear.

Two of our staff were also awarded in the Queen's Birthday Honours:

- **Professor Robyn Guymer**, AM, was awarded a Member of the Order of Australia (AM) in recognition of her services to medicine in the field of ophthalmology, particularly age related macular degeneration as a clinician, academic and researcher.
- **Julie Tyers**, OAM, was awarded an Order of Australia Medal (OAM) for her service to nursing, and to international eye-health programs, with particular reference to the Eyes for Africa program.

Acknowledgements

The Board Chair and CEO would like to thank all staff, volunteers, clinicians and Board Directors for their continued dedication and passion throughout the year. This commitment ensures that we will continue to provide world class care to our patients and the broader Victorian community.

We extended our special thanks to outgoing Board Directors Sandra Mercer Moore, AM, Andrew Porter and Malcolm Brown and welcomed Simon Brewin and Bruce Ryan to the Board.

Thank you

The Eye and Ear is most grateful for the generosity of its supporters. Financial support from our loyal donors and philanthropic Trusts and Foundations help the hospital continue its work in improving quality of life through caring for the senses.

We are also sincerely grateful to our volunteers and community advisory members who offer their time to help others and make the patient experience a more positive and memorable one.

In accordance with the *Financial Management Act 1994*, we are pleased to present the Report of Operations for The Royal Victorian Eye and Ear Hospital for the year ending 30 June 2018.

Sherene Devanesen
Chair, Board of Directors

Mark Petty
Chief Executive Officer

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 Royal Victorian Eye and Ear Hospital and is responsible for its financial performance, strategic directions, the quality of its health care services 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.

Dr Sherene Devanesen MBBS; DIP(OBS)RACOG; FRACMA; FACHSM; FAIM; FHKCCM; GAICD

Appointed 14 April 2015
Chair Board of Directors
Member Finance Committee, Remuneration Committee

Dr Devanesen is the Chief Executive Officer of Yooralla. Before joining Yooralla in January 2014, Dr Devanesen was Chief Executive Officer of Peninsula Health. With over 30 years' experience in the management of health services and medical administration, her experience has provided her with a strong reputation in consumer consultation and engagement and in achieving quality outcomes for human and community services. Dr Devanesen is a Fellow of the Royal Australasian College of Medical Administrators, a Fellow of the Australasian College of Health Service Management, a Fellow of the Australian Institute of Management, a Fellow of the Hong Kong College of Community Medicine and a Graduate of the Australian Institute of Company Directors.

Mr David Anderson BCOM, MCOM (FINANCE), GAICD

Appointed 26 April 2016
Chair Finance Committee
Member Audit Committee, Remuneration Committee

Mr Anderson brings a wealth of experience in finance and audit. He has held senior finance positions within the Victorian Government over the past 20 years and has been Executive Director of Finance at Peninsula Health since 2002. He has a demonstrated commitment to the wider community and roles include being a current Fellow and Board member of Healthcare Financial Management Association (HFMA) and previously Treasurer of the State-wide Autistic Society (Vic).

Mr Simon Brewin MBL, GDHSM, BBUS, MAICD, FELLOW - AUSTRALASIAN COLLEGE OF HEALTH SERVICE MANAGEMENT

Appointed 1 July 2017
Chair Audit Committee,
Member Quality Committee, Remuneration Committee

For over 35 years, Mr Brewin has held senior management roles within the Victorian public health sector with Executive Director appointments at Peninsula Health, Monash Health and Alfred Health. Recent experience has been in the oversight of large scale infrastructure, building projects and facilities management. He has worked with the Victorian Department of Health and Human Services within the Infrastructure, Planning and Delivery Branch in an executive role overseeing the planning and delivery of the government's funded capital programs across public health agencies. Mr Brewin is a Fellow and past state branch president of the Australasian College of Health Service Management, a Graduate of the Australian Institute of Company Directors, is a past Board Director of Health Purchasing Victoria and is the Deputy Chair of Uniting AgeWell.

Associate Professor Deborah Colville MBBS, FRANZCO, FRACS GRAD DIP EPI, MPH CERT ED & TRAINING, PHD, DIP MANAGEMENT, MAICD

Appointed 1 July 2016
Member Quality Committee

Associate Professor Colville brings a wealth of clinical experience to the Board, as a practicing ophthalmologist and medical educator. She has published over 40 scientific papers, conducts research at the University of Melbourne's Northern and Royal Melbourne Hospitals, undertakes regular sessional work as an ophthalmologist at a number of hospitals, holds a current academic position at Monash University, has held a number of elected positions at the Royal Australasian College of Surgeons and is currently on the RACS Women in Surgery Section and RANZCO Women in Ophthalmology Executives. She takes a keen interest in the promotion of women in medicine, including networking internationally.

Mr Roger Greenman AM

Appointed 1 July 2009, reappointed 30 June 2012, 1 July 2015
Chair Quality Committee
Member Finance Committee, Remuneration Committee

Mr Greenman is the 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. Since March 2015, Mr Greenman has been Chair of the Snowdome Foundation.

Ms Linda Hornsey GRAD. DIP AB, GAICD

Appointed 2 August 2016
Chair Community Advisory Committee
Member Primary Care and Population Health Advisory Committee

Ms Hornsey is a past General Manager for Organisational Transformation at Vision Australia, a provider of services for people who are blind or have low vision. Previously, she was Secretary of the Department of Premier and Cabinet in Tasmania for nine years, has worked as a journalist and political adviser and has many years' experience in public administration. Ms Hornsey has experience as a director of a number of statutory boards, including Western Health. She is also a member of the Parenting Research Centre Board and its Governance Committee.

Ms Llewellyn Prain BA(HONS), LLB(HONS), GAICD

Appointed 1 July 2015
Chair Primary Care and Population Health Advisory Committee
Member Audit Committee, Community Advisory Committee, Chair Primary Care and Population Health Advisory Committee, Member Audit Committee, Community Advisory Committee

Ms Prain is an experienced company director. She currently serves on boards in the water, health and alternative dispute resolution industries. She has worked as a commercial litigation lawyer and has helped develop and communicate public policy throughout her career. Ms Prain is a graduate of the Williamson Community Leadership Program. She has a vision impairment and brings a strong consumer focus to the Board.

Mr Bruce Ryan BSC (MAJ. COMPUTER SCIENCE AND STATISTICS)

Appointed 1 July 2017
Member Audit Committee, Finance Committee

Mr Ryan has extensive Information and Communications Technology (ICT) management expertise within the Victorian Public Health Sector and within other Victorian Government and commercial settings. He has worked with the Department of Health and Human Services to assist with delivery of large scale ICT enabled projects, and worked closely with Eastern Health during the redevelopment of the Box Hill Hospital, and commissioning of an advanced Electronic Medical Record there. Bruce is a former patient of The Royal Victorian Eye and Ear Hospital, and has a strong interest in the consumer experience within the Victorian health system.

Board Committees

Audit Committee

The Audit Committee membership comprises the following non-executive directors: Mr Simon Brewin (Chair), Mr David Anderson, Ms Llewellyn Prain and Mr Bruce Ryan.

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

Finance Committee

The Finance Committee membership comprises the following non-executive directors: Mr David Anderson (Chair), Dr Sherene Devanesen, Mr Roger Greenman AM and Mr Bruce Ryan. Advisor: Mr Grant Cashin.

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 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.

Quality Committee

The Quality Committee membership comprises the following non-executive directors: Mr Roger Greenman AM (Chair), Mr Simon Brewin and Associate Professor Deborah Colville. Consumer member: Mr Jonathan Mortimer.

The Quality Committee meets quarterly and provides leadership and strategic direction on issues regarding the quality of services at the Eye and Ear. 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 Account Report which highlights patient and family-centred care service improvements. All the Quality Committee members are independent of management.

Remuneration Committee

The Remuneration Committee membership comprises the following non-executive directors: Dr Sherene Devanesen (Chair), Mr David Anderson, Mr Simon Brewin and Mr Roger Greenman AM.

The Remuneration Committee meets at least annually and makes assessments and 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. All the Remuneration Committee members are independent of management.

Community Advisory Committee

The Community Advisory Committee membership includes the following non-executive directors: Ms Linda Hornsey (Chair) and Ms Llewellyn Prain.

The membership also comprises at least eight members nominated by the Committee Chair and approved by the Board to represent the views of the communities served by the Eye and Ear. The Community Advisory Committee advises the Board on consumer and community participation in the development and delivery of services. The committee meets bi-monthly. All the Community Advisory Committee members are independent of management.

Primary Care and Population Health Advisory Committee

The Primary Care and Population Health Advisory Committee membership includes the following non-executive directors: Ms Llewellyn Prain (Chair) and Ms Linda Hornsey.

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 is currently focused on the Eye and Ear's Aboriginal health strategy and closing the gap. The committee meets at least twice a year. All the Primary Care and Population Health Advisory Committee members are independent of management.

Executive Management

Chief Executive Officer (CEO)

Mark Petty MHA, GDIP COMP SCI, BAPP SCI ADV NSG, RN, FAICD

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 and Human Services.

Executive Director Medical Services and Chief Medical Officer

Dr Caroline Clarke MD, FRACP, MRCP, FRACMA

The Executive Director, Medical Services and Chief Medical Officer (CMO) has executive responsibility for the medical workforce, medical training and education, and the research strategy of the hospital. In addition, the CMO is responsible for the leadership of clinical governance and improvement initiatives, including those related to the redevelopment. The role is also responsible for providing leadership and direction to the introduction of the Electronic Medical Record, and for management of Health Information Services.

Clinical Director Ophthalmology Services

Dr Mark McCombe MBBS, FRANZCO

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 Chief Operating Officer and Chief Nursing Officer

Ms Jenni Bliss GENERAL NURSING, GRAD DIPGRAD DIP, ADVANCED CLINICAL PRACTICE PAEDIATRICS AND PROFESSIONAL CERTIFICATE IN HEALTH SYSTEMS, ACHS EXECUTIVE LEADERSHIP PROGRAM.

The Chief Operating Officer is responsible for overseeing all clinical operations for the organisation including surgical and inpatient services, the Emergency Department, and Specialist Clinics. It includes the management of pharmacy services, the Cochlear Implant program and the emergency management for both sites. As Chief Nursing Officer, the role has professional responsibility and leadership for all nursing staff, the clinical competence framework and nurse education.

Clinical Director ENT Services

Mr 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 Redevelopment, Planning and Infrastructure

Mr Ian Leong BACH BLDG (QS) (HONS), GRAD DIP COMP SC, MBA

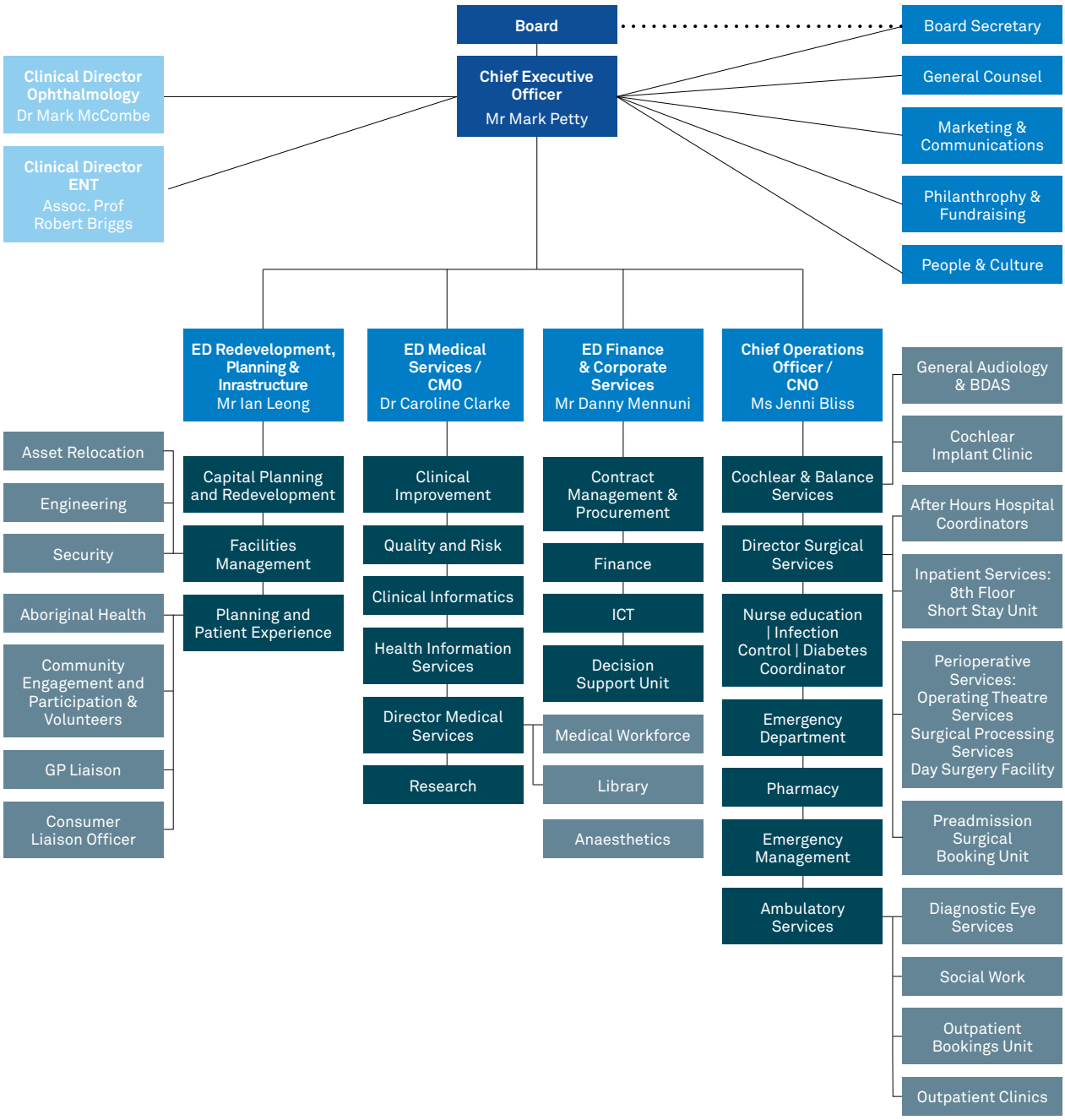
The Executive Director Redevelopment, Planning and Infrastructure has overarching responsibility for capital redevelopment of the Eye and Ear, Business and Strategic Planning incorporating future health service delivery strategy, facility maintenance and security services. The role has overview of the Eye and Ear on the Park site/services, oversight of the five year redevelopment program including the model of care and physical works associated with the redevelopment and service planning.

Executive Director Finance & Corporate Services

Mr Danny Mennuni B.BUS, CPA

The Executive Director Finance and Corporate Services is the Chief Financial Officer and is responsible for providing leadership in financial management, reporting and controls. The position is also responsible for leading and managing efficient and effective information technology, decision support, contracts and procurement services.

Organisational Chart



Donors and Supporters

The Eye and Ear is appreciative of the continued support of our donors, ambassadors and volunteers. The financial donations and funding we receive enables us to improve our services to patients through the purchase of state-of-the-art equipment, new treatment options and continued research into new diagnostic techniques and treatments.

We also gratefully acknowledge our supporters who have expressed their intent to leave a bequest to the Eye and Ear. This helps us continue to improve care and treatment for those living with vision and hearing loss in the future.

Patron

Mr Anthony Howard QC
(11 August 2015 - present)

Peter Howson Deafness Fellowship 2018-2019

A joint venture between the Eye and Ear and the Deafness Foundation funds a two year Fellowship in the field of hearing science.

Dr Caitlin Barr (BSc, MClinAud, PhD) was appointed as the fourth Peter Howson Deafness Fellow to conduct the research project titled '*Who is talking, who is listening, and who is hearing? Optimising hearing help-seeking pathways starting in General Practitioner's office*'

Our Major Donors, Bequestors, Corporate and Community Supporters

Trusts and Foundations
Collier Charitable Fund
Annie Danks Trust
Eldon and Anne Foote Trust
Lions Club of Speed
Lord Mayor's Charitable Foundation
The Louis & Lesley Nelken Trust Fund
The RACV Community Partnerships Program
John T Reid Charitable Trusts
RE Ross Trust
Joe White Bequest

Trusts and Foundations managed by Perpetual
H & L Hecht Trust
Patricia Madigan Charitable Trust
The J and R McGauran Trust Fund
The Lionel and Yvonne Spencer Charitable Trust

Bequests
Estate of Ernest Finlay Burns
Estate of Barbara Joan Coleman
The Penelope Foster Foundation
Estate of Thaddeus Gostkowski
Estate of Marjorie Hudson
Estate of Friedrich Huschka
Estate of Nancy Jury
Estate of Tatiana Madatow

Estates
The Orloff Family Charitable Trust
The Elizabeth & Alexander Reddan Memorial Foundation
The Harry Yoffa Charitable Bequest

Estates managed by Perpetual
The John and Thirza Daley Charitable Trust
Estate of Alfred H W Dehnert
The William and Mary Levers & Sons Maintenance Fund
The Joseph & Kate Levi Charitable Trust
Estate of Martha Miranda Livingstone
The Rudolph Hally & Pia Martin Memorial Trust

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Estate of Heather Sybil Smith
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Eliza Wallis Charitable Trust
Ernest and Letitia Wears Memorial Trust
Estate of John F Wright

Estates managed by State Trustees
Estate of Bruce L Powell
Estate of Jessie Ross

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Mr Douglas McLean
Mr Keith & Mrs Jeanne McRae
Mrs Dorothy Morrissey
Mrs Nirmala Pandey
Mr John Haydn Phillips
Mr Mark John Porter
Mr Greg Shalit & Ms Miriam Faine
Mrs Maria Sibio
Mr Harry Soultanidis
Mrs Marjorie Todd
Dr Robert Webb
Mr Andrew Whitehead
Four anonymous donors

Community Supporters
Ballarat Combined Charities Card Shop
Frankston Friends
Mitcham Uniting Church
Monash Waverley Community Information and Support Centre
Ritchies
Uniting Church in Australia
Zouki Catering

Volunteers

The hospital is home to a dedicated and growing group of volunteers who assist in a range of roles, offer a welcoming smile and a bit of extra help to reassure patients in need. With our hospital undergoing a redevelopment and opening our new temporary site (Eye and Ear on the Park), the volunteer role is even more vital and appreciated by patients and visitors. This year, we welcomed an additional 17 volunteers to the Eye and Ear team.

In the past year, our volunteers have given close to 10,000 hours of their time and provided direct assistance to over 50,000 patients. The Concierge volunteers, at both the main hospital and at Eye and Ear on the Park, provide an important personal touch to our patients' experience as they help patients and their carers through their journey from arrival at our front door to arranging a taxi ride home. Volunteers also help with administrative tasks, support patients in our Outpatient Clinics, and have been instrumental in making the transition to our new Emergency Department a smooth one for patients and visitors. From 2018, we have also piloted volunteer support in our Day Surgery Department. While at the hospital our friendly volunteers also assist patients to complete Patient Experience Surveys helping us to continue improving our services.

We would like to take the opportunity to thank our Auxiliary members who are often one of the first people in the hospital in the morning and continue to raise vital funds both within the hospital and the wider community. We also thank the long standing support from our Frankston Friend Auxiliaries and were saddened by the loss of three of our members last year.

We sincerely thank all our volunteers for their hard work and continued commitment.

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 Jill Hennessy MP.

Powers and duties

The power and duties of The Royal Victorian Eye and Ear Hospital are prescribed by the *Health Services Act 1988*.

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 two central locations in East Melbourne to ensure ease of access to eye and ear specialists. Services are provided in outpatient and community settings.

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 60 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 2017–18 we cared for around 220,000 patients throughout Victoria:

- 159,913 outpatients
- 16,940 inpatients
- 42,527 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 Technologies and The HEARing CRC.

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. The Partnering with Consumers and Community Plan incorporates the Disability Action Plan (DAP) and includes a governance model to ensure organisational wide engagement in the key deliverables and objectives of the plan.

The DAP reflects the strategic priorities of the Eye and Ear, whilst meeting the requirements of the *Federal Disability Discrimination Act 2006*. Major DAP achievements implemented in 2017-18 include the language line project, engaging consumers to inform improvements to our signage, and input into strategic and operational planning processes.

Privacy

Privacy is an important part of the culture at the Eye and Ear. Since the *Health Records Act 2001* became legally binding in 2002, the hospital has aimed to ensure all staff are aware of the Act and its implications in the workplace. The hospital also aims to ensure compliance with the *Privacy and Data Protection Act 2014*.

The Eye and Ear's Privacy Officer is the Executive Director Medical Services/Chief Medical Officer.

Protected Disclosure Act 2012 (Vic)

The Eye and Ear has policies in place that includes the mandatory notification requirements of suspected corruption under the Directions made pursuant to section 57A of the *Independent Broad-based Anti-corruption Commission Act 2011* and the requirements under the *Protected Disclosure (IBAC) Act 2012*. This includes the obligation to report to IBAC any suspected corrupt conduct occurring at the Eye and Ear and suspected corrupt conduct occurring in other organisations connected with the Eye and Ear. Under the *Protected Disclosures Act 2012 (Vic)* (the Act), complaints about certain serious misconduct or corruption involving a public health service in Victoria should be made directly to IBAC in order to remain protected under the Act. The Eye and Ear encourages individuals to make any disclosures which are protected disclosures within the meaning of the Act to IBAC. The hospital also has a range of procedures in place to protect persons making disclosures and to ensure, where possible, no detrimental action is taken against anyone who makes or is involved in the investigation of a protected disclosure, including an

overarching procedure available through the hospital's website. The hospital is not an entity that can receive protected disclosures under the Act.

Carers Recognition Act 2012

The *Carers Recognition Act 2012* recognises, promotes and values the role of carers. The Eye and Ear understands the different needs of carers and the value they provide to the community. In our commitment to a model of patient and family-centred care, we recognise and involve carers in the development, delivery and evaluation of our services.

Freedom of Information

The Victorian *Freedom of Information (FOI) Act 1982* provides members of the public with the right to apply,in writing, 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.

The cost to make a FOI request in the 17-18 financial year was as follows:

Application fee	$28.40
Search and retrieval fee	$5.00
Photocopying/printing (black & white)	20¢ per page
Photographs	$5.00 per photo
Supervised viewing	$27.00 per ¼ hour ($85.20 max.)

Freedom of Information Applications 2017–18		Requestors	No. of requests
Total requests	169	General public	38
Fully granted	169	Lawyers & insurance companies	131
Completed	165	Total	169

Of the 169 applications, 38 were from the general public.

The requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee.

The FOI officer for the Eye and Ear is Dr Caroline Clarke.

The Safe Patient Care Act

The Royal Victorian Eye and Ear Hospital takes all practicable measures to ensure compliance with the *Safe Patient Care Act 2015*. The hospital has no matters to report in relation to its obligations under section 40 of the Act.

Workforce Data by Labour Category

Hospitals Labour Category	June 2017 Current Month FTE	June 2018 Current Month FTE	June 2017 YTD FTE	June 2018 YTD FTE
Nursing	162	166	156	162
Administration and Clerical	160	158	155	156
Medical Support	49	54	48	52
Hotel and Allied Services	16	17	15	16
Medical Officers	5	5	5	6
Hospital Medical Officers	54	56	52	58
Sessional Clinicians	43	37	42	39
Ancillary Staff (Allied Health)	42	38	39	40
Total	**531**	**531**	**512**	**529**

The FTE figures in the table above exclude overtime. These do not include contracted staff (for example agency staff or fee-for-service visiting medical officers) who are not regarded as employees for this purpose.

People and culture

The Strategic Workforce Plan 2017– 19 informs our actions to ensure we have a competent workforce equipped to meet the ever-increasing demand on our services. The plan aims to safeguard our future by identifying the needs of our future workforce and to pave the way to achieve this. The Eye and Ear promotes workplace behaviours that ensure we treat each other with respect and that we adopt fair and transparent processes based on the principles of natural justice and teamwork. We promote positive behaviours aligned with the Code of Conduct. The organisational values of integrity, teamwork, care and excellence are embedded in daily activities, decision making and the way we work together. We measure the uptake of our values as part of our Reward and Recognition Program and in our People Matter Survey.

Employee Culture and Engagement

The People Matter Survey results play an important role in reviewing and informing our people strategies. The 2017 survey results showed an increase in employee engagement compared with the previous year and a continued high level of employee satisfaction. Overall, the results were very positive. We benchmarked better than comparable hospitals in all areas and scored significantly higher in leading change, patient safety and (reducing) experience of bullying. Our highest scoring questions were: 'the work I do is important'; 'my organization provides high quality services' and; 'I have a clear understanding of my role.'

Merit and equity principles

The Eye and Ear is an equal opportunity employer and is committed to providing its employees a work environment which is free of harassment or discrimination together with an environment that promotes wellbeing. The Eye and Ear's employees are committed to our values and behaviours of the principles of employment and conduct. The Eye and Ear promotes diversity and disability. We recognise that individuals have certain unique traits and characteristics which set them apart from others in society. Valuing diversity allows the organisation to deliver and connect with a wide range of patients and it also engages employees by allowing them to bring different ideas, suggestions and solutions to the workplace. Embracing workplace diversity involves recognising the value of individual differences in people to positively embrace, harness and support these characteristics to achieve organisational and individual benefit.

Recruiting and onboarding staff

In 2017–18 the Eye and Ear workforce comprised over 900 staff. We recruited approximately 150 new staff, all of whom attended an orientation program. Our turnover rate was 8.0%, which is slightly lower than industry average.

The Eye and Ear appreciates that its employees are its most important asset and the quality of the first six months of an employee's tenure is critical to their integration into their role and the organisation. We continue to evaluate our orientation program to enhance the on boarding and induction experience.

Pre-employment safety screening

The organisation continues to apply thorough credentialing and pre-employment verification checks to ensure we sustain safety and quality of health care provision. Applicable clinical staff are required to hold and maintain current registration with the relevant National Board in conjunction with the Australian Health Practitioner Regulation Agency (AHPRA) or equivalent. All staff are required to maintain a satisfactory Criminal Record Check and clinical staff are required to hold a valid Working With Children Check.

Aboriginal Employment Plan

The Aboriginal Employment Plan is designed to provide practical steps to provide a culturally inclusive workplace for Aboriginal employees, increase Aboriginal cultural awareness of all staff and achieve increased Aboriginal workforce participation. The hospital is working towards setting strong foundations and developing greater cultural awareness amongst staff. We have partnered with other health services to implement an Aboriginal Cultural Awareness training plan over the coming year. Having recently employed our second Aboriginal Health Liaison Officer we are also ensuring attraction and retention strategies are in place to provide attractive and sustainable employment.

Employee recognition programs

Our staff continue to go above and beyond to achieve excellence. We aim to provide a platform for meaningful recognition that contributes to increased staff engagement and positive workplace behaviours.

Our Reward and Recognition Program is now in the second year of the revised format. The program was streamlined to provide one easily accessed nomination form that can be used all year round. Our new process to include positive patient feedback as nominations is working well with many staff being nominated for excellent patient-centred care.

The winners of our 2017 Excellence Awards and 40 years of service recipients are listed in our Chair and CEO Report on page 3. The following were the recipients of the Values Award in 2018:

- Ward 8 Nursing Staff
- Phill Ettle, Manager Clinical Informatics

Employee confidential counselling program

The Employee Assistance Program is a confidential external counselling service available to staff, their family and household members. The service provides wellness at work education and awareness programs and assists in addressing personal or work related issues that have an impact on wellbeing and quality of life. The service also offers managers support and post incident debriefing in the workplace.

Developing our workforce

We know that an increased level of clinical engagement and clinical leadership leads to safer, better patient outcomes and has a positive impact on organisational performance. The Eye and Ear Leadership Development Pathway includes a four tiered development pathway, providing opportunities for potential managers, experienced managers and current leaders to develop and enhance leadership and management capability.

Our *Leading With Impact* programs are mapped to our Leadership and Change Capabilities, participant needs and organisational imperatives. Our programs are designed to include formal learning time through interactive workshops but, also emphasise on the job transfer of skills to achieve their personal development goals and use the conversation and behavioural tools provided.

The second *Leading With Impact* cohort undertook their formal program in 2017 and have participated in continued development activities in 2018 including peer development support groups to assist with transferring their skills into their everyday work and building inter-professional partnerships. Twenty-nine experienced managers were also part of a workshop to enhance their coaching skills for proactive and reactive staff conversations.

Annual performance and development discussions were conducted and are recorded on our online ePerformance system. These critical discussions ensure performance feedback is provided and development goals for the next 12 months are created. This process also provides for the review of: individual clinical scope of practice; mandatory training compliance; expectations about quality and safety responsibilities and; upward feedback and feedback on quality and safety processes.

A centralised calendar of staff development opportunities continues to offer all staff professional development workshops in the areas of influencing and negotiating, resilience, and providing and receiving feedback.

Our in-house MyLearning portal continues to categorise training requirements by role, department and profession to ensure staff have access to maintain the knowledge and skills to perform their role safely.

Employee Relations

In 2017, the enterprise agreements for audiologists, pharmacists, maintenance and medical staff all expired. Negotiations resulted in replacement agreements with the adoption of common clauses including family violence leave and transition to retirement as well as a focus on fatigue management and workload management.

Building on the results of the 2017 People Matter Survey, People and Culture representatives undertook training to reinforce appropriate workplace behaviours, the definition of bullying and the expected standards of all employees within the organisation. To support this work the role of the Contact Officer was relaunched as Peer Support Officers and nominations were called for representatives throughout the organisation. Training was provided and ongoing education will be provided to employees of the support these people can provide for workplace concerns. There was zero time lost through industrial disputes.

Health and wellbeing initiatives

Wellbeing is a measure of a person's happiness, psychological, emotional and mental state. The Eye and Ear wellbeing strategy aims to enhance staff wellbeing for many reasons including: improving productivity, quality of work being undertaken, overall morale and the culture of the organisation.
We also recognise that employee wellbeing increases engagement and our ability to deliver high quality patient care. Our wellness@work program's priority areas are: mental health at work; physical activity; nutrition; quit smoking; safe alcohol use; and financial health. We continued to focus on education and awareness activities and held the following initiatives:

- Short mindfulness sessions held in local departments
- Workplace yoga classes
- Promotion of individual activity in Premier's Active April
- Tracking achievements in the State Government's Healthy Together Victoria Achievement Programs for Workplaces

Occupational Health and Safety (OHS)

To minimise risk and promote staff safety, the following programs, activities and key messages were provided:

- zero tolerance for inappropriate behaviour at work including bullying, harassment and occupational violence and aggression
- raising awareness of appropriate behaviours and encouraging staff to report concerns through online education and staff forums
- ensuring People and Culture staff are able to respond to complaints and are adequately skilled in conducting workplace investigations
- reporting incidents, hazards and near misses to enable the Eye and Ear to address individual issues and collect data from trend analysis and development of risk controls and
- the importance of appropriate consultation between staff, managers and People and Culture before implementing new work practices or equipment

In 2017-18, the Health, Safety and Environment Committee met regularly to discuss and address safety issues. Other committees with key roles in addressing safety include the Laser and Radiation Safety and Emergency Management Committees. Staff and safety representatives were involved in health and safety decisions through consultation and regular meetings.

The Eye and Ear is committed to providing a safe and healthy workplace for staff, contractors, volunteers, patients and visitors. To meet our commitment to provide a safe and healthy workplace through our Health, Safety and Environment Commitment Statement we strive to:

- Enable a positive OHS culture
- Provide effective OHS leadership
- Continuously improve OHS performance
- Ensure effective management processes for the identification, analysis, assessment, treatment and ongoing monitoring of OHS risks

The following table outlines the Eye and Ear's OHS performance:

Eye And Ear Staff	2015-16	2016-17	2017-18
Incidents/hazards per 100 full-time equivalent staff members	32	40	30
Lost time standard claims per 100 full-time equivalent staff members	0.76	0.96	0.76

Planned Safety Walks

During the course of the year Eye and Ear managers and health and safety representatives carried out proactive 'safety walks' of their designated work groups. All identified concerns or hazards were addressed and corrected in a timely manner using the hierarchy of control.

Our OHS training includes: bullying and harassment awareness and prevention training for all managers; occupational violence and aggression management for clinical and front line staff; manual handling 'train the trainer' training for Clinical, Allied Health and support staff, OHS education at orientation and local induction; laser and radiation safety for clinical and non-clinical staff working in clinical areas; and, emergency response training for emergency coordinators, after-hours coordinators and area wardens.

Workers Compensation

We operate in accordance with the *Victorian OHS Act 2004*, OHS Regulations 2017, the *Workplace Injury Rehabilitation and Compensation Act 2013* and other relevant legislation.

The total number of WorkCover claims lodged in 2017–18 was six, this included four standard 'time lost' claims and two 'medical expenses only' claims.

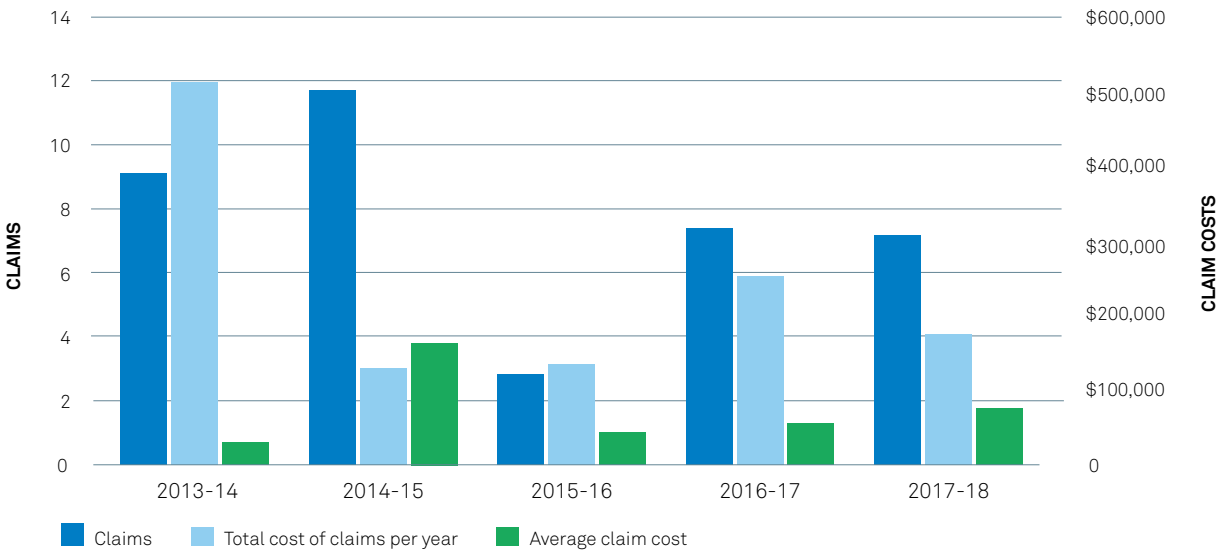
The figure below summarises workers' compensation claims lodged over the last four years and a comparison of total claims costs and average cost per claim.

Occupational Violence

Occupational violence is any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment. The Health, Safety and Environment Committee have oversight of occupational violence and aggression issues across the organisation and have developed a plan to address specific occupational violence needs and promote staff safety.

The Eye and Ear can report the following occupational violence statistics for 2017-18:

Occupational violence statistics	
Workcover accepted claims with an occupational violence per 100 FTE	0
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0
Number of occupational violence incidents reported	40
Number of occupational violence incidents reported per 100 FTE	7.7
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	12.5%



Building and maintenance compliance

During the financial year, it has been practice to obtain building permits for building projects and certificates of occupancy or certificates of final inspection for all completed projects. Registered building practitioners have been engaged for all building projects, new or major refurbishments. To ensure buildings are maintained in a safe and functional condition, ongoing maintenance programs are in place. There is a requirement under the *Building Act 1993* (Building Regulations 2006, rr. 1209, 1215) for the hospital to establish comprehensive management of the Essential Safety Measures (ESM). In 2018, The Royal Victorian Eye and Ear Hospital at 32 Gisborne St East Melbourne achieved 100% compliance with mandatory ESM inspections, testing, maintenance and documentation in relation to building safety. The hospital has established a comprehensive management of the Essential Safety Measures (ESM). All ESM are annually audited and identified on the Certificate of Occupancy issued by the building surveyor with each ESM maintained as per certified maintenance agreements at the specified time intervals. The ESM compliance certificates can be located on display at the main entrance of the hospital.

Car parking fees

The Eye and Ear complies with the DHHS hospital circular on car parking fees and details of car parking fees and concession benefits can be viewed at: www.eyeandear.org.au/page/News_and_Events/Latest_News/Car_parking_for_Eye_and_Ear_patients_and_visitors/

Information and Communication Technology (ICT) expenditure

The total ICT expenditure incurred during 2017-18 is $3,880,000(excluding GST) with the details shown below.

($Millions)

Business As Usual (BAU) ICT expenditure	(Total) (excluding GST)	**$3.30**
NonBusiness As Usual (nonBAU) ICT expenditure	(Total=Operational expenditure and Capital Expenditure) (excluding GST)	**$0.58**
	Operational expenditure (excluding GST)	**$0**
	Capital expenditure (excluding GST)	**$0.58**

Environmental achievements

During 2017-18, the hospital's redevelopment project has continued to present challenges, especially with the requirement to operate across two sites. During this redevelopment phase, consideration has been given to our energy and water consumption, as well as improving the management of waste and hazardous materials.

In the past year the Eye and Ear has:

- Worked with key partners on waste and recycling strategies across both facilities
- Worked with partners, such as universities and other health services to donate goods to the Marsh Foundation where goods and equipment were assessed as redundant and obsolete
- Promoted World Environmental Day to hospital staff

Health Purchasing Victoria Purchasing Policies

The Eye and Ear has attested to compliance with HPV Health Purchasing Policies for 2017-18. As part of HPV's three year rolling audit program, an independent audit confirmed compliance with these policies.

Victorian Industry Participation Policy Disclosure

The Eye and Ear complies with 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. No contracts commenced in 2017-18 for which compliance with this Act was necessary.

National Competition Policy

In accordance with the Competition Principles Agreement (CPA), Victoria is obliged to apply competitive neutrality policy and principles 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 to 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 with this policy in all relevant business activities.

Disclosure of Ex-Gratia Payments

The Eye and Ear made no ex-gratia payments for the year ending 30 June 2018.

Consultancies less than $10k

In 2017-18, the Eye and Ear engaged two consultants where the total fees payable to the consultant were less than $10,000, with a total expenditure of $5,682 (excluding GST).

Consultancies more than $10k:

In 2017-18, the Eye and Ear engaged no consultants where the total fees payable to the consultant was in excess of $10,000 (excluding GST).

Additional Information Available on Request (FRD 22H Appendix)

In compliance with the requirements of FRH 22H 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):

- Declarations of pecuniary interests have been duly completed by all relevant officers.
- Details of shares held by senior officers as nominee or held beneficially.
- Details of publications produced by the entity about itself, and how these can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by The Royal Victorian Eye and Ear Hospital.
- Details of any major external reviews carried out on The Royal Victorian Eye and Ear Hospital.
- Details of major research and development activities undertaken by The Royal Victorian Eye and Ear Hospital that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations.
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of The Royal Victorian Eye and Ear Hospital 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 Royal Victorian Eye and Ear Hospital and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations.
- A list of major committees sponsored by The Royal Victorian Eye and Ear Hospital, 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 Services Performing Reporting

Part A: Strategic Priorities

Goal	Strategies	Deliverables	Progress report
Better Health	Reduce State-wide Risks Build Healthy Neighbourhoods Help people to stay healthy Target health gaps	Work with DHHS to consider formation of a state-wide ophthalmology clinical network.	**In progress** • Continue to meet with Safer Care Victoria and DHHS to discuss possibility of establishing clinical network **Complete** • Hosted Neuro-ophthalmology meeting with other Health Service providers to build relationships and establish care pathway
		Expand capability of electronic medical record (including the roll out of Radiology/Pathology order entry) to support improved quality and safety of care.	**Complete** • Implemented Rad/Path ordering in ED • Implementing improved EMR clinical documentation processes **In progress** • Implementing integration project between Bossnet and Cerner.
		Build healthy neighbourhoods through finalising implementation and evaluation of a sustainable collaborative model of care for management of glaucoma patients with Australian College of Optometry and other key partners.	**Complete** • Sustainable model agreed and implemented.
		Aid early intervention by the establishment of Eye and Ear Knowledge Portal which can be accessed by internal and external target audiences including publication of five clinical practice guidelines.	**Complete** • Knowledge Portal enhanced with clinical practice guidelines and range of video and audio learning modules, diagnostic tools and educational presentations, shared with referrer networks and Emergency Departments in Australia and NZ.
		Target health gaps by building a sustainable process to identify Aboriginal Patients on specialist clinic and surgical pathway to reduce the health gap, including a 30% increase in the number of Cataract surgeries delivered to Aboriginal and Torres Strait Island people (baseline 25 patients in 2016-17).	**Complete** • Pathway developed and implemented to streamline access to outpatient and surgical cataract services. This has resulted in reduced waiting times with all patients being treated within 30 days. • There were 29 cataract surgeries to ATSI patient in 2017-18.
Better Access	Plan and invest Unlock innovation Provide easier access Ensure fair access	Invest in our future by progressing redevelopment project.	**Complete** • Demolition of infill building complete • Fit-out of Smorgon Family Wing Levels 1-4 underway • Strip out of Levels 1, 2 and 3 Peter Howson Wing complete.

Goal	Strategies	Deliverables	Progress report
Better Access cont.		Provide easier access by establishing outreach services for cochlear habilitation in the Barwon region.	**Complete** Cochlear Care Centre providing habilitation services opened in Barwon Region by Minister in Feb 2018.
		Improve the specialist clinics flow model to facilitate easier and equitable access and to meet SOP targets.	**In progress** Participating in the Specialist Clinics Access Improvement Partnership (SCAIP) with a focus on Ocular Motility, Glaucoma and Surgical Ophthalmology Clinic. Range of strategies being implemented in each clinic.
Better Care	Develop and implement a plan to educate staff about obligations to report patient safety concerns	• Implement action plan to ensure all staff are aware of obligations regards patient safety and risk reporting. • Provision of VHIMS and Open Disclosure education sessions quarterly to clinical leads. • Ensure reporting obligations are included in staff orientation and position descriptions.	**Complete** • Ongoing education activities to ensure staff are aware of patient safety and risk reporting. • VHIMS and Open Disclosure education sessions conducted. Reporting obligations incorporated in staff orientation and job descriptions.
	In partnership with consumers, identify 3 priority improvement areas using Victorian Healthcare Experience Survey data and establish an improvement plan for each. These should be reviewed every 6 months to reflect new areas for improvement in patient experience.	• Improve patient experience through implementation of "Hello my name is" program and evaluate success of program through use of VHES data regards number of staff introducing themselves to patients. • Implement "You said, We did" consumer feedback boards based on Patient Experience Tracker and VHES results in clinical wards and specialist clinics. • Strengthen the workforce by providing sensory experience training for thirty clinical staff to improve their ability to manage low vision and ageing clients.	**Complete** • "Hello my name is …" program implemented and evaluated. Increase in number of staff introducing themselves by 10%. • Consumer feedback Board implemented • Over one hundred staff sent for sensory experience training (Dialogue in the Dark). Staff training implemented using virtual reality devices to simulate a patient with dementia – approximately 100 staff have attended to date.
	Other	• Strengthen the workforce through alignment of occupational violence and aggression plan with DHHS framework. • Foster staff wellbeing by: promotion of staff education calendar; initiating early intervention injury management strategies; mental health in the workplace initiatives (beyondblue Manager training), physical activity (Premier's Active April and Yoga sessions), healthy eating (traffic light system in café) and financial wellbeing initiatives.	**Complete** • Occupational Violence (OV) training tailored and offered to staff. Standing agenda item on OHS Committee. OV framework reviewed and aligned. • Staff Education calendar established, robust early intervention program is implemented, beyondblue training completed and Active April, yoga and meditation activities implemented.

Part B: Performance Priorities

Key performance indicator	Target	Result
Safety and Quality		
Accreditation	Full compliance	Full compliance
Infection prevention and control		
Compliance with the Hand Hygiene Australia Program	80%	82%
Percentage of health care workers immunised for influenza	75%	76%
Patient experience		
Victorian Healthcare Experience Survey – data submission Victorian Healthcare	Full compliance	Achieved
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q1	95%	98%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q2	95%	95%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q3	95%	No result*
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care Q1	75%	87%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care Q2	75%	78.5%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care 3	75%	No result*
Victorian Healthcare Experience Survey – patients perception of cleanliness Q1	70%	78%
Victorian Healthcare Experience Survey – patients perception of cleanliness Q2	70%	57.5%
Victorian Healthcare Experience Survey – patients perception of cleanliness Q3	70%	No result*
Healthcare associated infections		
Rate of patients with SAB[1] per occupied bed day	← 1/10,000	Achieved
Adverse Events		
Number of sentinel events	0	0
Nil Mortality – number of deaths in low mortality DRGs[2]**	N/A	N/A
Governance and leadership		
People Matter Survey – percentage of staff with a positive response to safety culture questions	80%	93%
People matter survey – percentage of staff with a positive response to the question, "I am encouraged by my colleagues to report any patient safety concerns I may have"	80%	95%
People matter survey – percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area"	80%	95%
People Matter Survey – percentage of staff with a positive response to the question, "My suggestions about patient safety would be acted upon if I expressed them to my manager"	80%	96%
People Matter Survey – percentage of staff with a positive response to the question, "The culture in my work area makes it easy to learn from the errors of others"	80%	90%
People Matter Survey – percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation"	80%	95%
People Matter Survey – percentage of staff with a positive response to the question, "This health service does a good job of training new and existing staff"	80%	83%
People Matter Survey – percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised"	80%	92%

* No result was posted as not enough surveys had been returned for that quarter.
** This indicator was withdrawn during 2017-18 and is currently under review by the Victorian Agency for Health Information.

Key performance indicator	Target	Result
People Matter Survey – percentage of staff with a positive response to the question, "I would recommend a friend or relative to be treated as a patient here"	80%	95%
Access and timeliness		
Emergency care		
Percentage of ambulance patients transferred within 40 minutes	90%	98%
Percentage of Triage Category 1 emergency patients seen immediately	100%	100%
Access and timeliness cont.		
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended times	80%	75%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	78%
Number of patients with length of stay in the Emergency Department greater than 24 hours	0	0
Elective Surgery		
Percentage of Urgency Category 1 elective patients removed within 30 days	100%	100%
Percentage of Urgency Category 1, 2 and 3 elective patients admitted within clinically recommended timeframes	94%	92%
Percentage of patients on the ESWL that are overdue	5%	10%
Number of patients on the elective surgery waiting list	2650	2602
Number of hospital initiated postponements per 100 scheduled admissions	<8/100	2.6
Number of patients admitted from the elective surgery waiting list – annual total	12,549	13,193
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	87%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	84%

Financial Sustainability

Key performance indicator	Target	Result
Operating Result ($M)	0.000	0.272
Average Number of Days to Paying Trade Creditors	60 days	49 days
Average Number of Days to Receiving Patient Fee Debtors	60 days	30 days
Public and Private WIES Activity Performance to Target	100%	101%
Adjusted Current Asset Ratio	0.7	3.9
Number of Days of Available Cash	14 days	68 days

Part C: Activity and Funding

Funding type	Activity Achievement
Acute Admitted	
WIES DVA	55
WIES Private	2713
WIES Public	8975
WIES TAC	4
Health Workforce	8

Summary of Financial Result

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Operating Revenue	108,521	101,535	94,509	91,933	86,537
Operating Expense	(108,249)	(101,405)	(94,177)	(91,130)	(86,412)
Operating Result	**272**	**130**	**332**	**803**	**125**
Total Revenue	157,155	131,558	120,679	122,986	101,389
Total Expense	(122,238)	(113,380)	(104,398)	(99,892)	(94,172)
Other Operating Flows Included in the Net Result	1,531	474	(246)	(746)	(53)
Net Result for the Year	**36,448**	**18,652**	**16,035**	**22,348**	**7,164**
Total Assets	332,022	285,370	251,205	229,302	197,001
Total Liabilities	(34,050)	(25,612)	(21,576)	(20,209)	(21,082)
Net Assets	297,972	259,758	229,629	209,093	175,919
Total Equity	**297,972**	**259,758**	**229,629**	**209,093**	**175,919**

Significant Changes in Financial Position During 2017–18

There were no significant changes in the financial position during 2017-18.

Summary of Major Changes or Factors which have Affected the Achievement of Operational Objectives for the Year

There were no major changes or factors that affected the achievement of operational objectives for 2017-18.

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

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

Attestations

Data Integrity

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

Mark Petty
Accountable Officer
The Royal Victorian Eye and Ear Hospital
24 August 2018

Conflict of Interest

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

Mark Petty
Accountable Officer
The Royal Victorian Eye and Ear Hospital
24 August 2018

Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies

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

Mark Petty
Accountable Officer
The Royal Victorian Eye and Ear Hospital
24 August 2018

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 2018.

Mr Simon Brewin
Acting Chair, Board of Directors
24 August 2018

Financial Management Compliance Attestation

I Simon Brewin, on behalf of the Responsible Body, certify that The Royal Victorian Eye and Ear Hospital has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.

Mr Simon Brewin
Chair, Audit Committee
24 August 2018

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.

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Legislation	Requirement	Page reference
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Financial Statements

The Royal Victorian Eye and Ear Hospital
Comprehensive Operating Statement
For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue from Operating Activities	2.1	105,897	98,466
Revenue from Non-Operating Activities	2.1	2,624	3,069
Employee Expenses	3.1	(67,323)	(61,990)
Non Salary Labour Costs	3.1	(1,651)	(1,498)
Supplies and Consumables	3.1	(26,793)	(25,633)
Other Expenses	3.1	(12,482)	(12,284)
Net Result Before Capital and Specific Items		**272**	**130**
Capital Purpose Income	2.1	48,634	30,023
Assets Provided Free of Charge	3.1	(101)	(203)
Expenditure using Capital Purpose Income	3.1	(181)	(706)
Depreciation and Amortisation	4.3	(13,707)	(11,066)
Net Result After Capital and Specific Items		**34,917**	**18,178**
Other Economic Flows Included In Net Result			
Net Gain/(Loss) on Disposal of Non-Financial Assets	4.5	(179)	(17)
Specific Income	2.2	1,658	234
Movement in Provision for Doubtful Debts	3.1	(18)	(14)
Revaluation of Long Service Leave	3.1	70	271
Total Other Economic Flows Included In Net Result		**1,531**	**474**
Net Result For The Year		**36,448**	**18,652**
Other Comprehensive Income:			
Items that Will Not Be Reclassified to Net Result			
Changes in Property, Plant and Equipment Revaluation Surplus	8.1(a)	-	9,371
Items that May Be Reclassifed Subsequently to Net Result			
Changes to Financial Assets Available-for-Sale Revaluation Surplus	8.1(a)	1,766	2,106
Total Other Comprehensive Income		**1,766**	**11,477**
Comprehensive Result		**38,214**	**30,129**

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

The Royal Victorian Eye and Ear Hospital
Balance Sheet
As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current Assets			
Cash and Cash Equivalents	6.2	5,373	6,676
Receivables	5.1	4,166	2,227
Investments and Other Financial Assets	4.1	80,520	64,754
Inventories	5.2	269	397
Prepayments and Other Assets	5.4	929	836
Total Current Assets		**91,257**	**74,890**
Non-Current Assets			
Receivables	5.1	1,960	1,942
Property, Plant and Equipment	4.2	221,890	192,467
Intangible Assets	4.4	2,604	2,526
Investment Properties	4.6	14,311	13,545
Total Non-Current Assets		**240,765**	**210,480**
Total Assets		**332,022**	**285,370**
Current Liabilities			
Payables	5.5	6,238	7,594
Provisions	3.3	16,858	14,994
Other Current Liabilities	5.3	51	49
Total Current Liabilities		**23,147**	**22,637**
Non-Current Liabilities			
Provisions	3.3	3,115	2,975
Borrowings	6.1	7,788	-
Total Non-Current Liabilities		**10,903**	**2,975**
Total Liabilities		**34,050**	**25,612**
Net Assets		**297,972**	**259,758**
Equity			
Property, Plant and Equipment Revaluation Surplus	8.1(a)	89,773	89,773
Financial Asset Available-for-Sale Revaluation Surplus	8.1(a)	3,872	2,106
General Purpose Surplus	8.1(a)	182	3,678
Restricted Specific Purpose Surplus	8.1(a)	66,194	30,257
Contributed Capital	8.1(b)	51,568	51,568
Accumulated Surpluses/(Deficits)	8.1(c)	86,383	82,376
Total Equity		**297,972**	**259,758**

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

The Royal Victorian Eye and Ear Hospital
Statement of Changes in Equity
For the Year Ended 30 June 2018

	Note	Property, Plant and Equipment Revaluation Surplus $'000	Financial Asset Available-for-Sale Revaluation Surplus $'000	General Purpose Surplus $'000	Restricted Specific Purpose Surplus $'000	Contributed Capital $'000	Accumulated Surpluses/ (Deficits) $'000	Total $'000
Balance at 30 June 2016		**80,402**	**-**	**1,734**	**27,908**	**51,568**	**68,017**	**229,629**
Net Result for the Year		-	-	-	-	-	18,652	18,652
Other Comprehensive Income for the Year	8.1(a)	9,371	2,106	-	-	-	-	11,477
Transfer to / (from) Accumulated Surpluses	8.1(a), 8.1(c)	-	-	1,944	2,349	-	(4,293)	-
Balance at 30 June 2017		**89,773**	**2,106**	**3,678**	**30,257**	**51,568**	**82,376**	**259,758**
Net Result for the Year		-	-	-	-	-	36,448	36,448
Other Comprehensive Income for the Year	8.1(a)	-	1,766	-	-	-	-	1,766
Transfer to / (from) Accumulated Surpluses	8.1(a), 8.1(c)	-	-	(3,496)	35,937	-	(32,441)	-
Balance at 30 June 2018		**89,773**	**3,872**	**182**	**66,194**	**51,568**	**86,383**	**297,972**

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

The Royal Victorian Eye and Ear Hospital
Cash Flow Statement
For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash Flows From Operating Activities:			
Operating Grants from Government		88,910	87,112
Capital Grants from Government		13,792	8,198
Patient Fees Received		4,574	4,644
Private Practice Fees Received		2,420	2,034
Donations and Bequests Received		710	1,218
Capital Donations and Bequests Received		2,443	2,209
GST Received from / (Paid to) ATO		3,024	2,910
Capital Interest Received		637	620
Dividend Received		1,914	1,906
Other Receipts		5,299	7,122
Other Capital Receipts		961	2,016
Total Receipts		**124,684**	**119,989**
Employee Expenses Paid		(65,249)	(60,671)
Non Salary Labour Costs Paid		(1,650)	(1,648)
Payments for Supplies and Consumables		(26,304)	(28,198)
Payments for Medical Indemnity Insurance		(1,259)	(1,106)
Payments for Repairs and Maintenance		(1,489)	(1,515)
Payments for Fuel, Light, Power and Water		(2,242)	(2,007)
Other Payments		(9,566)	(8,052)
Other Capital Payments		(181)	(449)
Total Payments		**(107,940)**	**(103,646)**
Net Cash Flow From/(Used In) Operating Activities	8.2	**16,744**	**16,343**
Cash Flows From Investing Activities:			
Proceeds from Sale / (Purchase) of Investments		(14,000)	1,000
Purchase of Non-Financial Assets		(12,727)	(12,273)
Net Cash Flow From/(Used In) Investing Activities		**(26,727)**	**(11,273)**
Cash Flows From Financing Activities:			
Proceeds from Borrowings		8,680	-
Net Cash Flow From/(Used In) Financing Activities		**8,680**	**-**
Net Increase/(Decrease) In Cash And Cash Equivalents Held		**(1,303)**	**5,070**
Cash and Cash Equivalents at Beginning of Year		**6,676**	**1,606**
Cash and Cash Equivalents at End of Year	6.2	**5,373**	**6,676**

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

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 2018. The report provides users with information about the hospital's 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 AASBs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements.*

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

The Royal Victorian Eye and Ear Hospital is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" hospitals under the AASBs.

The annual financial statements were authorised for issue by the Board of The Royal Victorian Eye and Ear Hospital on 24 August 2018.

(b) Reporting Entity

The financial statements include all the controlled activities of The Royal Victorian Eye and Ear 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.

(c) 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 ending 30 June 2018, and the comparative information presented in these financial statements for the year ending 30 June 2017.

The financial statements are prepared on a going concern basis.

The financial statements are presented in Australian dollars, the functional and presentation currency of the hospital.

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

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

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

- the fair value of land, buildings, infrastructure, plant and equipment, (refer Note 4.2);
- superannuation expense (refer Note 3.4);
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3); and
- Managed investment funds classified at level 2 of the fair value hierarchy (refer to Note 7.1).

Goods and Services Tax (GST)

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

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

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

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

Note 2: Funding the Delivery of Services

The hospital's overall objective is to provide quality health services that support and enhance the wellbeing of all Victorians.

The hospital is predominantly funded by accrual based grant funding for the provision of outputs. The hospital also receives income from the supply of goods services.

Structure:

2.1 Analysis of Revenue by Source

2.2 Specific Income

Note 2.1: Analysis of Revenue by Source

	Admitted Patients 2018 $'000	Non-Admitted 2018 $'000	EDs 2018 $'000	Other* 2018 $'000	Total 2018 $'000
Government Grants	57,262	28,145	6,865	-	92,272
Indirect Contributions by Department of Health and Human Services	58	28	12	-	98
Patient Fees	4,005	272	445	68	4,790
Commercial Activities and Specific Purpose Funds	346	1,654	69	1,366	3,435
Other Revenue from Operating Activities	1,778	3,174	161	189	5,302
Total Revenue from Operating Activities	**63,449**	**33,273**	**7,552**	**1,623**	**105,897**
Dividends	-	-	-	1,914	1,914
Donations and Bequests	-	-	-	710	710
Total Revenue from Non-Operating Activities	**-**	**-**	**-**	**2,624**	**2,624**
Capital Grants	-	-	-	44,554	44,554
Capital Donations and Bequests	-	-	-	2,443	2,443
Other Capital Purpose Income	-	-	-	961	961
Capital Interest	-	-	-	676	676
Total Capital Purpose Income	**-**	**-**	**-**	**48,634**	**48,634**
Net Gain / (Loss) on Disposal of Non-Financial Assets (refer Note 4.5)	-	-	-	(179)	(179)
Specific Income (refer Note 2.2)	-	-	-	1,658	1,658
Total Revenue	**63,449**	**33,273**	**7,552**	**54,360**	**158,634**

* Other Programs include Commercial Activities, Specific Purpose Funds and Capital.

The Department of Health and Human Services 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.

Revenue has been classified across programs as defined in the Agency Information Management System (AIMS) guidelines. Revenues of clinical support and infrastructure, corporate and medical services are distributed to source categories using a number of allocation bases including estimated usage, percentage of total revenue and full time equivalent (FTE) staff.

Note 2.1: Analysis of Revenue by Source (continued)

	Admitted Patients 2017 $'000	Non-Admitted 2017 $'000	EDs 2017 $'000	Other* 2017 $'000	Total 2017 $'000
Government Grants	52,040	26,357	6,164	-	84,561
Indirect Contributions by Department of Health and Human Services	133	62	27	-	222
Patient Fees	3,814	179	476	68	4,537
Commercial Activities and Specific Purpose Funds	343	1,305	69	1,427	3,144
Other Revenue from Operating Activities	2,099	3,463	251	189	6,002
Total Revenue from Operating Activities	**58,429**	**31,366**	**6,987**	**1,684**	**98,466**
Dividends	-	-	-	1,851	1,851
Donations and Bequests	-	-	-	1,218	1,218
Total Revenue from Non-Operating Activities	**-**	**-**	**-**	**3,069**	**3,069**
Capital Grants	-	-	-	25,190	25,190
Capital Donations and Bequests	-	-	-	2,209	2,209
Other Capital Purpose Income	-	-	-	1,967	1,967
Capital Interest	-	-	-	657	657
Total Capital Purpose Income	**-**	**-**	**-**	**30,023**	**30,023**
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer Note 4.5)	-	-	-	(17)	(17)
Specific Income (refer Note 2.2)	-	-	-	234	234
Total Revenue	**58,429**	**31,366**	**6,987**	**34,993**	**131,775**

* Other Programs include Commercial Activities, Specific Purpose Funds and Capital.

The Department of Health and Human Services 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.

Revenue has been classified across programs as defined in the Agency Information Management System (AIMS) guidelines. Revenues of clinical support and infrastructure, corporate and medical services are distributed to source categories using a number of allocation bases including estimated usage, percentage of total revenue and full time equivalent (FTE) staff.

Revenue Recognition

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

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

Government Grants and Other Transfers of Income (other than Contributions by Owners)

In accordance with AASB1004 *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 reported as a payable 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 and Human Services

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Department of Health and Human Services Hospital Circular 04/2017.

Patient Fees

Patient fees are recognised as revenue on an accrual basis.

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 car park and property rental income are recognised on an accrual basis.

Donations and Other Bequests

Donations and bequests are recognised as revenue when received. If donations are for a specific purpose, they may be appropriated to a surplus, such as the Restricted Specific Purpose Surplus or General Purpose Surplus.

Dividend Revenue

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

Interest Revenue

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

Other Revenue

Other income includes recoveries for salaries and wages and external goods and services provided.

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 acute and subacute admitted patient services, where services are delivered in public hospitals.

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

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

Other Services excluded from National Health Care Agreement (Other) comprises services not separately classified above, including diagnostic services. Commercial Activities, Specific Purpose Funds and Capital also fall into this category group.

Note 2.2: Specific Income

	2018 $'000	2017 $'000
Specific Income		
Revaluation Increment/(Decrement) on Investment Properties	766	234
Discount Interest Revenue on Financial Instruments	892	-
TOTAL	**1,658**	**234**

Note 3: The Cost of Delivering Services

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

Structure:

3.1 Analysis of Expenses by Source

3.2 Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds

3.3 Employee Benefits in the Balance Sheet

3.4 Superannuation

Note 3.1: Analysis of Expenses by Source

	Admitted Patients 2018 $'000	Non-Admitted 2018 $'000	EDs 2018 $'000	Other* 2018 $'000	Total 2018 $'000
Employee Expenses	40,790	17,519	7,811	1,203	67,323
Non Salary Labour Costs	1,287	248	112	4	1,651
Supplies and Consumables	18,935	6,262	1,483	113	26,793
Medical Indemnity Insurance	756	352	151	-	1,259
Fuel, Light, Power and Water	1,345	628	269	-	2,242
Repairs and Maintenance	942	386	160	1	1,489
Other Expenses	4,219	1,978	796	499	7,492
Total Expenditure from Operating Activities	**68,274**	**27,373**	**10,782**	**1,820**	**108,249**
Expenditure for Capital Purposes	-	-	-	181	181
Depreciation and Amortisation (refer Note 4.3)	-	-	-	13,707	13,707
Assets Provided Free of Charge	-	-	-	101	101
Total Capital Expenses	**-**	**-**	**-**	**13,989**	**13,989**
Movement in Provision for Doubtful Debts	-	-	-	18	18
(Gain) / Loss on Revaluation of Long Service Leave	-	-	-	(70)	(70)
Total Expenses	**68,274**	**27,373**	**10,782**	**15,757**	**122,186**

* Other Programs include Commercial Activities, Specific Purpose Funds and Capital.

The Department of Health and Human Services 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.

Expenditure has been classified across programs as defined in the Agency Information Management System (AIMS) guidelines. Expenses of clinical support and infrastructure, corporate and medical services are distributed to source categories using a number of allocation bases including estimated usage, percentage of total revenue and full time equivalent (FTE) staff.

	Admitted Patients	Non-Admitted	EDs	Other*	Total
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Employee Expenses	37,834	15,893	7,285	978	61,990
Non Salary Labour Costs	1,138	247	110	3	1,498
Supplies and Consumables	17,995	6,141	1,409	88	25,633
Medical Indemnity Insurance	663	310	133	-	1,106
Fuel, Light, Power and Water	909	424	182	-	1,515
Repairs and Maintenance	1,236	543	227	1	2,007
Other Expenses	4,051	1,837	779	989	7,656
Total Expenditure from Operating Activities	**63,826**	**25,395**	**10,125**	**2,059**	**101,405**
Expenditure for Capital Purposes	-	-	-	706	706
Depreciation and Amortisation (refer Note 4.3)	-	-	-	11,066	11,066
Assets Provided Free of Charge	-	-	-	203	203
Total Capital Expenses	**-**	**-**	**-**	**11,975**	**11,975**
Movement in Provision for Doubtful Debts	-	-	-	14	14
(Gain) / Loss on Revaluation of Long Service Leave	-	-	-	(271)	(271)
Total Expenses	**63,826**	**25,395**	**10,125**	**13,777**	**113,123**

* Other Programs include Commercial Activities, Specific Purpose Funds and Capital.

The Department of Health and Human Services 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.

Expenditure has been classified across programs as defined in the Agency Information Management System (AIMS) guidelines. Expenses of clinical support and infrastructure, corporate and medical services are distributed to source categories using a number of allocation bases including estimated usage, percentage of total revenue and full time equivalent (FTE) staff.

Expense Recognition

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

Employee Expenses

Employee expenses include:

- Wages and salaries;
- Fringe benefits tax;
- Leave entitlements;
- Termination payments;
- Workcover premiums; and
- Superannuation expenses.

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

Fair Value of Assets 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.

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 Note 4.2); and
- Net gain/(loss) on disposal of non-financial assets (any gain or loss on the disposal of non-financial assets is recognised at the date of disposal).

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 Notes 4.1 and 7.1); and
- Disposals of financial assets and derecognition of financial liabilities.

Amortisation of Non-Produced Intangible Assets

Intangible non-produced assets with finite lives are amortised as an 'other economic flow' on a systematic 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.

Other Gains/(Losses) from Other Economic Flows

Other gains/(losses) include:

- The movement in provision for doubtful debts (refer Notes 4.1 and 5.1); and
- The revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors.

Note 3.2: Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds

	Expense		Revenue	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Commercial Activities				
Private Practice and Other Patient Activities	870	770	930	823
Pharmacy Services	63	54	107	101
Car Park	89	68	405	239
Property	-	-	-	237
Other Activities				
Fundraising and Community Support	508	949	690	1,394
Research and Scholarship	290	218	482	330
Investments	-	-	1,632	1,627
Education and Training	-	-	1	2
Total	**1,820**	**2,059**	**4,247**	**4,753**

Note 3.3: Employee Benefits in the Balance Sheet

	2018 $'000	2017 $'000
Current Provisions		
Employee Benefits [i]		
Accrued Days Off		
- Unconditional and expected to be settled wholly within 12 months [ii]	145	172
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	4,553	4,378
- Unconditional and expected to be settled wholly after 12 months [iii]	285	226
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	850	851
- Unconditional and expected to be settled wholly after 12 months [iii]	6,489	5,650
Employee Termination Benefits		
- Unconditional and expected to be settled wholly within 12 months [ii]	31	-
	12,353	11,277
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months [ii]	568	551
- Unconditional and expected to be settled after 12 months [iii]	710	615
Accrued Salaries and Wages	3,227	2,551
	4,505	3,717
Total Current Provisions	**16,858**	**14,994**
Non-Current Provisions		
Employee Benefits (LSL) [i]	2,819	2,692
Provisions related to Employee Benefits (LSL) On-Costs	296	283
Total Non-Current Provisions	**3,115**	**2,975**
Total Provisions	**19,973**	**17,969**

	2018 $'000	2017 $'000
(a) Employee Benefits and Related On-Costs		
Current Employee Benefits including Related On-Costs		
Unconditional LSL Entitlement	8,109	7,183
Annual Leave Entitlements	5,346	5,088
Accrued Salaries and Wages	3,258	2,551
Accrued Days Off	145	172
Non-Current Employee Benefits including Related On-Costs		
Conditional Long Service Leave Entitlements [ii]	3,115	2,975
Total Employee Benefits	**19,973**	**17,969**
On-Costs included in Total Employee Benefits above		
Current On-Costs	1,278	1,166
Non-Current On-Costs	296	283
Total On-Costs included in Total Employee Benefits above	**1,574**	**1,449**
(b) Movements in provisions		
Movement in Long Service Leave:		
Balance at Start of Year	**10,158**	**9,697**
Provision made during the year		
- Revaluations	(70)	(271)
- Expense recognising Employee Service	1,912	1,534
Settlement made during the year	(776)	(802)
Balance at End of Year	**11,224**	**10,158**

[i] Employee benefits consist of amounts for accrued days off, 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.

Employee Benefits Recognistion

Provision is made for benefits accruing to employees in respect of wages and salaries, accrued days off, annual leave and long service leave for services rendered to the reporting date, as an expense during the period that the services are delivered.

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 liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Salaries and Wages, Annual Leave and Accrued Days Off

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

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

- Undiscounted value – if the liability is expected to wholly settle within 12 months; or
- Present value – if the liability is not expected to wholly settle within 12 months.

Long Service Leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the 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. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – if the liability is expected to wholly settle within 12 months; or
- Present value – if the liability is not expected to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability.

Any gain or loss on revaluation of the present value of LSL liability is recognised as a transaction, except to the extent that the gain or loss arises due to changes in estimations, (eg. bond rate movements, inflation rate movements and changes in probability factors) which are recognised as other economic flows.

On-Costs Related to Employee Expense

Provision for on-costs, such as workers compensation insurance premium and superannuation are recognised together with provisions for employee benefits.

Note 3.4: Superannuation

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

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the hospital.

The name, details and amounts paid in relation to the major employee superannuation funds and contributions made by the hospital are as follows:

	Contributions Paid for the Year		Contribution Outstandings at Year End	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Defined benefit plans[(i)]:				
First State Super	164	191	-	-
Defined contribution plans:				
First State Super	3,643	3,692	-	-
HESTA	1,510	1,430	-	-
Other	436	410	-	-
Total Superannuation	5,753	5,723	-	-

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

Defined Contribution Superannuation Plans

In relation to defined contribution (ie. 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 the plan, and are based upon actuarial advice.

The hospital does not recognise any defined benefit liability in respect of the plans because the entity 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 discloses the State's defined benefit liabilities in its disclosure for administered items.

Note 4: Key Assets to Support Service Delivery

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

Structure:

4.1 Investments and Other Financial Assets
4.2 Property, Plant and Equipment
4.3 Depreciation and Amortisation
4.4 Intangible Assets
4.5 Net Gain/(Loss) on Disposal of Non-Financial Assets
4.6 Investment Properties

Note 4.1: Investments and Other Financial Assets

	2018 $'000	2017 $'000
Current		
Loans and Receivables		
Australian Dollar Term Deposits > 3 months	35,000	21,000
Available for Sale		
Managed Investment Schemes	45,520	43,754
Total Current	80,520	64,754
Total Investments and Other Financial Assets	**80,520**	**64,754**
Represented by:		
Hospital Investments	80,520	64,754
Total Investments and Other Financial Assets	**80,520**	**64,754**

Investments Recognition

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 as available-for-sale financial assets.

The hospital classifies its other financial assets between current and non-current assets based on the Board of Management's intention at balance date with respect to the timing of disposal of each asset.

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

The hospital's investments must comply with Standing Direction 3.7.2 - Treasury and Investment Risk Management. The investment portfolio of the hospital is managed by Victorian Funds Management Corporation through specialist fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from the specialist fund managers.

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

Derecognition of Financial Assets

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

- The rights to receive cash flows from the asset have expired; or
- The hospital retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The hospital has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset; or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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 the Comprehensive Income Statement, are subject to annual review for impairment.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 percent 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 2018 for its portfolio of financial assets, the hospital used the market value of investments held provided by the portfolio managers.

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

Doubtful Debts

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as other economic flows in the net result.

Note 4.2: Property, Plant and Equipment

(a) Gross Carrying Amount and Accumulated Depreciation

	2018 $'000	2017 $'000
Land		
Land at Fair Value		
- Crown	2,335	2,335
- Freehold	47,061	47,061
Total Land	**49,396**	**49,396**
Buildings		
Buildings at Fair Value	124,730	119,282
less Accumulated Depreciation	(36,217)	(22,321)
Total Buildings	**88,513**	**96,961**
Plant and Equipment		
Plant and Equipment at Fair Value	3,651	8,057
less Accumulated Depreciation	(2,630)	(5,620)
Total Plant and Equipment	**1,021**	**2,437**
Medical Equipment		
Medical Equipment at Fair Value	16,962	19,734
less Accumulated Depreciation	(10,469)	(13,647)
Total Medical Equipment	**6,493**	**6,087**
Assets Under Construction		
PP&E Assets Under Construction	76,467	37,586
Total Assets Under Construction	**76,467**	**37,586**
Total Property, Plant & Equipment	**221,890**	**192,467**

Note 4.2: Property, Plant and Equipment (continued)

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

	Land $'000	Buildings $'000	Plant & Equipment $'000	Medical Equipment $'000	Assets Under Construction $'000	Total $'000
Balance at 1 July 2016	**47,959**	**58,980**	**2,371**	**5,254**	**63,463**	**178,027**
Additions	-	1,097	713	1,854	23,865	27,529
Disposals	-	-	-	(17)	-	(17)
Revaluation Increments/(Decrements)	7,877	1,494	-	-	-	9,371
Net Transfers between Classes	-	49,750	(8)	-	(49,742)	-
Transfers to Investment Properties	(6,440)	(5,635)	-	-	-	(12,075)
Depreciation (Note 4.3)	-	(8,725)	(639)	(1,004)	-	(10,368)
Balance at 1 July 2017	**49,396**	**96,961**	**2,437**	**6,087**	**37,586**	**192,467**
Additions	-	-	353	1,806	40,756	42,915
Disposals	-	-	(16)	(163)	-	(179)
Net Transfers between Classes	-	3,318	(1,443)	-	(1,875)	-
Depreciation (Note 4.3)	-	(11,766)	(310)	(1,237)	-	(13,313)
Balance at 30 June 2018	**49,396**	**88,513**	**1,021**	**6,493**	**76,467**	**221,890**

Land and Buildings Carried at Valuation

An independent valuation of the hospital's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2014.

A revaluation of land was performed by the Valuer-General Victoria effective 30 June 2017 following indications that there had been a material movement in fair value.

In compliance with FRD 103F, in the year ended 30 June 2018, the hospital's management conducted an annual assessment of the fair value of land and buildings and leased buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2018. There was no material financial impact on change in fair value of land or buildings.

Note 4.2: Property, Plant and Equipment (continued)

(c) Fair value measurement hierarchy for assets

	Carrying Amount as at 30 June 2018 $'000	Fair Value Measurement at End of Reporting Period using:		
		Level 1 [(i)] $'000	Level 2 [(i)] $'000	Level 3 [(i)] $'000
Land				
Non-Specialised Land at Fair Value [(ii)]	4,505	-	4,505	-
Specialised Land at Fair Value [(ii)]	44,891	-	-	44,891
Total Land at Fair Value	**49,396**	**-**	**4,505**	**44,891**
Buildings				
Non-Specialised Buildings at Fair Value	2,435	-	2,435	-
Specialised Buildings at Fair Value	86,078	-	-	86,078
Total Buildings at Fair Value	**88,513**	**-**	**2,435**	**86,078**
Plant and Equipment				
Plant and Equipment at Fair Value	1,021	-	-	1,021
Medical Equipment				
Medical Equipment at Fair Value	6,493	-	-	6,493
Assets Under Construction				
Assets Under Construction at Fair Value	76,467	-	-	76,467
Total Property, Plant and Equipment At Fair Value	**221,890**	**-**	**6,940**	**214,950**

	Carrying Amount as at 30 June 2017 $'000	Fair Value Measurement at End of Reporting Period using:		
		Level 1 [(i)] $'000	Level 2 [(i)] $'000	Level 3 [(i)] $'000
Land				
Non-Specialised Land at Fair Value [(ii)]	4,505	-	4,505	-
Specialised Land at Fair Value [(ii)]	44,891	-	-	44,891
Total Land at Fair Value	**49,396**	**-**	**4,505**	**44,891**
Buildings				
Non-Specialised Buildings at Fair Value	2,502	-	2,502	-
Specialised Buildings at Fair Value	94,459	-	-	94,459
Total Buildings at Fair Value	**96,961**	**-**	**2,502**	**94,459**
Plant and Equipment				
Plant and Equipment at Fair Value	2,437	-	-	2,437
Medical Equipment				
Medical Equipment at Fair Value	6,087	-	-	6,087
Assets Under Construction				
Assets Under Construction at Fair Value	37,586	-	-	37,586
Total Property, Plant and Equipment At Fair Value	**192,467**	**-**	**7,007**	**185,460**

[(i)] Classified in accordance with the fair value hierarchy.
[(ii)] There have been no transfers between levels during the period.

Note 4.2: Property, Plant and Equipment (continued)

(d) Reconciliation of Level 3 fair value

	Land	Buildings	Plant and Equipment	Medical Equipment	Assets Under Construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance at 1 July 2017	44,891	94,459	2,437	6,087	37,586	185,460
Additions / (Disposals)	-	-	337	1,643	40,756	42,736
Transfers In (Out) of Asset Classes	-	3,318	(1,443)	-	(1,875)	-
Gains / (Losses) Recognised in Net Result						
- Depreciation	-	(11,699)	(310)	(1,237)	-	(13,246)
Closing Balance at 30 June 2018	**44,891**	**86,078**	**1,021**	**6,493**	**76,467**	**214,950**
Opening Balance at 1 July 2016	37,427	52,109	2,371	5,254	63,463	160,624
Additions / (Disposals)	-	1,097	713	1,837	23,865	27,512
Transfers In (Out) of Asset Classes	-	49,750	(8)	-	(49,742)	-
Gains / (Losses) Recognised in Net Result						
- Depreciation	-	(8,497)	(639)	(1,004)	-	(10,140)
Items Recognised in Other Comprehensive Income						
- Revaluation	7,464	-	-	-	-	7,464
Closing Balance at 30 June 2017	**44,891**	**94,459**	**2,437**	**6,087**	**37,586**	**185,460**

Note 4.2: Property, Plant and Equipment (continued)

(e) Fair Value Determination

Asset Class	Expected Fair Value Level	Likely Valuation Approach	Significant Inputs (Level 3 only)
Non-Specialised Land	Level 2	Market approach	N/A
Specialised Land	Level 3	Market approach	CSO adjustments [a]
Non-Specialised Buildings	Level 2	Market approach	N/A
Specialised Buildings	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Dwellings	Level 2, where there is an active market in the area	Market approach	N/A
Infrastructure	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Plant and Equipment [b]	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Vehicles	Level 2	Market approach	N/A

[a] Community Service Obligation (CSO) adjustment of 20% was applied to reduce the market approach value for the hospital's specialised land.

[b] AASB 13 Fair Value Measurement provides an exemption for not for profit public sector entities from disclosing the sensitivity analysis relating to 'unrealised gains/(losses) on non-financial assets' if the assets are held primarily for their current service potential rather than to generate net cash inflows.

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government change are transferred at their carrying amounts.

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

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 physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset.

Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

Subsequent Measurement

Consistent with AASB 13 Fair Value Measurement, the hospital determines the policies and procedures for recurring property, plant and equipment fair value measurements, in accordance with the requirements of AASB 13 and the relevant FRDs.

All property, plant and equipment for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

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

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

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

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

Fair Value Measurement

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

Consideration of Highest and Best Use (HBU) for Non-Financial Physical Assets

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

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

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

These indicators, as a minimum, include:

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

Valuation Hierarchy

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

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

Identifying Unobservable Inputs (Level 3) Fair Value Measurement

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

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

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

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

Non-Specialised Land and Non-Specialised Buildings

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014 for non-specialised buildings and 30 June 2017 for non-specialised land.

Specialised Land and Specialised Buildings

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

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

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

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

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

An independent valuation of hospital's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014 for specialised buildings and 30 June 2017 for specialised land.

Vehicles

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

Plant and Equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

Revaluations of Non-Current Physical Assets

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

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

Revaluation decrements are recognised in 'Other Comprehensive Income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

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

Revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

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

Note 4.3: Depreciation and Amortisation

	2018 $'000	2017 $'000
Depreciation		
Buildings	11,766	8,725
Plant and Equipment	310	639
Medical Equipment	1,237	1,004
Total Depreciation	**13,313**	**10,368**
Amortisation		
Computer Software	394	698
Total Depreciation and Amortisation	**13,707**	**11,066**

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life (refer AASB 116 Property, Plant and Equipment).

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

	2018	2017
Buildings		
- Structure Shell Building Fabric	2 to 60 years	2 to 60 years
- Site Engineering Services and Central Plant	2 to 15 years	2 to 15 years
Central Plant		
- Fit Out	2 to 15 years	2 to 15 years
- Trunk Reticulated Building Systems	2 to 15 years	2 to 15 years
Plant & Equipment	3 to 20 years	3 to 20 years
Medical Equipment	4 to 10 years	4 to 10 years

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

Note 4.4: Intangible Assets

	2018 $'000	2017 $'000
Computer Software	8,482	8,413
Less Accumulated Amortisation	(6,719)	(6,325)
	1,763	**2,088**
Computer Software - Work in Progress	841	438
Total Intangible Assets	**2,604**	**2,526**

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

	Computer Software $'000	Computer Software Work in Progress $'000	Total $'000
Balance at 1 July 2016	**1,428**	**262**	**1,690**
Additions	1,358	176	1,534
Amortisation (Note 4.3)	(698)	-	(698)
Balance at 1 July 2017	**2,088**	**438**	**2,526**
Additions	69	403	472
Amortisation (Note 4.3)	(394)	-	(394)
Balance at 30 June 2018	**1,763**	**841**	**2,604**

Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software.

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.

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

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life. The hospital has computer software expenses that are capitalised, and included under 'Intangible Assets' (refer AASB 138 Intangible Assets) and amortised.

Intangible assets with finite useful lives are amortised between 2 and 10 years (2017: 2 and 10 years).

Note 4.5: Net Gain/(Loss) on Disposal of Non-Financial Assets

	2018 $'000	2017 $'000
Less: Written Down Value of Non-Current Assets Sold		
Plant and Equipment	(16)	-
Medical Equipment	(163)	(17)
Net Gain/(Loss) on Disposal of Non-Financial Assets	**(179)**	**(17)**

Disposal of Non-Financial Assets

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

Impairment of Non-Financial Assets

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

Note 4.6: Investment Properties

(a) Movements in carrying value for investment properties as at 30 June 2018

	2018 $'000	2017 $'000
Balance at Beginning of Period	13,545	1,236
Net Gain/(Loss) from Fair Value Adjustments	766	234
Transfers from Property, Plant and Equipment	-	12,075
Balance at End of Period	**14,311**	**13,545**

(b) Fair value measurement hierarchy for investment properties

	Carrying amount as at 30 June 2018	Fair Value Measurement at End of Reporting Period using:		
		Level 1 [(i)]	Level 2 [(i)]	Level 3 [(i)]
Investment properties	14,311	-	14,311	-
	14,311	**-**	**14,311**	**-**

	Carrying amount as at 30 June 2017	Fair Value Measurement at End of Reporting Period using:		
		Level 1 [(i)]	Level 2 [(i)]	Level 3 [(i)]
Investment properties	13,545	-	13,545	-
	13,545	**-**	**13,545**	**-**

[(i)] classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period.

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

The fair value of the hospital's investment properties at 30 June 2017 were based on an independent valuation carried out by the Valuer-General Victoria. The valuation was determined by reference to market evidence of transactions for similar properties with no significant unobservable adjustments, in the same location and condition and subject to similar lease and other contracts.

The fair value of the hospital's investment properties at 30 June 2018 were based on the 30 June 2017 valuation adjusted by the Valuer-General Victoria land indexation factors for the financial year.

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 hospital.

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

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by independent valuers and/or reference to Valuer-General Victoria indices. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. 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.

Note 5: Other Assets and Liabilities

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

Structure:

5.1 Receivables
5.2 Inventories
5.3 Other Liabilities
5.4 Prepayments and Other Non-Financial Assets
5.5 Payables

Note 5.1: Receivables

	2018 $'000	2017 $'000
Current		
Contractual		
Inter Hospital Debtors	434	368
Trade Debtors	2,092	619
Patient Fees	509	288
Accrued Revenue - Other	265	776
Less Allowance for Doubtful Debts:		
- Trade Debtors	(58)	(44)
- Patient Fees	(57)	(53)
Total Contractual	**3,185**	**1,954**
Statutory		
GST Receivable	321	273
Department of Health and Human Services	660	-
Total Statutory	**981**	**273**
Total Current Receivables	**4,166**	**2,227**
Non-Current		
Statutory		
Long Service Leave - Department of Health and Human Services	1,960	1,942
Total Non-Current Receivables	**1,960**	**1,942**
Total Receivables	**6,126**	**4,169**
(a) Movement in the Allowance for Doubtful Debts		
Balance at Beginning of Year	97	83
Increase/(Decrease) in Allowance Recognised in Net Result	18	14
Balance at End of Year	**115**	**97**

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to the provision of goods and services; and
- Statutory receivables, which includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

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.

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.

Note 5.1: Receivables (continued)

The following table discloses the contractual maturity analysis for the hospital's financial assets.

Ageing Analysis of Financial Assets as at 30 June

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired			Impaired Financial Assets
			Less than 1 Month	1 to 3 Months	3 months to 1 Year	
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Financial Assets [(i)]						
Cash and Cash Equivalents	5,373	5,373	-	-	-	-
Loans and Receivables						
- Trade Debtors	2,526	2,115	279	8	66	58
- Other Receivables	774	618	62	19	18	57
- Term Deposits	35,000	35,000	-	-	-	-
Available for Sale						
- Managed Investment Schemes	45,520	45,520	-	-	-	-
Total Financial Assets	**89,193**	**88,626**	**341**	**27**	**84**	**115**
2017						
Financial Assets [(i)]						
Cash and Cash Equivalents	6,676	6,676	-	-	-	-
Loans and Receivables						
- Trade Debtors	987	808	90	45	-	44
- Other Receivables	1,064	886	106	19	-	53
- Term Deposits	21,000	21,000	-	-	-	-
Available for Sale						
- Managed Investment Schemes	43,754	43,754	-	-	-	-
Total Financial Assets	**73,481**	**73,124**	**196**	**64**	**-**	**97**

[(i)] Ageing analysis of financial assets excludes statutory receivables (ie. GST receivable and Department of Health and Human Services receivable)

Note 5.2: Inventories

	2018 $'000	2017 $'000
Pharmaceuticals At Cost	244	296
Cochlear Implant Devices At Cost	25	-
eyeConnect Devices At Cost	-	101
Total Inventories	**269**	**397**

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

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

Inventories acquired for no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

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 high value, low volume inventory items on a specific identification of cost basis for Cochlear Implant Devices and eyeConnect Devices. The cost for all other inventory is measured on the basis of weighted average cost.

Note 5.3: Other Liabilities

	2018 $'000	2017 $'000
Current		
Bond Monies Held in Trust *	9	9
Income in Advance	42	40
Total Current	**51**	**49**
Total Other Liabilities	**51**	**49**
*** Monies Held in Trust**		
Represented by the following assets:		
- Cash Assets	9	9
Total Monies Held in Trust	**9**	**9**

Note 5.4: Prepayments and Other Assets

	2018 $'000	2017 $'000
Current		
Prepayments	804	749
Accrued Investment Interest	125	87
Total Other Assets	**929**	**836**

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.

Note 5.5: Payables

	2018 $'000	2017 $'000
Current		
Contractual		
Trade Creditors	2,275	1,406
Accrued Expenses	3,932	3,506
Total Contractual	**6,207**	**4,912**
Statutory		
Department of Health and Human Services Payable	-	2,682
Fringe Benefits Tax Payable	31	-
Total Statutory	**31**	**2,682**
Total Current	**6,238**	**7,594**
Total Payables	**6,238**	**7,594**

Payables consist of:

- Contractual payables, which are classified as financial instruments and measured at amortised cost. They represent liabilities for goods and services provided to the hospital prior to the end of the financial year that are unpaid; and
- Statutory payables, which 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 contracts.

Note 5.5: Payables (continued)

The following table discloses the contractual maturity analysis for the hospital's financial liabilities.

Maturity Analysis of Financial Liabilities as at 30 June

	Carrying Amount	Nominal Amount	Maturity Dates			
			Less than 1 Month	1 to 3 Months	3 months to 1 Year	1-5 Years
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Financial Liabilities [(i)]						
At Amortised Cost						
Payables	6,207	6,207	6,207	-	-	-
Borrowings	7,788	7,788	-	-	-	7,788
Other Financial Liabilities	51	51	4	30	8	9
Total Financial Liabilities	**14,046**	**14,046**	**6,211**	**30**	**8**	**7,797**
2017						
Financial Liabilities [(i)]						
At Amortised Cost						
Payables	4,912	4,912	4,912	-	-	-
Other Financial Liabilities	49	49	29	11	-	9
Total Financial Liabilities	**4,961**	**4,961**	**4,941**	**11**	**-**	**9**

[(i)] Ageing analysis of financial liabilities excludes statutory payables (ie. Department of Health and Human Services payable and FBT payable)

Note 6: Operational Financing

This section provides information on the sources of finance utilised by the hospital during its operations, along with other information related to financing activities of the hospital.

This section includes disclosures of balances that are financial instruments (such as cash balances). Note: 7.1 provides additional, specific financial instrument disclosures.

Structure:

6.1 Borrowings

6.2 Cash and Cash Equivalents

6.3 Commitments for Expenditure

Note 6.1: Borrowings

	2018 $'000	2017 $'000
Non-Current		
Department of Health and Human Services Loan [(i)]	7,788	-
Total Australian Dollars Non-Current Borrowings	**7,788**	**-**
Total Non-Current Borrowings	**7,788**	**-**
Total Borrowings	**7,788**	**-**

[(i)] Unsecured loan which bears no interest.

(a) Maturity Analysis of Borrowings

Refer Note 5.5 for the ageing analysis of Borrowings.

Note 6.2: Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash on Hand	3	3
Cash at Bank	151	104
Deposits at Call	5,219	6,569
Total Cash and Cash Equivalents	**5,373**	**6,676**
Represented by:		
Cash for Hospital Operations (per Cash Flow Statement)	5,373	6,676
Total Cash and Cash Equivalents	**5,373**	**6,676**

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

Note 6.3: Commitments for Expenditure

	2018 $'000	2017 $'000
Capital Expenditure Commitments		
Land and Buildings	36,485	32,123
Plant and Equipment	832	335
Intangible Assets	57	3
Total Capital Expenditure Commitments	**37,374**	**32,461**
Not later than one year	10,844	9,342
Later than 1 year and not later than 5 years	26,530	23,119
Total	**37,374**	**32,461**
Other Operating Commitments		
Consumables/Supplies	14,201	11,051
Maintenance	478	270
Total Other Operating Commitments	**14,679**	**11,321**
Not later than one year	6,519	7,963
Later than 1 year and not later than 5 years	8,160	3,358
Total	**14,679**	**11,321**
Total Commitments (inclusive of GST)	**52,053**	**43,782**
less GST Recoverable from the Australian Tax Office	(1,445)	(1,060)
Total Commitments (exclusive of GST)	**50,608**	**42,722**

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

Note 7: Risks, Contingencies and Valuation Uncertainties

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

Structure:

7.1 Financial Instruments

7.2 Contingent Assets and Contingent Liabilities

Note 7.1: Financial Instruments

(a) Financial Instruments: Categorisation

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.*

Categorisation of Financial Instruments

	Contractual Financial Assets - Loans and Receivables $'000	Contractual Financial Assets - Available for Sale $'000	Contractual Financial Liabilities at Amortised Cost $'000	Total $'000
2018				
Contractual Financial Assets				
Cash and Cash Equivalents	5,373	-	-	5,373
Receivables				
- Trade Debtors	2,526	-	-	2,526
- Other Receivables	774	-	-	774
Other Financial Assets				
- Term Deposit	35,000	-	-	35,000
- Managed Investment Schemes	-	45,520	-	45,520
Total Contractual Financial Assets [(i)]	**43,673**	**45,520**	**-**	**89,193**
Contractual Financial Liabilities				
Payables	-	-	6,207	6,207
Borrowings	-	-	7,788	7,788
Other Financial Liabilities	-	-	51	51
Total Contractual Financial Liabilities [(i)]	**-**	**-**	**14,046**	**14,046**

[(i)] The carrying amount excludes statutory receivables (ie. GST receivable and Department of Health and Human Services receivable) and statutory payables (ie. Department of Health and Human Services payable and FBT payable).

Note 7.1: Financial Instruments (Continued)

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

	Contractual Financial Assets - Loans and Receivables $'000	Contractual Financial Assets - Available for Sale $'000	Contractual Financial Liabilities at Amortised Cost $'000	Total $'000
2017				
Contractual Financial Assets				
Cash and Cash Equivalents	6,676	-	-	6,676
Receivables				
- Trade Debtors	987	-	-	987
- Other Receivables	1,064	-	-	1,064
Other Financial Assets				
- Term Deposit	21,000	-	-	21,000
- Managed Investment Schemes	-	43,754	-	43,754
Total Contractual Financial Assets [(i)]	**29,727**	**43,754**	**-**	**73,481**
Contractual Financial Liabilities				
Payables	-	-	4,912	4,912
Other Financial Liabilities	-	-	49	49
Total Contractual Financial Liabilities [(i)]	**-**	**-**	**4,961**	**4,961**

[(i)] The carrying amount excludes statutory receivables (ie. GST receivable and Department of Health and Human Services receivable) and statutory payables (ie. Department of Health and Human Services payable).

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

	Net Holding Gain/(Loss) $'000	Total Interest & Dividend Income $'000	Total $'000
2018			
Financial Assets			
Cash and Cash Equivalents [(i)]	-	80	80
Receivables [(i)]	-	596	596
Available-for-Sale [(i)]	1,766	1,914	3,680
Total Financial Assets	**1,766**	**2,590**	**4,356**
2017			
Financial Assets			
Cash and Cash Equivalents [(i)]	-	90	90
Receivables [(i)]	-	567	567
Available-for-Sale [(i)]	2,106	1,851	3,957
Total Financial Assets	**2,106**	**2,508**	**4,614**

[(i)] For cash and cash equivalents, 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 the financial assets, and minus any impairment recognised in the net result.

Note 7.1: Financial Instruments (continued)

Categories of Financial Instruments:

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

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, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other Comprehensive Income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other Comprehensive Income' is transferred to other economic flows in the net result.

Held to Maturity Financial Assets: 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. These 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 held to maturity category includes certain term deposits and debt securities for which the hospital intends to hold to maturity.

Financial Liabilities at Amortised Cost: are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. 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. The hospital recognises the following liabilities in this category:
• Payables (excluding statutory payables); and
• Borrowings.

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

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

Derecognition of Financial Assets: a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
• The rights to receive cash flows from the asset have expired; or
• The hospital retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
• The hospital has transferred its rights to receive cash flows from the asset and either:
  – has transferred substantially all the risks and rewards of the asset; or
  – has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Reclassification of Financial Instruments: subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

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

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

Derecognition of Financial Liabilities: a financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Note 7.2: Contingent Assets and Contingent Liabilities

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

The Royal Victorian Eye and Ear Hospital has Nil contingent assets or contingent liabilities at 30 June 2018. (30 June 2017: Nil.)

Note 8: Other Disclosures

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

Structure:

8.1 Equity
8.2 Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities
8.3 Responsible Persons
8.4 Remuneration of Executives
8.5 Related Parties
8.6 Remuneration of Auditors
8.7 Ex-gratia payments
8.8 Events Occurring After the Balance Sheet Date
8.9 AASBs Issued that are Not Yet Effective
8.10 Alternate Presentation of Comprehensive Operating Statement

Note 8.1: Equity

	2018 $'000	2017 $'000
(a) Surpluses		
Property, Plant and Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	89,773	80,402
Revaluation Increment/(Decrements)		
- Land	-	7,877
- Buildings	-	1,494
Balance at the End of the Reporting Period *	**89,773**	**89,773**
* Represented by:		
- Land	45,747	45,747
- Buildings	44,026	44,026
	89,773	**89,773**
Financial Assets Available-for-Sale Revaluation Surplus		
Balance at the Beginning of the Reporting Period	2,106	-
Valuation Gain / (Loss) Recognised	1,766	2,106
Balance at the End of the Reporting Period	**3,872**	**2,106**
General Purpose Surplus		
Balance at the Beginning of the Reporting Period	3,678	1,734
Transfer (To) and From:		
- Accumulated Surpluses / (Deficits)	(3,496)	1,944
Balance at the End of the Reporting Period	**182**	**3,678**
Restricted Specific Purpose Surplus		
Balance at the Beginning of the Reporting Period	30,257	27,908
Transfer (To) and From:		
- Accumulated Surpluses / (Deficits)	35,937	2,349
Balance at the End of the Reporting Period	**66,194**	**30,257**
Total Surpluses	**160,021**	**125,814**

(b) Contributed Capital		
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	82,376	68,017
Net Result for the Year	36,448	18,652
Transfers (To) and From:		
- General Purpose Surplus Reserve	3,496	(1,944)
- Restricted Specific Purpose Surplus Reserve	(35,937)	(2,349)
Balance at the End of the Reporting Period	**86,383**	**82,376**
Total Equity at End of the Financial Year	**297,972**	**259,758**

Contributed Capital

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

General Purpose Surplus

A specific general purpose surplus is established where the hospital Board has placed restrictions on the use of funds, for example for capital or research projects.

Specific Restricted Purpose Surplus

A specific restricted 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.

Note 8.2: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	2018 $'000	2017 $'000
Net Result for the Period	36,448	18,652
Non-Cash Movements:		
Depreciation and Amortisation	13,707	11,066
Valuation of Investment Properties	(766)	(234)
Discount Interest Revenue on Financial Instruments	(892)	-
Provision for Doubtful Debts	18	14
Non-Cash DHHS Government Grants	(30,762)	(16,994)
Resources/Assets Provided Free of Charge	101	203
Movements Included in Investing and Financing Activities:		
Net (Gain)/Loss from Disposal of Non-Financial Physical Assets	179	17
Movements in Assets and Liabilities:		
Change in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(1,974)	(241)
(Increase)/Decrease in Prepayments	(93)	69
(Increase)/Decrease in Inventories	128	(245)
Increase/(Decrease) in Payables	(1,356)	2,784
Increase/(Decrease) in Provisions	2,004	1,319
Increase/(Decrease) in Other Liabilities	2	(67)
Net Cash Inflow / (Outflow) from Operating Activities	**16,744**	**16,343**

Note 8.3: Responsible Persons

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
Relevant Minister:	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/7/2017 - 30/6/2018
Governing Board:	
Dr Sherene Devanesen	1/7/2017 - 30/6/2018
Mr Roger Greenman AM	1/7/2017 - 30/6/2018
Ms Llewellyn Prain	1/7/2017 - 30/6/2018
Mr David Anderson	1/7/2017 - 30/6/2018
Associate Professor Deborah Colville	1/7/2017 - 30/6/2018
Ms Linda Hornsey	1/7/2017 - 30/6/2018
Mr Simon Brewin	1/7/2017 - 30/6/2018
Mr Bruce Ryan	1/7/2017 - 30/6/2018
Accountable Officer:	
Mr Mark Petty	1/7/2017 - 30/6/2018

Remuneration of Responsible Persons

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

Income Band	2018 Number	2017 Number
$0 - $9,999	1	1
$10,000 - $19,999	-	1
$20,000 - $29,999	6	6
$50,000 - $59,999	1	1
$320,000 - $329,999	-	1
$340,000 - $349,999	1	-
Total Numbers	**9**	**10**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	**$ 537,924**	**$ 543,328**

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report as disclosed in Note 8.5.

Note 8.4: Remuneration of Executives

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

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

Short-Term Employee Benefits

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

Post-Employment Benefits

Pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other Long-Term Benefits

Long service leave, other long-service benefit or deferred compensation.

Remuneration of Executives (including Key Management Personnel disclosed in Note 8.5)	2018	2017
Short Term Employee Benefits	$ 845,863	$ 786,621
Post-Employment Benefits	$ 85,311	$ 94,625
Other Long-Term Benefits	$ 22,016	$ 21,156
Total Remuneration [(i)]	**$ 953,190**	**$ 902,402**
Total Number of Executives	4	4
Total Annualised Employee Equivalents (AEE) [(ii)]	3.80	3.80

[(i)] The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the hospital under AASB 124 Related Party Disclosures and are also reported within Note 8.5.
[(ii)] Annualised Employee Equivalent is based on working 38 ordinary hours per week over the reporting period.

Note 8.5: Related Parties

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

- Key management personnel (KMP) and their close family members;
- Cabinet ministers and their close family members; and
- Hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of the hospital, directly or indirectly.

The Board of Directors and the Executive Directors of the hospital are deemed to be KMPs:

- Dr Sherene Devanesen, Chair Board of Directors;
- Mr Roger Greenman AM, Non-Executive Director;
- Ms Llewellyn Prain, Non-Executive Director;
- Mr David Anderson, Non-Executive Director;
- Associate Professor Deborah Colville, Non-Executive Director;
- Ms Linda Hornsey, Non-Executive Director;
- Mr Simon Brewin, Non-Executive Director;
- Mr Bruce Ryan, Non-Executive Director;
- Mr Mark Petty, Chief Executive Officer and Accountable Officer;
- Dr Caroline Clarke, Executive Director Medical Services and Chief Medical Officer;
- Ms Jenni Bliss, Executive Director Chief Operating Officer and Chief Nursing Officer;
- Mr Ian Leong, Executive Director Redevelopment, Planning and Infrastructure; and
- Mr Danny Mennuni, Executive Director Finance and Corporate Services and Chief Finance and Accounting Officer.

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

Compensation	**2018**	**2017**
Short Term Employee Benefits	$ 1,330,843	$ 1,281,348
Post-Employment Benefits [(i)]	$ 130,130	$ 135,801
Other Long-Term Benefits	$ 30,141	$ 28,581
Total Compensation	**$ 1,491,114**	**$ 1,445,730**

Significant Transactions with Government Related Entities

The hospital received funding from the Department of Health and Human Services of $133.4 million (2017: $106.5 million) and indirect contributions of $0.1 million (2017: $0.2 million).

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

Professional medical indemnity insurance and other insurance products are obtained from a Victorian Public Financial Corporation.

Treasury Risk Management Directions require the hospital to hold cash (in excess of working capital) and investments, and source all borrowings from Victorian Public Financial Corporations.

Transactions with Key Management Personnel and Other Related Parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public, eg. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Department of Health and Human Services, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scare resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in the year ending 2018.

There were no related party transactions required to be disclosed for the hospital Board of Directors and Executive Directors in the year ending 2018.

Note 8.6: Remuneration of Auditors

	2018 $'000	2017 $'000
Victorian Auditor-General's Office		
Audit of Financial Statements	47	46
Fees Paid to Ernst & Young		
Internal Audits	106	123
Total Auditor Remuneration	**153**	**169**

Note 8.7: Ex-Gratia Payments

The hospital made Nil ex-gratia payments for the year ending 30 June 2018. (The year ending 30 June 2017: Nil.)

Note 8.8: Events Occurring After the Balance Sheet Date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the hospital and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. 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 that are considered to be of material interest.

The hospital had no significant events that occurred after the balance sheet date.

Note 8.9: AASBs Issued that are Not Yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises the hospital of their applicability and early adoption where applicable.

As at 30 June 2018, 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	Impact on Financial Statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	01 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning	Impact on Financial Statements
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements.	01 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	01 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	01 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends as follows: • Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. • Dividends are recognised in the profit and loss only when: o the entity's right to receive payment of the dividend is established; o it is probable that the economic benefits associated with the dividend will flow to the entity; and o the amount can be measured reliably.	1 Jan 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning	Impact on Financial Statements
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	01 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	01 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	01 Jan 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: AASB 9 • Statutory receivables are recognised and measured similarly to financial assets AASB 15 • The "customer" does not need to be the recipient of goods and/or services; • The "contract" could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or "equivalent means"; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be "sufficiently specific" to be able to apply AASB 15 to these transactions.

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning	Impact on Financial Statements
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	01 Jan 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged.
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context. AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	01 Jan 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.

Note 8.10: Alternate Presentation of Comprehensive Operating Statement

	2018 $'000	2017 $'000
Interest	676	657
Dividends	1,914	1,851
Sales of Goods and Services	8,225	7,681
Grants	136,924	109,973
Other Current Revenue	9,416	11,396
Total Revenue	**157,155**	**131,558**
Employee Expenses	(67,323)	(61,990)
Fair Value of Assets and Services Provided Free of Charge or For Nominal Consideration	(101)	(203)
Depreciation	(13,707)	(11,066)
Other Operating Expenses	(41,107)	(40,121)
Total Expenses	**(122,238)**	**(113,380)**
Net Result from Transactions - Net Operating Balance	**34,917**	**18,178**
Other Economic Flows Included In Net Result		
Net Gain/(Loss) on Disposal of Non-Financial Assets	(179)	(17)
Specific Income	1,658	234
Other Gain/(Loss) from Other Economic Flows	52	257
Total Economic Flows Included In Net Result	**1,531**	**474**
Items that Will Not Be Reclassified to Net Result		
Changes in Physical Asset Revaluation Surplus	-	9,371
Items that May Be Reclassified Subsequently to Net Result		
Changes to Financial Assets Available-For-Sale Revaluation Surplus	1,766	2,106
Net Result	**38,214**	**30,129**

This alternative presentation reflects the format required for reporting to the Department of Treasury and Finance, which differs to the disclosures of certain transactions, in particular revenue and expenses, in the hospital's financial statements.

Board Member's, Accountable Officer's and Chief Finance and Account Officer's Declaration

The attached financial statements for The Royal Victorian Eye and Ear Hospital have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

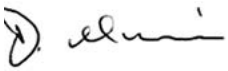
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of The Royal Victorian Eye and Ear Hospital at 30 June 2018.

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 24 August 2018.

Mr Simon Brewin
Acting Chair, Board of Directors

Mark Petty
Accountable Officer



Danny Mennuni
Chief Finance and Accounting Officer

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of The Royal Victorian Eye and Ear Hospital

Opinion

I have audited the financial report of The Royal Victorian Eye and Ear Hospital (the health service) which comprises the:

- balance sheet as at 30 June 2018
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- board member's, accountable officer's and chief finance officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

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

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

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

Board's responsibilities for the financial report

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
28 August 2018

Ron Mak
as delegate for the Auditor-General of Victoria

Affiliations and Memberships

The Royal Victorian Eye and Ear Hospital is affiliated with:

Bionic Vision Technologies
Lions Eye Donations Service Melbourne
The HEARing CRC
The Bionics Institute
The Centre for Eye Research Australia
The University of Melbourne
Australian College of Optometry

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

The World Association of Eye Hospitals

Members: Singapore National Eye Centre (Singapore), Moorfields Eye Hospital (London, UK), The Rotterdam Eye Hospital (Rotterdam, The Netherlands), Tun Hussein On National Eye Hospital (Kuala Lumpur, Malaysia), Rutnin Eye Hospital (Bangkok, Thailand), St. Erik Eye Hospital (Stockholm, Sweden), The Royal Victoria Eye and Ear Hospital (Dublin, Ireland), Jakarta Eye Center (Jakarta, Indonesia), Tianjin Medical University Eye Hospital (Tianjin, China), Sydney Eye Hospital (Sydney, Australia), Kim's Eye Hospital (Seoul, South Korea), St. John of Jerusalem Eye Hospital, Kellogg Eye Center (Ann Arbor, USA), Fondation Asile des Aveugles (Lausanne, Switzerland), The Metta Eye Hospital (Mettapracharak (Wat Rai Khing) Hospital) (Bangkok – Thailand), Ispahani Islamia Eye Institute & Hospital (Bangladesh), Bascom Palmer Eye Institute (USA), Massachusetts Eye and Ear Infirmary (USA), Phillips Eye Institute (USA), Wilmer Eye Institute at Johns Hopkins (USA), Emory Eye Center (USA), New York Eye and Ear Infirmary (USA), Wills Eye Hospital (USA), Turin Ophthalmic Hospital (Italy), Hoftalon Eye Hospital (Brasil), Eye & Ent Hospital Fudan University (China), The Beijing TONGREN Hospital (China), The Niteroi Eye Hospital (Brasil), The Xi'an Eye Hospital (China), King Khaled Eye Specialist Hospital (Saudi Arabia), Aier Eye Hospital Group (China).

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; The Royal Victorian Eye and Ear Hospital, Melbourne, Australia; Rutnin Eye Hospital, Bangkok, Thailand; Singapore National Eye Centre, Singapore; St Eriks Eye Hospital, Stockholm, Sweden; Wills Eye Hospital, Pennsylvania, USA; Wilmer Eye Institute, Maryland, USA.

Victorian Healthcare Association

Melbourne Academic Centre for Health

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The Royal Victorian Eye and Ear Hospital

E info@eyeandear.org.au
T +61 3 9929 8666
F +61 3 9663 7203
TTY +61 3 9663 8052

Main Hospital
32 Gisborne Street
East Melbourne
Victoria 3002

Eye and Ear on the Park
St Andrews Place
East Melbourne
Victoria 3002

www.eyeandear.org.au