Annual Report

2018–19

the royal victorian eye and ear hospital

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Contents

General Information

The Royal Victorian Eye and Ear Hospital (the Eye and Ear) 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 (June 2018 - Dec 2018), The Hon Jenny Mikakos MP (Dec 2018 - June 2019).

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 Eye and Ear 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 2018–19 we cared for around 222,645 patients throughout Victoria:

- 161,078 outpatients
- 17,777 inpatients
- 43,790 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.

Vision

A world leader providing exceptional care.

Mission

We aspire to be the world's leading eye and ear health service through:

- Outstanding patient experience
- Exemplary leadership
- Inspiring our people
- Building a platform for the future

Values

Integrity, Care, Teamwork, Excellence

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

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

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

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

Chair and CEO Report

It was another rewarding year at The Royal Victorian Eye and Ear Hospital. We continued to provide excellent care for our patients while working hard to ensure the progress of our redevelopment project.

Our services continued to grow with the hospital caring for 161,078 outpatients, 17,777 inpatients and 43,790 emergency patients.

During 2018-19 we focused on a range of activities to ensure our services were inclusive and that all members of the community were able to access our services.

Working in partnership

During the year we utilised our collaborative partnerships to expand service provision to patients in different settings. Building on the success of the Healthy Ears Clinic at the Victorian Aboriginal Health Services in Fitzroy, a new Ophthalmology Clinic was opened in November 2018. This clinic was set up to provide ophthalmology services for both adult and paediatric Aboriginal and Torres Strait Islander patients in a culturally safe environment.

In May, the Minister of Health the Hon. Jenny Mikakos officially opened a new outpatient clinic to treat patients with genetic eye disease. The clinic was established as a partnership between the Eye and Ear and The Royal Melbourne Hospital Genetics Service. It is the only clinic in Australia that focusses on ocular genetic work and provides a 'one-stop-shop' for patients with an inherited eye condition or those who are at risk of inheriting or passing on an eye condition due to a family history.

During 2019 a new Cochlear Care Centre was opened in Dandenong to service patients living in Victoria's South East region. The centre operates as partnership between the Eye and Ear and Cochlear Ltd and is the third of its kind in Victoria. Our Geelong Cochlear Care Centre celebrated its first year of providing services in the Barwon region in March.

The establishment of the Glaucoma Community Collaborative Care Program was an exciting initiative between the hospital's Glaucoma Service and specific community optometrists. This program has been established to improve access and outcomes for our patients by reducing travel time and costs and reducing waiting times for access to eye-care. Seventeen optometrists state-wide have been recruited to the program and will participate in ongoing professional development provided by the Eye and Ear's Glaucoma Unit.

Engaging with the Community

Engaging with the community is an important part of ensuring our services meet the diverse needs of our patients and consumers. When developing our new Strategic Plan for 2019-2021 we undertook extensive community consultation. Throughout November we held forums for staff and community members to share their views on shaping our future direction. The plan was endorsed by our Board in March and will be formally published shortly.

Our Reconciliation Action Plan (RAP) was proudly launched in February. The RAP is an important step towards our reconciliation journey and our commitment to closing the Eye and ENT healthcare gap for our Aboriginal and Torres Strait Islander patients. It is supported by a working group of staff and community members whose focus is to ensure we are meeting our planned targets and focusing on integrating reconciliation into all practices.

In September we launched our online Patient Info Hub, a selection of patient information available on the hospital website in accessible formats. This included our fact sheets, videos, audio files, as well as information from our partner organisations. All the information housed on the hub was reviewed by consumers before publication.

Staff training and development

Ongoing training to improve our understanding and awareness of diversity continues with our Disability Awareness and Cultural Awareness sessions, held in October and April. This was complemented by Indigenous Cultural Proficiency Training held for all staff in January, and ongoing opportunities for staff to take part in Guide Dogs Australia's Dialogue in the Dark, an immersive experience which simulates the reality of those with low or no vision.

In May we proudly joined with other health services across the state launching the Strengthening Hospital's Response to Family Violence (SHRFV) project. The project involved training that engaged staff to better identify the signs of family violence in patients and colleagues and to improve appropriate referrals to social work. It also included a campaign of posters and key messages about family violence and violence prevention which were on display across both our sites.

Clinical education

At the beginning of 2018, the Eye and Ear introduced a highly successful virtual reality based simulation training program for ophthalmology trainees to learn specialised micro surgery skills in a safe and controlled environment. In 2019 we offered this training to ophthalmologists across Australia through a three day seminar program. The program titled GENEYE provided virtual reality based training sessions focusing on technical skills, along with sessions on physical and mental wellbeing for surgeons. There were over 85 attendees to the GENEYE program.

We were proud to support the 2nd Australasian Diagnostic Error in Medicine Conference for which our Emergency Department Director, Dr Carmel Crock was the convenor. There was a strong presence from members of the Eye and Ear who gave presentations, ran workshops and engaged in discussions at the three day event.

Our well regarded GP education program hosted 10 practical training sessions in the 2018-19 period for general practitioners on diverse healthcare topics and continued to receive positive feedback from attendees.

Redevelopment

Progress continued on the redevelopment project. Highlights from the year included the fit out of some of the floors under construction in the existing wings, commencement of pilings for the new infill building and the pouring of link balcony slabs. Staff across the hospital have worked diligently to plan for innovative models for efficient and collaborative work in the new spaces and continue to identify ways to improve the provision of clinical services at our temporary site at Eye and Ear on the Park. We also purchased and installed two new sterilizers at this site replacing the out-dated sterilizers at our main hospital. These sterilisers will be relocated to the new building when it is completed.

Electronic Medical Record (EMR)

The continuing evolution of the EMR is a high priority for the Board, Executive and clinical staff. We are on track to commence phase 1 of the EMR implementation this year and high level plans are in place for future phases of the project to roll out over the coming years.

Staff recognition

The Eye and Ear Excellence Awards celebrates those individuals and specialist groups who have contributed to achieving organisational excellence. They 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 awarded in November were:

- Board Chair's Medal – **Dr Craig Morgan**, Anaesthetist
- Team Excellence Award - **Clerical Services Team** for Specialist Clinics, Emergency Department, Cochlear and Call Centre
- Aubrey Bowen Medal – **Mr Michael Dobson**, Otolaryngologist
- Nursing Excellence Award – **Evelyn Lee**, Short Stay Ward
- Allied Health Excellence Award – **Julie Taylor**, Orthoptist
- Administrative Excellence Award – **Kim Attwood**, People and Culture

We were excited to announce, in February, the successful recipients of the inaugural Early Career Research Fellowships. These Fellowships are open to clinicians working at the Eye and Ear, and aim to support individuals who are in the early stages of their research careers. The recipients were:

- Dr George Kong (Glaucoma Unit)
- Dr Rosie Dawkins (Vitreoretinal Unit)
- Dr Zoe Keon-Cohen (Anaesthetic Department)

Acknowledgements

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

It is with a deep sense of gratitude that we note that CEO Mark Petty has announced his resignation, effective July 2019. The Board is appreciative of the impressive and meaningful contribution that Mark has made over the past four years to support and enhance the delivery of high quality services at the Eye and Ear. Mark's respectful, collaborative and supportive style will be missed.

During 2018 Mr Robert Briggs stepped down as clinical director of ENT after 7 years. He has made a significant contribution to the hospital's development and achievements during this time and will be continuing on at the Eye and Ear in his roles as Head of Otology, Medical Director of the Cochlear Implant Clinic and as Clinical Associate Professor in the University of Melbourne Department of Otolaryngology. Dr David Marty has taken on the role as clinical director of ENT.

In 2019 Dr Caroline Clarke stepped down as Executive Director Medical Services/Chief Medical Officer to take on the newly established role of Chief Medical Information Officer. Caroline has been an inspirational leader for medical staff at the Eye and Ear over many years. In her new role she will work to ensure clinicians across the Eye and Ear are fully involved in the planning and rollout of the EMR over coming years.

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 to provide world leading care.

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 2019.

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; FIML; 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 Managers and Leaders, 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 Departments of Water Resources Health and Human services within the Victorian Government over the past 20 years and was Executive Director of Finance at Peninsula Health for 16 years to 2018. He has a demonstrated commitment to the wider community and roles include being a Fellow and recent 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
Appointed 1 July 2017
Chair Audit Committee
Member Quality & Safety 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 governments funded capital programs across public health agencies. Mr Brewin is a 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
Chair Quality & Safety Committee
Member Community Advisory Committee, Remuneration 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, 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.

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.

Mr Bruce Mildenhall BA, GD Rec, GAICD

Appointed 1 July 2018

Member Finance Committee, Community Advisory Committee

Bruce has an extensive background in governance at a public sector and community level. He served as the State MP for Footscray for 14 years, including 7 years as Parliamentary Secretary to Premier, and 9 years as a councillor with the City of Footscray. In the health sector he served on the board of a primary health service for more than 20 years, chaired the board of the largest residential aged care service in the western suburbs for 9 years, has led a review of mental health workforce training, has been a board member of the Victorian Health Promotion Foundation and a metropolitan hospital. Beyond these involvements, Bruce is a graduate of the Australian Institute of Company Directors and was a senior manager in the Victorian Public Service before entering parliament.

Dr Karen Owen BA, Dip.Ed, M.Ed, DBA, GAICD

Appointed 1 July 2018

Member Quality & Safety Committee

Dr Karen Owen has held diverse executive appointments in the health and higher education sectors. Her most recent position was as inaugural CEO of The Royal Australasian College of Medical Administrators (RACMA). She was Chair of the medical speciality colleges CEOs Committee for six years. At RACMA she successfully grew the organisation and positioned the college as a significant member of the Australasian medical speciality colleges and as a global influencer and model in leadership and management education for medical practitioners. She holds a Doctorate of Business Administration and is a Graduate of the Australian Institute of Company Directors.

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

Appointed 1 July 2015

Chair Primary Care and Population Health Advisory Committee

Member Quality & Safety Committee

Ms Prain has a background in law and public policy. She has extensive corporate governance experience and has served as a company director for over ten years. She is currently also a director at Western Water and the Public Transport Ombudsman. She was the first woman to chair the board of the Western Region Health Centre. In 2017 Ms Prain completed the Williamson Community Leadership Program. She is invited to speak by a range of organisations on leadership development and disability inclusion. She is an associate of the Nous Group and provides consulting services in policy and diversity and inclusion. Ms Prain developed a vision impairment in 2014 and brings a strong consumer focus to the board of the hospital.

Mr Bruce Ryan BSc (maj. Computer Science and Statistics)

Appointed 1 July 2017

Member Audit Committee, Finance Committee

Mr Ryan is the Chief Information Officer at Yooralla. He has extensive Information and Communications Technology (ICT) management expertise within the Victorian public health sector and within other Victorian government 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.

Board Committees

Audit Committee

The Audit Committee membership comprises the following non-executive directors: Mr Simon Brewin (Chair), Mr David Anderson 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 Bruce Mildenhall 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 & Safety Committee

The Quality & Safety Committee membership comprises the following non-executive directors: Associate Professor Deborah Colville (Chair), Mr Simon Brewin, Dr Karen Owen and Ms Llewellyn Prain. Consumer member: Mr Jonathan Mortimer.

The Quality & Safety 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 which highlights patient and family-centred care service improvements. All the Quality & Safety 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 Associate Professor Deborah Colville.

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), Associate Professor Deborah Colville and Mr Bruce Mildenhall.

The membership also comprises at least 8 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, 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

(1 July 2018 to 15 February 2019)

Dr Jason Goh MBBS, BioMedSc, MHA, FRACMA, MAICD

(Acting 15 February 2019 to 16 June 2019)

Dr Sean Jespersen MB ChB, M Med Psych, FRANZCP, FRACMA, FCHSM

(Commenced 24 June 2019)

The Executive Director, Medical Services and Chief Medical Officer (CMO) has executive responsibility for the medical workforce, medical training and education, library services and the research strategy of the hospital. In addition, the CMO is responsible for the leadership of clinical governance and clinical improvement initiatives. 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 Dip, Advanced Clinical Practice Paediatrics and Professional Certificate in Health Systems Management, 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, Specialist Clinics and Ambulatory Services. 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

Dr David Marty MBBS, FRACS

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

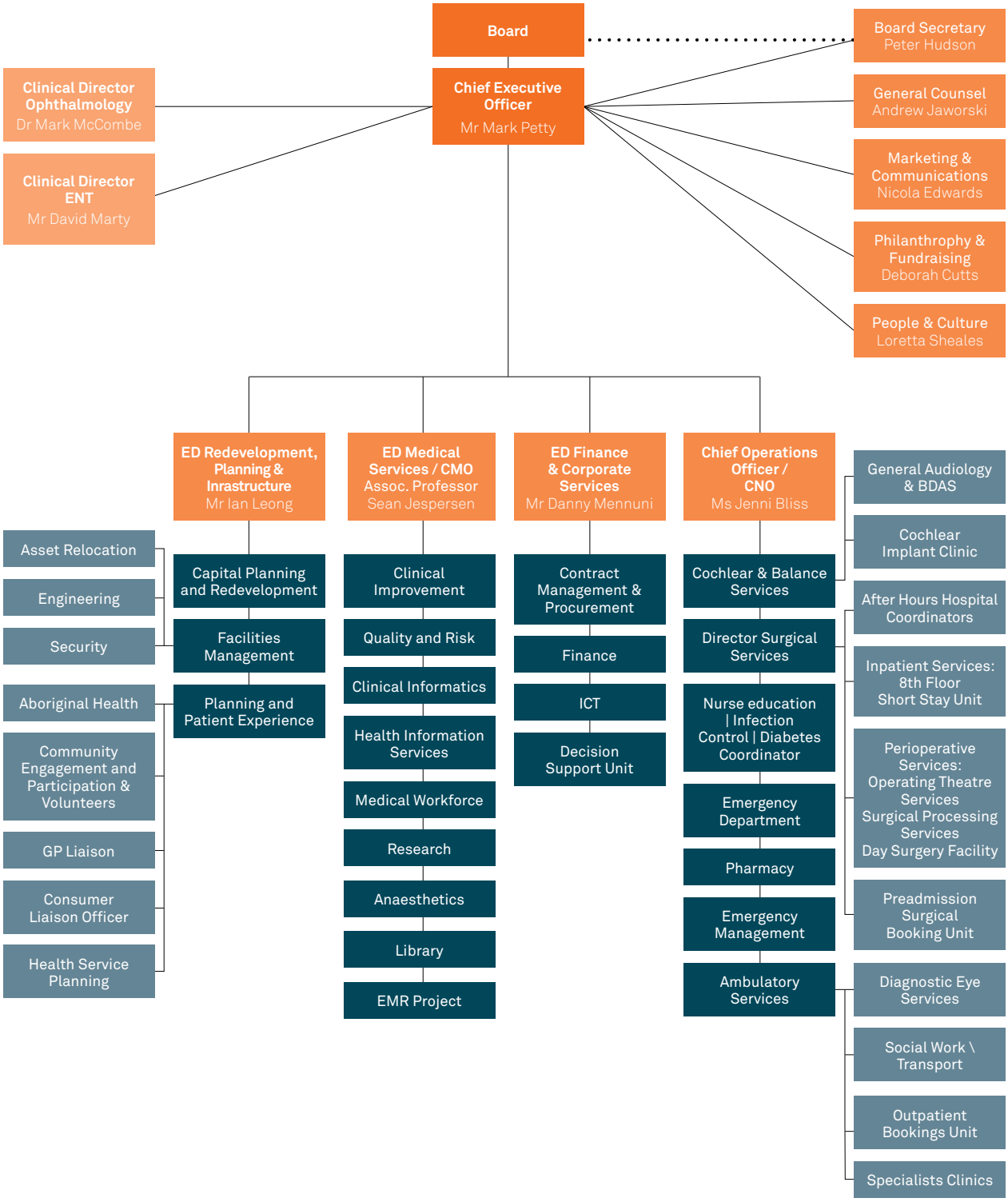
The Executive Director Redevelopment, Planning and Infrastructure has overarching responsibility for capital redevelopment of the Eye and Ear, Business and Strategic Planning incorporating future health service delivery strategy, facility maintenance and security services. The role has overview of the 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 the hospital's Chief Procurement Officer. He 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



Note: Grey box denotes direct reporting line to Executive Director

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 in 2018 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*'

Zoran Georgievski Memorial Research Scholarship 2019-2022

In 2012, a Scholarship in memory of the late Associate Professor Zoran Georgievski (Manager Diagnostic Eye Services) was established in conjunction with the LaTrobe University.

Ms Emilie Rohan is the current recipient commencing in 2019.

Project Title: '*Identifying predictors of progression from early to advanced diabetic retinopathy.*'

Our Major Donors, Bequestors, Corporate and Community Supporters

Trusts and Foundations

Collier Charitable Fund
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Bequests

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The Penelope Foster Foundation
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Estate of Kevin John Hughes
Estate of Friedrich Huschka
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Estate of Jessie Ross

Major Donors

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Mrs Marjorie Todd
Mr Arthur Tsilibakis
Mr & Mrs David & Cynthia Webb
Dr Robert Webb
Donation in memory of the late Mrs Thi Anh Luu
Five anonymous donors

Community Supporters

Ballarat Combined Charities Card Shop
Frankston Friends
Mitcham Uniting Church
Lions Club of Speed
Ritchie's
Uniting Church in Australia
Zouki Catering

Corporate Sponsors

Alcon Laboratories (Australia) Pty Ltd
Oracle Australia Matching Gift Program

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 having to run the majority of our specialist clinics from our new temporary site (Eye and Ear on the Park), the volunteer role is even more vital and appreciated by patients, visitors and staff. This year, we welcomed an additional 20 volunteers to the Eye and Ear team.

In the past year, our volunteers have given close to 7,000 hours of their time and provided direct assistance to over 40,000 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, and continue to support patients in our Specialist Clinics and Emergency Department to help patients and visitors have a positive experience at our hospital. From 2018, we initiated an early morning volunteer support role 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 have a long history with the hospital and are often one of the first people in the door in the morning, continuing to raise vital funds for the hospital. We pay special tribute to one of our long serving volunteer auxiliaries Jean Hamley who passed away late last year. Jean volunteered her time coordinating the Eye and Ear Opportunity Shop for forty years and also provided additional weekly support to the Speech Therapy Department. We also appreciate the long standing friendship and support from our Frankston Friend Auxiliaries.

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

Consumer Representatives
The hospital is also home to a dedicated group of consumer representatives who partner with us to help us improve our services for our patients, their families and carers. Consumer representatives can be involved in a number of ways, they participate in Committees and Working groups, attend focus group activities, review patient information developed by the hospital and share their stories in our publications.

Key Financial and Service Performance Reporting

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 delivering our people strategies. The 2018 survey results showed a continuing positive trend including an increase in employee engagement compared with the previous year and job satisfaction, leading change, patient safety and observed a reduction in the experiences of bullying. Overall, the results were very positive. Compared to other Victorian Health Services we benchmarked better or the same for all core items for the second consecutive year. Our highest scoring questions relative to our peers were related to: providing guidance and training to new employees, having a low tolerance to bullying and that work performance is assessed against clear criteria.

Health and wellbeing initiatives

The health of our workforce remains a priority for the Eye and Ear. We commenced our third year of the wellness@work program with priority areas: 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 offered roving massages for staff, staff benefit events, promoting healthy eating and being more active and mental health in the workplace awareness session

We aim to enhance staff wellbeing for many reasons including: improving resilience, quality of work, building morale and employee engagement. We also recognise that employee health and wellbeing contributes to a higher level of healthcare.

Staff participated in a *People and Work* survey which is a psychosocial risk assessment of hazards in the workplace. The purpose of the survey was to determine the percentage of employees experiencing high job demands and low job resources, the prevalence of bullying, (both experienced and witnessed) and the prevalence of job burn-out, stress related absenteeism and job dissatisfaction. The results will be collated with the *People Matter Survey* results and other data to assist with future planning of staff mental health and wellbeing initiatives.

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. Our employees show their commitment to our values by upholding appropriate behaviours and adopting fair and equitable employment principles to their daily decisions. We aim to be viewed as an employer of choice, and we actively support and engage workforce diversity. We maintain policy and procedures that support equity and diversity in employment and provide managers information and support promoting inclusive recruitment and retention practice. Valuing diversity allows the organisation to provide patient centred care to a wide range of patients. It also engages employees by celebrating our differences as a strength to harness these characteristics to achieve organisational and individual benefit.

Recruiting and onboarding staff

In 2018–19 the Eye and Ear workforce comprised over 900 staff. We recruited approximately 129 new staff, all of whom attended an orientation program. Our turnover rate was 8.1%, which is slightly lower than industry average.

The Eye and Ear appreciates that its employees are its most important asset and a supportive, informative onboarding process is critical to ensuring when staff begin at the Eye and Ear they understand the operational and clinical expectations in order effectively contribute to the organisation. We have continued to improve our online resources to be more interactive and educational. We evaluate our general orientation, on boarding and induction systems to ensure they meet our expectations.

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. As a member of the Wandeat Bangoongagat eLearning Project Group, the release this year of an eLearning Aboriginal Cultural Awareness training will provide strong foundations and greater cultural awareness amongst staff. Updates to the recruitment system allow for a more culturally appropriate recruitment process for Aboriginal and Torres Strait Islander applicants.

Employee recognition programs

The Eye and Ear recognises that its future success continues to depend upon the capacity of our staff and is committed to supporting our staff with a fair and equitable reward and recognition system. We aim to create a climate for performance excellence at every level for individual and team performance.

Our renewed Reward and Recognition Program is in its third year of the revised format. The program was streamlined to provide one pathway for nominations annually.

The annual Eye and Ear Excellence Awards recognise specific individuals and teams that have contributed to achieving organisational excellence. There are six award categories and each award acknowledges creative and original thinking that results in positive outcomes for our patients, an improved working environment and/or improved hospital systems.

The winners of our 2018 Excellence Awards are listed in our Chair and CEO Report on page 3. The following were the recipients of the Values Award in 2019:

- Nursing Education Team
- Eloise Leeson-Leahy, Clerk Outpatient Booking Unit

Building a capable workforce

We are three years into our journey of developing leadership at different levels. The need to optimise clinical leadership potential across the professions is of critical importance to the delivery of excellence and improved patient outcomes. The Eye and Ear Leadership Development Pathway includes a four tiered development pathway, providing opportunities for emerging leaders, operational managers and senior leaders to develop and enhance leadership and change capability.

Our *Leading with Impact* programs are mapped to our Leadership and Change Capabilities, individual needs and organisational needs. Our programs are designed to include formal learning time through interactive workshops and also recognise the important role the manager has in reinforcing leadership development on the job.

The 2019 *Leading with Impact* cohort commenced with further reinforcing leadership development programs for past participants. The 2017 post 12 month program impact evaluation results were positive in our five key areas of behaviour change required to be an effective leader. The results showed 100% of participants reported the training was relevant and 95% agreed it was personally motivating and created a higher standard of leadership. Participant's managers also said it increased the quality of leaders with 78% responding that it the created a higher standard of leadership.

We have continued to improve the quality of our performance and development discussions by amending and simplifying the framework where possible on our online ePerformance system. These critical discussions ensure performance feedback is provided and work and personal development goals are established for the future. 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 Assistance Program (EAP)

Counselling services, provided by AccessEAP continues to be utilised at a consistent rate of about 3.9%. The Employee Assistance Program is a confidential outsourced counselling service available to staff, their family and household members. The service provides wellness at work education and awareness programs, financial coaching, domestic and family violence support, nutritional and legal consultation aimed to assist 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.

Employee Relations

In 2018 there were several enterprise agreements implemented. This included doctors in training and medical specialists. The Eye and Ear formed an Agreement Implementation Committee with specialists to ensure ongoing monitoring and assessment of the agreement. For existing enterprise agreements 2018 was a year of review and changes to classification structures. This process impacted security, interpreters, instrument and theatre technicians and provided opportunities for career progression. There was zero time lost through industrial disputes.

People and Culture developed and implemented an e-learning course 'Promoting Appropriate Workplace Behaviours'. Available to all staff, the course is designed to provide all staff with an understanding of appropriate behaviour and emphasises the Eye and Ear policies and procedures in place to prevent inappropriate behaviour including bullying, discrimination and harassment.

Occupational Health and Safety

The Eye and Ear is committed to providing a safe and healthy workplace for staff, contractors, volunteers, patients and visitors. The Health, Safety and Environment Commitment Statement and Executive Committee take action 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	2016-17	2017-18	2018-19
Incidents/hazards per 100 full-time equivalent staff members*	40	30	50
Lost time standard claims per 100 full-time equivalent staff members	0.96	0.76	0.92

WorkCover

The Eye and Ear's WorkCover performance improved in 2018-19 due to proactive early intervention and injury management programs. The emphasis was on assisting staff prior to the issues escalating and eliminating hazards that were identified by staff during our Planned Safety Walks. Staff injuries reduced and the severity of injuries is lower than the industry and improved on previous years. This has resulted in our Employer Performance Rating (EPR) for 2018-19 being 0.87%, which is 13% better than industry.

Our non-work related injury management program also resulted in assisting staff return or remain at work which creates great benefit for individual staff and their work teams.

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 for 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 2018-19, the Health, Safety and Environment Committee met regularly to discuss and address safety issues. Manual handling remains a focus for the Eye and Ear with training for staff and purchase of equipment. The Laser and Radiation Safety and Emergency Management Committees also provide staff and safety representatives to be involved in health and safety decisions through consultation. OHS training provided included: bullying, discrimination 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.

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 has implemented a number of initiatives based on the Occupational Violence and Aggression Framework. This has led to increased reporting of instances of occupational violence and aggression via VHIMS Riskman.

The Eye and Ear can report the following occupational violence statistics for 2018-19:

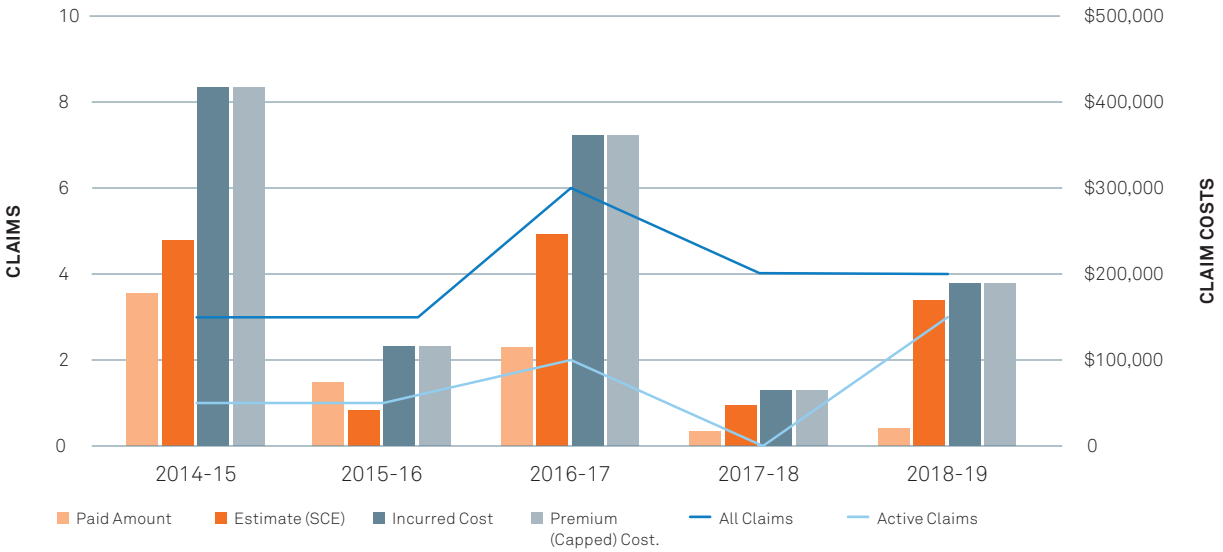
Occupational violence statistics	
WorkCover accepted claims with an occupational violence per 100 FTE	0.36859
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	2.22
Number of occupational violence incidents reported	81
Number of occupational violence incidents reported per 100 FTE	14.9
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	7.4%

Workforce data

Hospitals Labour Category	June 2018 Current Month FTE	June 2019 Current Month FTE	June 2018 YTD FTE	June 2019 YTD FTE
Nursing	166	169	162	165
Administration and Clerical	158	161	156	160
Medical Support	56	54	53	57
Hotel and Allied Services	16	16	15	16
Medical Officers	6	6	6	6
Hospital Medical Officers	54	65	60	60
Sessional Clinicians	39	39	37	39
Ancillary Staff (Allied Health)	38	40	40	40
Total	**533**	**550**	**529**	**543**

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.

Work Cover Claims



Financial Information

	2019 $,000	2018 $,000	2017 $,000	2016 $,000	2015 $,000
Operating Result	**148**	**272**	**130**	**332**	**803**
Total Revenue	147,407	158,047	131,558	120,679	122,986
Total Expense	(128,890)	(122,238)	(113,380)	(104,398)	(99,892)
Net Result from Transactions	**18,517**	**35,809**	**18,178**	**16,281**	**23,094**
Total Other Economic Flows	(4,088)	639	474	(246)	(746)
Net Result	**14,429**	**36,448**	**18,652**	**16,035**	**22,348**
Total Assets	326,678	332,022	285,370	251,205	229,302
Total Liabilities	(36,876)	(34,050)	(25,612)	(21,576)	(20,209)
Net Assets / Total Equity	**289,802**	**297,972**	**259,758**	**229,629**	**209,093**

	2019 $,000	2018 $,000	2017 $,000	2016 $,000	2015 $,000
Net Operating Result	**148**	**272**	**130**	**332**	**803**
Capital and Specific Items:					
Capital Purpose Income	32,210	48,634	30,023	25,818	31,053
Specific Income	-	892	-	-	-
Assets Provided Free of Charge	-	(101)	(203)	-	-
Expenditure for Capital Purposes	(21)	(181)	(706)	(2)	(237)
Depreciation and Amortisation	(13,261)	(13,707)	(11,066)	(9,867)	(8,525)
Finance Costs	(559)	-	-	-	-
Net Result from Transactions	**18,517**	**35,809**	**18,178**	**16,281**	**23,094**

Significant Changes in Financial Position During 2018-19

There were no significant changes in the financial position during 2018-19.

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 2018-19.

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.

Consultancies information FRD 11(e) Details of consultancies (under $10,000)

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

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

In 2018-19, there were two consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is $61,815 (excluding GST). Details of individual consultancies can be viewed at www.eyeandear.org.au.

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee (excluding GST)	Expenditure 2018-19 (excluding GST)	Future Expenditure (excluding GST)
Analytics 8 Limited Partnership	To perform an assessment of the existing Business Intelligence solution and provide a view of target state	June 2019	June 2019	$19,600	$19,600	$0
PricewaterhouseCoopers Consulting (Australia) Pty Ltd	To define the target state architecture associated with the electronic medical record	February 2019	March 2019	$42,215	$42,215	$0

Information and communication technology (ICT) expenditure

Business As Usual (BAU) ICT Expenditure	Non Business As Usual (non-BAU) ICT expenditure		
Total (excluding GST)	**Total=Operational expenditure and Capital Expenditure)(a+b)** (excluding GST)	**Operational expenditure** (excluding GST) (a)	**Capital expenditure** (excluding GST)(b)
$3.54 million	$1.143 million	$0 million	$1.143 million

Disclosures Required Under Legislation

Freedom of Information Act 1982

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 2018-19 financial year was as follows:

Application fee	$28.90
Search and retrieval fee	$5.00
Photocopying/printing (black & white)	$0.20 per page
Photographs	$5.00
Supervised viewing	$27.00 per ¼ hour ($85.20max)

Freedom of Information Applications 2018–19		Requestors	No. of requests
Total requests	158	General Public	39
Fully granted	158	Lawyers & insurance companies	119
Completed	120	**Total**	158

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 the Executive Director Medical Services/Chief Medical Officer.

Building Act 1993

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.

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.

DataVIC Access Policy

Making datasets freely available to the public is the State's default position and where possible agencies must make datasets available with minimum restrictions, including the proactive removal of cost barriers. The Eye and Ear complies with this policy in all relevant business activities.

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.

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 at a governance level in the development, delivery and evaluation of our services, and at an individual patient care level to support discussions and decision making between patients and staff, with the patient's consent.

The Safe Patient Care Act

The Eye and Ear 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.

Environmental performance

The Eye and Ear Hospital has a commitment to environmental sustainability. As we continue through our redevelopment phase, consideration is given to our energy and water consumption, as well as improving the management of waste and hazardous materials. We aim to achieve this by using resources efficiently, maximising recycling opportunities and minimising the amount of waste going to landfill.

- Clinical and related waste has increased by 4% in the current year, this is consistent with hospital activity (i.e. outpatient attendances as well as surgical and inpatient activity). One of the major challenges facing health services for now and into the future is the increased usage of single use items to reduce risks of infection. A project of reviewing this trend against national standards is currently in progress.
- Our staff are continuously looking for opportunities for recycling; these have included bottle caps to a 3D filament project, Theatre Wrap and working with the Vinyl council to recycle PVC tubing.

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 organisation wide engagement in the key deliverables and objectives of the plan.

The DAP reflects the vision and strategic priorities of the Eye and Ear and is aligned with the Victorian Department of Health and Human Services Disability Action Plan 2018-2020. Major DAP achievements implemented in 2018-19 include engaging consumers to inform improvements to our signage and to our hospital's physical environment to enable people with a disability to better access our services, and input into strategic and operational planning processes.

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/

Victorian Industry Participation Policy Disclosure (now known as Local Jobs First Act 2003)

The Eye and Ear complies with the policy on *Local Jobs First Act 2003*. The Act requires, wherever possible, local industry participation, taking into consideration the principle of value for money and transparent tendering processes. No contracts commenced in 2018-19 for which compliance with this Act was necessary.

Disclosure of Ex-Gratia Payments

The Eye and Ear made no ex-gratia payments for the year ending 30 June 2019.

Attestations

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 under the Financial Management Act 1994 and Instructions.

Mr Simon Brewin
Chair, Audit Committee
20 August 2019

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 2019.

Dr Sherene Devanesen
Chair, Board of Directors
20 August 2019

Data Integrity

I, Jenni Bliss 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.

Jenni Bliss
Interim Accountable Officer
The Royal Victorian Eye and Ear Hospital
20 August 2019

Conflict of Interest

I, Jenni Bliss, 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.

Jenni Bliss
Interim Accountable Officer
The Royal Victorian Eye and Ear Hospital
20 August 2019

Integrity, fraud and corruption

I, Jenni Bliss certify that The Royal Victorian Eye and Ear Hospital has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruption risks have been reviewed and addressed at The Royal Victorian Eye and Ear Hospital during the year.

Jenni Bliss
Interim Accountable Officer
The Royal Victorian Eye and Ear Hospital
20 August 2019

Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies

I, Jenni Bliss, 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.

Jenni Bliss
Interim Accountable Officer
The Royal Victorian Eye and Ear Hospital
20 August 2019

Financial and Service Performance
Part A: Strategic Priorities

Goals	Strategies	Health Service Deliverables	Outcomes
Better Health A system geared to prevention as much as treatment Everyone understands their own health and risks Illness is detected and managed early Healthy neighborhoods and communities encourage healthy lifestyles	**Better Health** Reduce statewide risks Build healthy neighborhoods Help people to stay healthy Target health gaps	Continue to build on the Wellbeing Program by raising staff awareness via emails, posters, 12 month Wellbeing activity planner, intranet page and providing initiatives that support positive physical and psychological health. This will be measured by number of early interventions, participation levels, evaluation forms, employee assistance program usage trends and staff surveys. Build healthy neighbourhoods and target health gaps through the establishment of an Ophthalmology Clinic in partnership with the Victorian Aboriginal Health Service (VAHS), by June 2019.	**Complete** Implemented wellbeing activities. Over the past 12 months this has included: 95 early intervention activities, 40% staff participation in wellness@work initiatives, stable level of participation in employee assistance counselling and higher than benchmark results across all areas of People Matter Survey. **Complete** Clinic established in December 2018
Better Access Care is always there when people need it More access to care in the home and community People are connected to the full range of care and support they need There is equal access to care	**Better Access** Plan and invest Unlock innovation Provide easier access Ensure fair access	Invest in our future by progressing with the redevelopment project. Continue to improve access to Specialist Clinics in order to meet the Statement of Priorities targets by progressing SCAIP projects related to glaucoma, ocular motility and surgical ophthalmology service in a sustainable manner	**Ongoing** Redevelopment project continues to progress with demolition and excavation nearing completion. Recent review completed by OPV. **Complete** SCAIP projects have delivered positive improvements in increasing number of patients seen and reduced waiting times. All projects are in BAU phase.

Goals	Strategies	Health Service Deliverables	Outcomes
Better Care Target zero avoidable harm Healthcare that focusses on outcomes Patients and carers are active partners in care Care fits together around people's needs	**Better Care** Put quality first Join up care Partner with patients Strengthen the workforce Embed evidence Ensure equal care	Expand the capability of the electronic medical record to support improved quality and safety of care. This will include: implementation of targeted advanced clinical documentation, streamlined approach to recording of allergies and alerts, and uploading of discharge summaries to My Health Record.	**Ongoing** Allergies and alerts project officer appointed and work progressing to plan. **Complete** Discharge summaries now being loaded in My Health Record **Ongoing** Board has committed funds to expand EMR capability. Project Manager appointed and project plan developed
		Work with consumers and staff to review the health literacy of our patient information factsheets. Identify gaps where our information does not meet the health literacy requirements, and develop a plan to address these.	**Complete** Work completed to review information and address gaps
Specific 2018-19 priorities (mandatory)	**Disability Action Plans** Draft disability action plans are completed in 2018-19.	Submit a draft disability action plan to the department by 30 June 2019. The draft plan will outline the approach to full implementation within three years of publication.	**Complete** Disability action plan updated, endorsed by Board and provided to Office for Disability.
	Volunteer engagement Ensure that the health service executives have appropriate measures to engage and recognise volunteers.	Work with staff and volunteers to identify two new role opportunities for volunteering at the Eye and Ear and increase the number of times we recruit to twice each year to meet this increased demand.	**Complete**
	Bullying and harassment Actively promote positive workplace behaviours and encourage reporting. Utilise staff surveys, incident reporting data, outcomes of investigations and claims to regularly monitor and identify risks related to bullying and harassment, in particular include as a regular item in Board and Executive meetings. Appropriately investigate all reports of bullying and harassment and ensure there is a feedback mechanism to staff involved and the broader health service staff.	Deliver initiatives as outlined in the Strategic Workforce Plan to promote a culture of respect and empowering staff to adequately address and eliminate inappropriate behaviours. This will include tailored leadership development programs, staff education workshops, Value Awards, online training, reporting complaints to the Executive Team and Board and implementing recommendations of complaint outcomes.	**Complete** Leadership programs tailored to include managing inappropriate behaviour. **Complete** Promoting appropriate workplace training course for all staff has been developed and manager training modules updated. **Complete** Staff complaints are proactively managed and are reported to Executive and Board on a quarterly basis.

Goals	Strategies	Health Service Deliverables	Outcomes
	Occupational violence Ensure all staff who have contact with patients and visitors have undertaken core occupational violence training, annually. Ensure the department's occupational violence and aggression training principles are implemented.	Deliver on our Occupational Violence and Aggression management plan with a focus on sustainable staff education, training and support.	**Ongoing** Plan has been developed and implementation underway. **Complete** DHHS Occupational Violence training material reviewed and incorporated.
	Environmental Sustainability Actively contribute to the development of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measureable targets related to reduction of clinical, sharps and landfill waste, water and energy use and improved recycling.	Continue to identify Environmental Sustainability Design initiatives through the redevelopment project to reduce waste, water and energy use, and monitored by the trend line.	**Ongoing** strategies to reduce waste, water and energy use incorporated in redevelopment planning.
	LGBTI Develop and promulgate service level policies and protocols, in partnership with LGBTI communities, to avoid discrimination against LGBTI patients, ensure appropriate data collection, and actively promote rights to free expression of gender and sexuality in healthcare settings. Where relevant, services should offer leading practice approaches to trans and intersex related interventions.	Review the Eye and Ear policies and procedures to ensure they comply with the Rainbow e-Quality Guide to promote an inclusive culture by June 2019.	**Complete**

Part B: Performance Priorities

High quality and safe care

Key performance indicator	Target	Result
Accreditation		
Accreditation against the National Safety and Quality Health Service Standards	Accredited	Achieved
Infection prevention and control		
Compliance with the Hand Hygiene Australia Program	80%	Achieved
Percentage of health care workers immunised for influenza	80%	82%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q1	95%	96%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q2	95%	97%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q3	95%	90%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care Q1	75%	75%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care Q2	75%	77%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care 3	75%	73%
Victorian Healthcare Experience Survey – patients perception of cleanliness Q1	70%	64%
Victorian Healthcare Experience Survey – patients perception of cleanliness Q2	70%	70%
Victorian Healthcare Experience Survey – patients perception of cleanliness Q3	70%	60%
Healthcare associated infections		
Rate of patients with SAB[1] per occupied bed day	← 1/10,000	0
Adverse Events		
Sentinel events – root cause analysis (RCA) reporting	All RCA reports submitted within 30 business days	n/a

Strong Governance, Leadership and Culture

Key performance indicator	Target	Result
Organisational culture		
People Matter Survey – percentage of staff with a positive response to safety culture questions	80%	94%
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%	97%
People matter survey – percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area"	80%	97%
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%	95%
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%	94%
People Matter Survey – percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation"	80%	96%
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%	84%
People Matter Survey – percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised"	80%	91%
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%	97%

Timely access to care

Emergency care		
Percentage of ambulance patients transferred within 40 minutes	90%	100%
Percentage of Triage Category 1 emergency patients seen immediately	100%	N/A
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended times	80%	83%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	76%
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%	93%
Percentage of patients on the ESWL that are overdue	5% or 15% proportional improvement from prior year	9%
Number of patients on the elective surgery waiting list	2,650	2,662
Number of hospital initiated postponements per 100 scheduled admissions	<7/100	3
Number of patients admitted from the elective surgery waiting list – annual total	13,540	13,174
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	90%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	92%

Effective financial management

Key performance indicator	**Target**	**Result**
Operating Result ($M)	0.000	0.148
Average Number of Days to Paying Trade Creditors	60 days	54 days
Average Number of Days to Receiving Patient Fee Debtors	60 days	37 days
Public and Private WIES Activity Performance to Target	100%	97%
Adjusted Current Asset Ratio	0.7	3.3
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	14.0 days	72.6 days
Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month	14.0 days	72.6 days
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ $250,000	$1,509,950

Part C: Activity and Funding

Funding Type	2018-2019 Activity Achievement
Acute Admitted	
WIES Public	9040.5
WIES Private	2701.6
WIES DVA	58.4
WIES TAC	2.9
Other admitted	0
Acute non-admitted	
Emergency Services	43,790
Specialist Clinics	133,588
Specialist Clinics - DVA	206
Other	
Health Workforce	0

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.

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.

Disclosure Index

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	2
FRD 22H	Purpose, functions, powers and duties	2
FRD 22H	Nature and range of services provided	2
FRD 22H	Activities, programs and achievements for the reporting period	3
FRD 22H	Significant changes in key initiatives and expectations for the future	3
Management and structure		
FRD 22H	Organisational structure	16
FRD 22H	Workforce data/ employment and conduct principles	18
FRD 22H	Occupational Health and Safety	18
Financial information		
FRD 22H	Summary of the financial results for the year	18
FRD 22H	Significant changes in financial position during the year	18
FRD 22H	Operational and budgetary objectives and performance against objectives	18
FRD 22H	Subsequent events	76
FRD 22H	Details of consultancies under $10,000	19
FRD 22H	Details of consultancies over $10,000	19
FRD 22H	Disclosure of ICT expenditure	19
Legislation		
FRD 22H	Application and operation of Freedom of Information Act 1982	20
FRD 22H	Compliance with building and maintenance provisions of Building Act 1993	20
Other relevant reporting directives		
FRD 25C	Victorian Industry Participation Policy Act 2003	21
Other reporting requirements		
	Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies	23

Financial Statements

Board Members, 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.

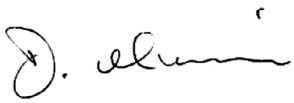
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of The Royal Victorian Eye and Ear Hospital at 30 June 2019.

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

We authorise the attached financial statements for issue on 20 August 2019.

Dr Sherene Devanesen
Chair, Board of Directors
20 August 2019

Jenni Bliss
Interim Accountable Officer
20 August 2019



Danny Mennuni
Chief Finance and Accounting Officer
20 August 2019

Independent Auditor's Report

Victorian Auditor-General's Office

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 2019 • 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 & accounting 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 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service 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.
Other information	The Board of the health service are responsible for the Other Information, which comprises the information in the health service's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.
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
22 August 2019

Travis Derricott
as delegate for the Auditor-General of Victoria

The Royal Victorian Eye and Ear Hospital
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Income from Transactions:			
Operating Activities	2.1	142,061	154,231
Non-Operating Activities	2.1	5,346	3,816
Total Income from Transactions		**147,407**	**158,047**
Expenses from Transactions:			
Employee Expenses	3.1	(74,609)	(68,974)
Supplies and Consumables	3.1	(27,633)	(27,288)
Finance Costs	3.1	(559)	-
Other Operating Expenses	3.1	(12,828)	(12,168)
Other Non-Operating Expenses	3.1	-	(101)
Depreciation and Amortisation	4.4	(13,261)	(13,707)
Total Expenses from Transactions		**(128,890)**	**(122,238)**
Net Result from Transactions - Net Operating Balance		**18,517**	**35,809**
Other Economic Flows Included In Net Result:			
Net Gain/(Loss) on Non-Financial Assets	3.2	(1,720)	587
Net Gain/(Loss) on Financial Instruments at Fair Value	3.2	(1,754)	(18)
Other Gain/(Loss) from Other Economic Flows	3.2	(614)	70
Total Other Economic Flows Included In Net Result		**(4,088)**	**639**
Net Result For The Year		**14,429**	**36,448**
Other Comprehensive Income:			
Items that Will Not Be Reclassified to Net Result			
Changes in Property, Plant and Equipment Revaluation Surplus	4.2(f)	(22,345)	-
Items that May Be Reclassified Subsequently to Net Result			
Changes to Financial Assets Available-for-Sale Revaluation Surplus		-	1,766
Total Other Comprehensive Income		**(22,345)**	**1,766**
Comprehensive Result for the Year		**(7,916)**	**38,214**

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

The Royal Victorian Eye and Ear Hospital
Balance Sheet
As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current Assets			
Cash and Cash Equivalents	6.2	35,198	5,373
Receivables	5.1	1,777	4,166
Investments and Other Financial Assets	4.1	43,617	80,520
Inventories	5.5	270	269
Prepayments and Other Assets	5.4	1,175	929
Total Current Assets		**82,037**	**91,257**
Non-Current Assets			
Receivables	5.1	3,131	1,960
Property, Plant and Equipment	4.2	225,969	221,890
Intangible Assets	4.3	2,931	2,604
Investment Properties	4.5	12,610	14,311
Total Non-Current Assets		**244,641**	**240,765**
Total Assets		**326,678**	**332,022**
Current Liabilities			
Payables	5.2	9,092	9,465
Provisions	3.4	15,710	13,631
Other Current Liabilities	5.3	66	51
Total Current Liabilities		**24,868**	**23,147**
Non-Current Liabilities			
Provisions	3.4	3,662	3,115
Borrowings	6.1	8,346	7,788
Total Non-Current Liabilities		**12,008**	**10,903**
Total Liabilities		**36,876**	**34,050**
Net Assets		**289,802**	**297,972**
Equity			
Property, Plant and Equipment Revaluation Surplus	4.2(f)	67,428	89,773
Financial Asset Available-for-Sale Revaluation Surplus		-	3,872
General Purpose Surplus		110	182
Restricted Specific Purpose Surplus		56,418	66,194
Contributed Capital		51,568	51,568
Accumulated Surpluses/(Deficits)		114,278	86,383
Total Equity		**289,802**	**297,972**

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 Financial Year Ended 30 June 2019

	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 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		-	1,766	-	-	-	-	1,766
Transfer to / (from) Accumulated Surpluses		-	-	(3,496)	35,937	-	(32,441)	-
Balance at 30 June 2018		**89,773**	**3,872**	**182**	**66,194**	**51,568**	**86,383**	**297,972**
Change in Accounting Policy	8.9	-	(3,872)	-	-	-	3,618	(254)
Restated Balance at 1 July 2018		**89,773**	**-**	**182**	**66,194**	**51,568**	**90,001**	**297,718**
Net Result for the Year		-	-	-	-	-	14,429	14,429
Other Comprehensive Income for the Year		(22,345)	-	-	-	-	-	(22,345)
Transfer to / (from) Accumulated Surpluses		-	-	(72)	(9,776)	-	9,848	-
Balance at 30 June 2019		**67,428**	**-**	**110**	**56,418**	**51,568**	**114,278**	**289,802**

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

The Royal Victorian Eye and Ear Hospital
Cash Flow Statement
For the Financial Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash Flows From Operating Activities:			
Operating Grants from Government		98,741	88,910
Capital Grants from Government		3,803	13,792
Other Capital Receipts		-	627
Patient Fees Received		4,575	4,574
Private Practice Fees Received		2,363	2,420
Donations and Bequests Received		772	710
Capital Donations and Bequests Received		128	2,443
GST Received from / (Paid to) ATO		3,337	3,024
Interest and Investment Income Received		5,472	2,885
Car Park Income Received		477	405
Other Receipts		7,756	4,894
Total Receipts		**127,424**	**124,684**
Employee Expenses Paid		(71,481)	(65,249)
Payments for Supplies and Consumables		(27,654)	(26,304)
Payments for Medical Indemnity Insurance		(1,260)	(1,259)
Payments for Repairs and Maintenance		(1,495)	(1,489)
Other Payments		(15,554)	(13,639)
Total Payments		**(117,444)**	**(107,940)**
Net Cash Flow From/(Used In) Operating Activities	8.1	**9,980**	**16,744**
Cash Flows From Investing Activities:			
Proceeds from Sale / (Purchase) of Investments		35,000	(14,000)
Purchase of Non-Financial Assets		(15,155)	(12,727)
Net Cash Flow From/(Used In) Investing Activities		**19,845**	**(26,727)**
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		**29,825**	**(1,303)**
Cash and Cash Equivalents at Beginning of Year		**5,373**	**6,676**
Cash and Cash Equivalents at End of Year	6.2	**35,198**	**5,373**

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 2019. The report provides users with information about the hospital's stewardship of resources entrusted to it.

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

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

(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) under the Financial Management Act 1994.

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.

(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 2019, and the comparative information presented in these financial statements for the year ending 30 June 2018.

The financial statements are prepared on a going concern basis (refer Note 8.8).

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

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.

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 and plant and equipment, (refer Note 4.2);
- Defined benefit superannuation expense (refer Note 3.5); and
- 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 3.4).

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.

(d) Equity

Contributed Capital

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

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

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

Financial Assets Available-for-Sale Revaluation Surplus

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

Specific Restricted Purpose Surplus

The 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.

(e) Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year. Comparative figures have been restated in Notes 2.1, 3.1, 3.4, 5.2, 7.1 and 8.1.

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 and services.

Structure:
2.1 Income from Transactions

Note 2.1: Income from Transactions

	2019 $'000	2018 $'000
Government Grants - Operating	98,875	92,370
Government Grants - Capital	28,679	44,554
Other Capital Purpose Income (including Capital Donations)	129	3,070
Patient Fees	4,549	4,790
Private Practice Fees	2,363	2,420
Commercial Activities [(i)]	1,833	1,694
Other Revenue from Operating Activities (including Non-Capital Donations)	5,633	5,333
Total Income from Operating Activities	**142,061**	**154,231**
Capital Interest	916	676
Other Interest	-	892
Dividends	4,430	2,248
Total Income from Non-Operating Activities	**5,346**	**3,816**
Total Income from Transactions	**147,407**	**158,047**

[(i)] Commercial activities represent business activities which the hospital enters into to support its operations.

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.

The Department of Health and Human Services makes certain payments on behalf the hospital. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue.

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

Non-Cash Contributions from the Department of Health and Human Services

The Department of Health and Human Services makes some payments on behalf of health services as follows:

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

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, and include recoupments from private practice for the use of hospital facilities.

Revenue from Commercial Activities

Revenue from commercial activities such as car park and property rental income are recognised on an accrual basis.

Other Revenue

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided and donations and bequests. If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

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.

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.

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 Expenses from Transactions
3.2 Other Economic Flows
3.3 Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds
3.4 Employee Benefits in the Balance Sheet
3.5 Superannuation

Note 3.1: Expenses from Transactions

	2019 $'000	2018 $'000
Salaries and Wages	56,645	53,091
On-Costs	14,691	13,164
Agency Expenses	1,395	1,114
Fee for Service Medical Officer Expenses	1,255	1,095
Workcover Premium	623	510
Total Employee Expenses	**74,609**	**68,974**
Drug Supplies	5,017	5,086
Medical and Surgical Supplies (including Prostheses)	17,832	17,659
Diagnostic and Radiology Supplies	948	917
Other Supplies and Consumables	3,836	3,626
Total Supplies and Consumables	**27,633**	**27,288**
Finance Costs	559	-
Total Finance Costs	**559**	**-**
Fuel, Light, Power and Water	2,557	2,242
Repairs and Maintenance	511	520
Maintenance Contracts	984	969
Medical Indemnity Insurance	1,260	1,259
Other Administrative Expenses	7,495	6,997
Expenditure for Capital Purposes	21	181
Total Other Operating Expenses	**12,828**	**12,168**
Depreciation and Amortisation (refer Note 4.4)	13,261	13,707
Assets and Services Provided Free of Charge or for Nominal Consideration	-	101
Total Other Non-Operating Expenses	**13,261**	**13,808**
Total Expenses from Transactions	**128,890**	**122,238**

Expense Recognition

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

Employee Expenses

Employee expenses include:

- Salaries and wages (including fringe benefits tax, leave entitlements, termination payments);
- On-costs;
- Agency expenses;
- Fee for service medical officer expenses; and
- Work cover premium.

Supplies and Consumables

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

Other Operating Expenses

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

- Fuel, light and power;
- Repairs and maintenance;
- Other administrative expenses; and
- Expenditure for capital purposes (includes expenditure related to the purchase of assets that are below the capitalisation threshold).

The Department of Health and Human Services also makes certain payments on behalf of the hospital. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

Non-Operating Expenses

Other non-operating expenses generally represent expenditure for outside the normal operations such as depreciation and amortisation and assets and services provided free of charge or for nominal consideration.

Note 3.2: Other Economic Flows

	2019 $'000	2018 $'000
Net Gain/(Loss) on Non-Financial Assets:		
Gain/(Loss) on Revaluation of Investment Property	(1,701)	766
Net Gain/(Loss) on Disposal of Property Plant and Equipment	(19)	(179)
Total Net Gain/(Loss) on Non-Financial Assets	**(1,720)**	**587**
Net Gain/(Loss) on Financial Instruments at Fair Value:		
Allowance for Impairment Losses of Contractual Receivables	149	(18)
Other Gains/(Losses) on Financial Instruments	(1,903)	-
Total Net Gain/(Loss) on Financial Instruments at Fair Value	**(1,754)**	**(18)**
Other Gains/(Losses) from Other Economic Flows:		
Net Gain/(Loss) from Revaluation of Long Service Leave Liability	(614)	70
Total Other Gains/(Losses) from Other Economic Flows	**(614)**	**70**
Total Gains/(Losses) from Other Economic Flows	**(4,088)**	**639**

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- The revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- Reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

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 at Fair Value

Net gain/(loss) on financial instruments at fair value 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.

Impairment of Non-Financial Assets

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

Other Gains/(Losses) from Other Economic Flows

Other gains/(losses) include:

- 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; and
- Transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Note 3.3: Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds

	Expense		Revenue	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Commercial Activities				
Private Practice and Other Patient Activities	976	870	938	930
Pharmacy Services	67	63	112	107
Car Park	93	89	478	405
Property	43	-	661	-
Other Activities				
Fundraising and Community Support	689	508	836	690
Research and Scholarship	353	290	370	482
Investments	-	-	1,663	1,632
Education and Training	-	-	-	1
Total	**2,221**	**1,820**	**5,058**	**4,247**

Note 3.4: Employee Benefits in the Balance Sheet

	2019 $'000	2018 $'000
Current Provisions		
Employee Benefits [i]		
Accrued Days Off		
- Unconditional and expected to be settled wholly within 12 months [ii]	158	145
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	3,736	4,553
- Unconditional and expected to be settled wholly after 12 months [iii]	1,601	285
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	900	850
- Unconditional and expected to be settled wholly after 12 months [iii]	7,838	6,489
Employee Termination Benefits		
- Unconditional and expected to be settled wholly within 12 months [ii]	-	31
	14,233	12,353
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months [ii]	487	568
- Unconditional and expected to be settled after 12 months [iii]	990	710
	1,477	1,278
Total Current Provisions	**15,710**	**13,631**
Non-Current Provisions		
Conditional Long Service Leave	3,314	2,819
Provisions related to Employee Benefits On-Costs	348	296
Total Non-Current Provisions	**3,662**	**3,115**
Total Provisions	**19,372**	**16,746**

[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.

Note 3.4 (a) Employee Benefits and Related On-Costs

	2019 $'000	2018 $'000
Current Employee Benefits including Related On-Costs		
Unconditional Long Service Leave Entitlements	9,655	8,109
Annual Leave Entitlements	5,897	5,346
Accrued Days Off	158	145
Employee Termination Benefits	-	31
Non-Current Employee Benefits including Related On-Costs		
Conditional Long Service Leave Entitlements [ii]	3,662	3,115
Total Employee Benefits including Related On-Costs	**19,372**	**16,746**

Note 3.4 (b) Movements in On-Costs Provision

Balance at Start of Year	**1,574**	**1,449**
Additional Provisions Recognised	914	822
Unwinding of Discount and Effect of Changes in the Discount Rate	64	(7)
Reduction due to Transfer Out	(727)	(690)
Balance at End of Year	**1,825**	**1,574**

Employee Benefits Recognition

Provision is made for benefits accruing to employees in respect of 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.

Annual Leave and Accrued Days Off

Liabilities for 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 annual leave and accrued days off are measured at:

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

Long Service Leave

Liability for long service leave (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:

- Nominal value – if the hospital expects to wholly settle within 12 months; or
- Present value – if the hospital does not expect 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 non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

Termination Benefits

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

On-Costs Related to Employee Benefits

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

Note 3.5: 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 Outstanding at Year End	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Defined benefit plans[(i)]:				
First State Super	148	164	-	-
Defined contribution plans:				
First State Super	3,845	3,643	-	-
HESTA	1,792	1,510	-	-
Other	496	436	-	-
Total Superannuation	6,281	5,753	-	-

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

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 unfunded defined benefit liability in respect of the plans because the hospital has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

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.

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 Intangible Assets
4.4 Depreciation and Amortisation
4.5 Investment Properties

Note 4.1: Investments and Other Financial Assets

	2019 $'000	2018 $'000
Current Investments and Other Financial Assets		
Australian Dollar Term Deposits > 3 months	-	35,000
Managed Investment Schemes	43,617	45,520
Total Current Investments and Other Financial Assets	43,617	80,520
Total Investments and Other Financial Assets	**43,617**	**80,520**
Represented by:		
Hospital Investments	43,617	80,520
Total Investments and Other Financial Assets	**43,617**	**80,520**

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 financial assets at amortised cost or fair value through net result.

The hospital classifies its other financial assets between current and non-current assets based on the Board'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 Management, including Central Banking System. 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 net result are subject to annual review for impairment.

Note 4.2: Property, Plant and Equipment

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.

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.

Revaluations of Non-Current Physical Assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103H 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 103H, the hospital's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Fair Value Measurement

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

For the purpose of fair value disclosures, the 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.

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.

Valuation Hierarchy

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

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

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.

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.

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 2019.

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 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 2019.

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 hospital 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 2019.

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

Note 4.2 (a) Gross Carrying Amount and Accumulated Depreciation

	2019 $'000	2018 $'000
Land		
Land at Fair Value		
- Crown	2,160	2,335
- Freehold	43,568	47,061
Total Land	**45,728**	**49,396**
Buildings		
Buildings at Fair Value	138,178	124,730
less Accumulated Depreciation	(11)	(36,217)
Total Buildings	**138,167**	**88,513**
Plant and Equipment		
Plant and Equipment at Fair Value	3,753	3,651
less Accumulated Depreciation	(2,950)	(2,630)
Total Plant and Equipment	**803**	**1,021**
Medical Equipment		
Medical Equipment at Fair Value	18,809	16,962
less Accumulated Depreciation	(11,383)	(10,469)
Total Medical Equipment	**7,426**	**6,493**
Assets Under Construction		
PP&E Assets Under Construction	33,845	76,467
Total Assets Under Construction	**33,845**	**76,467**
Total Property, Plant & Equipment	**225,969**	**221,890**

Note 4.2 (b) Reconciliation of the Carrying Amount by Class of Asset

	Land $'000	Buildings $'000	Plant & Equipment $'000	Medical Equipment $'000	Assets Under Construction $'000	Total $'000
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 4.4)	-	(11,766)	(310)	(1,237)	-	(13,313)
Balance at 1 July 2018	**49,396**	**88,513**	**1,021**	**6,493**	**76,467**	**221,890**
Additions	-	3,504	18	2,081	33,826	39,429
Disposals	-	-	-	(19)	-	(19)
Assets Written Back and Transferred to Expense	-	-	-	-	(6)	(6)
Revaluation Increments/(Decrements)	(3,668)	(18,677)	-	-	-	(22,345)
Net Transfers between Classes	-	76,229	88	125	(76,442)	-
Depreciation (Note 4.4)	-	(11,402)	(324)	(1,254)	-	(12,980)
Balance at 30 June 2019	**45,728**	**138,167**	**803**	**7,426**	**33,845**	**225,969**

Land and Buildings Carried at Valuation

The Valuer-General Victoria undertook to re-value all of the hospital's land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2019.

Note 4.2 (c) Fair Value Measurement Hierarchy for Assets

	Carrying Amount as at 30 June 2019 $'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	4,880	-	4,880	-
Specialised Land at Fair Value	40,848	-	-	40,848
Total Land at Fair Value	**45,728**	**-**	**4,880**	**40,848**
Buildings				
Non-Specialised Buildings at Fair Value	3,490	-	3,490	-
Specialised Buildings at Fair Value	134,677	-	-	134,677
Total Buildings at Fair Value	**138,167**	**-**	**3,490**	**134,677**
Plant and Equipment				
Plant and Equipment at Fair Value	803	-	-	803
Medical Equipment				
Medical Equipment at Fair Value	7,426	-	-	7,426
Assets Under Construction				
Assets Under Construction at Fair Value	33,845	-	-	33,845
Total Property, Plant and Equipment At Fair Value	**225,969**	**-**	**8,370**	**217,599**

	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	4,505	-	4,505	-
Specialised Land at Fair Value	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**

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

There have been no transfers between levels during the period.

Note 4.2 (d) Reconciliation of Level 3 Fair Value Measurement

	Land	Buildings	Plant and Equipment	Medical Equipment	Assets Under Construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance at 1 July 2018	44,891	86,078	1,021	6,493	76,467	214,950
Additions / (Disposals)	-	3,504	18	2,062	33,826	39,410
Transfers In (Out) of Asset Classes	-	76,229	88	125	(76,442)	-
Gains / (Losses) Recognised in Net Result						
- Depreciation	-	(11,345)	(324)	(1,254)	-	(12,923)
- Assets Written Back and Transferred to Expense	-	-	-	-	(6)	(6)
Items Recognised in Other Comprehensive Income						
- Revaluation	(4,043)	(19,789)	-	-	-	(23,832)
Closing Balance at 30 June 2019	**40,848**	**134,677**	**803**	**7,426**	**33,845**	**217,599**
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**

Note 4.2 (e) Fair Value Determination

Asset Class	Likely Valuation Approach	Significant Inputs (Level 3 only)
Non-Specialised Land	Market approach	N/A
Specialised Land (Crown / Freehold)	Market approach	CSO adjustments (20%)
Non-Specialised Buildings	Market approach	N/A
Specialised Buildings	Depreciated replacement cost approach	Cost per square metre Useful life
Vehicles	Market approach	N/A
Plant and Equipment	Depreciated replacement cost approach	Cost per square metre Useful life

Note 4.2 (f) Property, Plant and Equipment Revaluation Surplus

	2019 $'000	2018 $'000
Balance at Beginning of Reporting Period	89,773	89,773
Revaluation Increment/(Decrements):		
- Land	(3,668)	-
- Buildings	(18,677)	-
Balance at End of the Reporting Period *	**67,428**	**89,773**
* Represented by:		
- Land	42,079	45,747
- Buildings	25,349	44,026
Balance at End of the Reporting Period	**67,428**	**89,773**

Note 4.3: Intangible Assets

Note 4.3 (a) Gross Carrying Amount and Accumulated Amortisation

	2019 $'000	2018 $'000
Computer Software	9,234	8,482
Less Accumulated Amortisation	(7,001)	(6,719)
	2,233	**1,763**
Computer Software - Work in Progress	698	841
Total Intangible Assets	**2,931**	**2,604**

Note 4.3 (b) Reconciliation of the Carrying Amount by Class of Asset

	Computer Software $'000	Computer Software Work in Progress $'000	Total $'000
Balance at 1 July 2017	**2,088**	**438**	**2,526**
Additions	69	403	472
Amortisation (Note 4.4)	(394)	-	(394)
Balance at 1 July 2018	**1,763**	**841**	**2,604**
Additions	50	558	608
Assets transferred between Classes	701	(701)	-
Amortisation (Note 4.4)	(281)	-	(281)
Balance at 30 June 2019	**2,233**	**698**	**2,931**

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 in which it is incurred.

Note 4.4: Depreciation and Amortisation

	2019 $'000	2018 $'000
Depreciation		
Buildings	11,402	11,766
Plant and Equipment	324	310
Medical Equipment	1,254	1,237
Total Depreciation	**12,980**	**13,313**
Amortisation		
Computer Software	281	394
Total Depreciation and Amortisation	**13,261**	**13,707**

Depreciation

All 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).

Amortisation

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

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

	2019	2018
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
Intangible Assets	2 to 10 years	2 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 4.5: Investment Properties

(a) Movements in Carrying Value for Investment Properties as at 30 June 2019

	2019 $'000	2018 $'000
Balance at Beginning of Period	14,311	13,545
Net Gain/(Loss) from Fair Value Adjustments	(1,701)	766
Balance at End of Period	**12,610**	**14,311**

(b) Fair Value Measurement Hierarchy for Investment Properties

	Carrying amount as at 30 June 2019	Fair Value Measurement at End of Reporting Period using:		
		Level 1 [(i)]	Level 2 [(i)]	Level 3 [(i)]
Investment properties	12,610	-	12,610	-
	12,610	**-**	**12,610**	**-**

	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**	**-**

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

Investment Properties

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

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 2019 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.

There were no transfers between levels of the fair value measurement hierarchy during the period.

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 Payables
5.3 Other Liabilities
5.4 Other Assets
5.5 Inventories

Note 5.1: Receivables

	2019 $'000	2018 $'000
Current		
Contractual		
Inter Hospital Debtors	132	434
Trade Debtors	637	2,092
Patient Fees	417	509
Accrued Revenue	406	265
less Allowance for Impairment of Contractual Receivables:		
- Trade Debtors	(145)	(58)
- Patient Fees	(76)	(57)
Total Contractual	**1,371**	**3,185**
Statutory		
GST Receivable	406	321
Department of Health and Human Services	-	660
Total Statutory	**406**	**981**
Total Current Receivables	**1,777**	**4,166**
Non-Current		
Statutory		
Long Service Leave - Department of Health and Human Services	3,131	1,960
Total Non-Current Receivables	**3,131**	**1,960**
Total Receivables	**4,908**	**6,126**

Receivables Recognition

Receivables consist of:

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

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

Impairment Losses of Contractual Receivables

Refer Note 7.1 (c) for the hospital's contractual receivables impairment losses.

Note 5.2: Payables

	2019 $'000	2018 $'000
Current		
Contractual		
Accounts Payable	2,483	2,275
Accrued Expenses	3,824	3,932
Accrued Salaries and Wages	2,400	3,227
Total Contractual	**8,707**	**9,434**
Statutory		
Department of Health and Human Services Payable	385	-
Fringe Benefits Tax Payable	-	31
Total Statutory	**385**	**31**
Total Current Payables	**9,092**	**9,465**
Total Payables	**9,092**	**9,465**

Payables Recognition

Payables consist of:

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

The normal credit terms for accounts payable are usually 30 days from the end of month of invoice.

Maturity Analysis of Payables

Refer Note 7.1 (b) for the ageing analysis of payables.

Note 5.3: Other Liabilities

	2019 $'000	2018 $'000
Current		
Bond Monies Held in Trust *	9	9
Income in Advance	57	42
Total Current	**66**	**51**
Total Other Liabilities	**66**	**51**
*** Monies Held in Trust**		
Represented by the following assets:		
- Cash Assets	9	9
Total Monies Held in Trust	**9**	**9**

Note 5.4: Other Assets

	2019 $'000	2018 $'000
Current		
Prepayments	1,175	804
Accrued Investment Interest	-	125
Total Other Assets	**1,175**	**929**

Note 5.5: Inventories

	2019 $'000	2018 $'000
Pharmaceuticals At Cost	270	244
Cochlear Implant Devices At Cost	-	25
Total Inventories	**270**	**269**

Inventories

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

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

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

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

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

6.4 Commitments for Income

Note 6.1: Borrowings

	2019 $'000	2018 $'000
Non-Current		
Department of Health and Human Services Loan [(i)]	8,346	7,788
Total Non-Current Borrowings	**8,346**	**7,788**
Total Borrowings	**8,346**	**7,788**

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

Maturity Analysis of Borrowings

Refer Note 7.1 (b) for the ageing analysis of Borrowings.

Defaults and Breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

Note 6.2: Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash on Hand (excluding Monies Held in Trust)	3	3
Cash at Bank (excluding Monies Held in Trust)	453	151
Deposits at Call (excluding Monies Held in Trust)	34,733	5,210
Deposits at Call (Monies Held in Trust)	9	9
Total Cash and Cash Equivalents	**35,198**	**5,373**

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.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet. The cash flow statement includes monies held in trust.

Note 6.3: Commitments for Expenditure

	2019 $'000	2018 $'000
Capital Expenditure Commitments:		
Not later than one year	15,738	10,844
Later than 1 year and not later than 5 years	13,030	26,530
Total Capital Expenditure Commitments	**28,768**	**37,374**
Operating Expenditure Commitments:		
Not later than one year	8,505	6,519
Later than 1 year and not later than 5 years	12,591	8,160
Total Operating Expenditure Commitments	**21,096**	**14,679**
Total Commitments for Expenditure (inclusive of GST)	**49,864**	**52,053**
less GST Recoverable from the Australian Tax Office	(2,118)	(1,445)
Total Commitments for Expenditure (exclusive of GST)	**47,746**	**50,608**

Commitments

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

Capital expenditure commitments include contributions to the hospital building redevelopment project that are payable to the Department of Health and Human Services that are not subject to GST.

Note 6.4: Commitments for Income

	2019 $'000	2018 $'000
Commitments in Relation to Leases Receivable:		
Not later than one year	677	561
Later than 1 year and not later than 5 years	1,043	997
Later than 5 years	102	116
Total Commitments in Relation to Leases Receivable	**1,822**	**1,674**
Total Commitments for Income (inclusive of GST)	**1,822**	**1,674**
less GST Payable to the Australian Tax Office	(166)	(152)
Total Commitments for Income (exclusive of GST)	**1,656**	**1,522**

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

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

Note 7.1: Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the 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.*

Note 7.1 (a) Financial Instruments: Categorisation

	Financial Assets at Amortised Cost	Financial Assets at Fair Value through Net Result	Financial Liabilities at Amortised Cost	Total
	$'000	$'000	$'000	$'000
2019				
Contractual Financial Assets				
Cash and Cash Equivalents	35,198	-	-	35,198
Receivables				
- Trade Debtors	769	-	-	769
- Other Receivables	823	-	-	823
Other Financial Assets				
- Managed Investment Schemes	-	43,617	-	43,617
Total Contractual Financial Assets [(i)]	**36,790**	**43,617**	**-**	**80,407**
Contractual Financial Liabilities				
Payables	-	-	8,707	8,707
Borrowings	-	-	8,346	8,346
Other Financial Liabilities	-	-	66	66
Total Contractual Financial Liabilities [(i)]	**-**	**-**	**17,119**	**17,119**

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

Note 7.1 (a) Financial Instruments: Categorisation (continued)

	Contractual Financial Assets - Loans and Receivables and Cash	Contractual Financial Assets - Available for Sale	Contractual Financial Liabilities at Amortised Cost	Total
	$'000	$'000	$'000	$'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	-	-	9,434	9,434
Borrowings	-	-	7,788	7,788
Other Financial Liabilities	-	-	51	51
Total Contractual Financial Liabilities [(i)]	**-**	**-**	**17,273**	**17,273**

[(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).

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

Categories of Financial Assets under AASB 9:

Financial Assets at Amortised Cost

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

- The assets are held by the hospital to collect the contractual cash flows, and
- The assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

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

The hospital recognises the following assets in this category:

- Cash and cash equivalents;
- Receivables (excluding statutory receivables); and
- Term deposits.

Financial Assets at Fair Value through Net Result

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

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

The hospital recognises listed equity securities as mandatorily measured at fair value through net result and designated all of its managed investment schemes as well as certain 5-year government bonds as fair value through net result.

Categories of Financial Assets previously under AASB 139:

Loans and Receivables and Cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The hospital recognised 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 economic flows – 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 economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Categories of Financial Liabilities under AASB 9 and previously under AASB 139:

Financial Liabilities at Amortised Cost are initially recognised on the date that 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.

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.

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

Impairment of Financial Assets: At the end of each reporting period, the hospital assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets are subject to annual review for impairment.

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

Note 7.1 (b) Maturity Analysis of Financial Liabilities

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
2019						
Financial Liabilities [(i)]						
At Amortised Cost						
Payables	8,707	8,707	8,707	-	-	-
Borrowings	8,346	8,346	-	-	-	8,346
Other Financial Liabilities	66	66	19	30	8	9
Total Financial Liabilities	**17,119**	**17,119**	**8,726**	**30**	**8**	**8,355**
2018						
Financial Liabilities [(i)]						
At Amortised Cost						
Payables	9,434	9,434	9,434	-	-	-
Borrowings	7,788	7,788	-	-	-	7,788
Other Financial Liabilities	51	51	4	30	8	9
Total Financial Liabilities	**17,273**	**17,273**	**9,438**	**30**	**8**	**7,797**

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

Note 7.1 (c) Contractual Receivables at Amortised Cost

1 July 2018	Current	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Expected Loss Rate	4%	17%	40%	95%	100%	
Gross Carrying Amount of Contractual Receivables ($'000)	2,760	294	57	161	28	3,300
Loss Allowance	**115**	**50**	**23**	**153**	**28**	**369**

30 June 2019	Current	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Expected Loss Rate	4%	22%	45%	88%	100%	
Gross Carrying Amount of Contractual Receivables ($'000)	1,274	147	36	113	22	1,592
Loss Allowance	**51**	**33**	**16**	**99**	**22**	**221**

Note 7.1 (c) Contractual Receivables at Amortised Cost

Impairment of Financial Assets under AASB 9 – Applicable from 1 July 2018

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

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual Receivables at Amortised Cost

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

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

Reconciliation of the Movement in the Loss Allowance for Contractual Receivables

	2019 $'000	2018 $'000
Balance at Beginning of the Year	(115)	(83)
Opening Retained Earnings Adjustment on Adoption of AASB 9	(254)	-
Opening Loss Allowance	**(369)**	**(83)**
Increase in Provision Recognised in the Net Result	-	(76)
Reversal of Provision of Receivables Written Off During the Year as Uncollectible	45	44
Reversal of Unused Provision Recognised in the Net Result	103	-
Balance at End of the Year	**(221)**	**(115)**

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

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

Statutory Receivables at Amortised Cost [AASB2016-8.4]:

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

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance recognised at 30 June 2018 under AASB 139. No additional loss allowance required upon transition into AASB 9 on 1 July 2018.

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 Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities
8.2 Responsible Persons
8.3 Remuneration of Executives
8.4 Related Parties
8.5 Remuneration of Auditors
8.6 Ex-gratia payments
8.7 Events Occurring After the Balance Sheet Date
8.8 Economic Dependency
8.9 Changes in Accounting Policy and Revision of Estimates
8.10 AASBs Issued that are Not Yet Effective

Note 8.1: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	2019 $'000	2018 $'000
Net Result for the Period	14,429	36,448
Non-Cash Movements:		
Depreciation	12,979	13,313
Amortisation of Intangible Non-Produced Assets	281	394
(Gain)/Loss on Revluation of Investment Property	1,701	(766)
Net (Gain)/Loss on Financial Instruments at Fair Value	1,903	-
Discount Interest on Financial Instruments	559	(892)
Provision for Doubtful Debts	-	18
Allowance for Impairment of Contractual Receivables	(148)	-
Non-Cash DHHS Government Grants	(24,876)	(30,762)
Resources/Assets Provided Free of Charge	-	101
Movements Included in Investing and Financing Activities:		
Net (Gain)/Loss from Disposal of Non-Financial Physical Assets	19	179
Movements in Assets and Liabilities:		
Change in Operating Assets and Liabilities:		
(Increase)/Decrease in Receivables	1,238	(1,974)
(Increase)/Decrease in Prepayments	(371)	(93)
(Increase)/Decrease in Inventories	(2)	128
Increase/(Decrease) in Payables	447	(1,356)
Increase/(Decrease) in Provisions	1,806	2,004
Increase/(Decrease) in Other Liabilities	15	2
Net Cash Inflow / (Outflow) from Operating Activities	**9,980**	**16,744**

Note 8.2: Responsible Persons

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

	Period
Relevant Minister:	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/7/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services	29/11/2018 - 30/6/2019
Governing Board:	
Dr Sherene Devanesen	1/7/2018 - 30/6/2019
Ms Llewellyn Prain	1/7/2018 - 30/6/2019
Mr David Anderson	1/7/2018 - 30/6/2019
Associate Professor Deborah Colville	1/7/2018 - 30/6/2019
Ms Linda Hornsey	1/7/2018 - 30/6/2019
Mr Simon Brewin	1/7/2018 - 30/6/2019
Mr Bruce Ryan	1/7/2018 - 30/6/2019
Mr Bruce Mildenhall	1/7/2018 - 30/6/2019
Dr Karen Owen	1/7/2018 - 30/6/2019
Accountable Officer:	
Mr Mark Petty	1/7/2018 - 30/6/2019

Remuneration of Responsible Persons

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

Income Band	2019 Number	2018 Number
$0 - $9,999	-	1
$10,000 - $19,999	1	-
$20,000 - $29,999	7	6
$50,000 - $59,999	1	1
$340,000 - $349,999	-	1
$360,000 - $369,999	1	-
Total Numbers	**10**	**9**

	2019 $'000	2018 $'000
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	**613**	**538**

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

Note 8.3: 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 of Executives (including Key Management Personnel disclosed in Note 8.4)	2019 $'000	2018 $'000
Short Term Employee Benefits	883	846
Post-Employment Benefits	82	85
Other Long-Term Benefits	26	22
Total Remuneration [(i)]	**991**	**953**
Total Number of Executives	6	4
Total Annualised Employee Equivalents (AEE) [(ii)]	3.89	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 8.4.
[(ii)] Annualised Employee Equivalent is based on working 38 ordinary hours per week 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.

Note 8.4: 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.

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.

Key Management Personnel of hospital:

- Dr Sherene Devanesen, Chair Board of Directors;
- 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 Bruce Mildenhall, Non-Executive Director;
- Dr Karen Owen, Non-Executive Director;
- Mr Mark Petty, Chief Executive Officer and Accountable Officer;
- Dr Caroline Clarke, Executive Director Medical Services and Chief Medical Officer (1 July 2018 to 17 February 2019);
- Dr Jason Goh, Interim Executive Director Medical Services and Chief Medical Officer (18 February to 16 June 2019);
- Dr Sean Jespersen, Executive Director Medical Services and Chief Medical Officer (17 June to 30 June 2019);
- 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 is rounded to the nearest thousand dollars and excludes the salaries and benefits the Portfolio Ministers receives. The Ministers' 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 - Key Management Personnel	2019 $'000	2018 $'000
Short Term Employee Benefits	1,442	1,331
Post-Employment Benefits	127	130
Other Long-Term Benefits	35	30
Total [(i)]	**1,604**	**1,491**

[(i)] KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

Significant Transactions with Government Related Entities

The hospital received funding from the Department of Health and Human Services of $123.0 million (2018: $133.4 million) and indirect contributions of $1.3 million (2018: $0.1 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 the Victorian Managed Insurance Authority.

The Standing Directions under the Financial Management Act 1994 require the hospital to hold cash (in excess of working capital) in accordance with the State's centralised banking arrangements. All borrowings are required to be sourced from Treasury Corporation Victorian unless an exemption has been approved by the Minister for Health and Human Services and the Treasurer.

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 hospital, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

There were no related party transactions required to be disclosed for the hospital Board of Directors, Chief Executive Officer and Executive Directors in 2019.

Note 8.5: Remuneration of Auditors

	2019 $'000	2018 $'000
Victorian Auditor-General's Office		
Audit of Financial Statements	48	47
Total Auditor Remuneration	**48**	**47**

Note 8.6: Ex-Gratia Payments

The hospital made Nil ex-gratia payments for the year ending 30 June 2019. (The year ending 30 June 2018: Nil.)

Note 8.7: 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 8.8: Economic Dependency

The hospital is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support the hospital.

Note 8.9: Changes in Accounting Policy and Revision of Estimates

Changes in Accounting Policy

The hospital has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:
(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period with the difference recognised in the opening retained earnings; and
(b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the hospital's financial statements.

Changes to Classification and Measurement

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

Summary of Reclassification of Assets and Liabilities:

	AASB 139 Measurement Categories		AASB 9 Measurement Categories	
	Loans and Receivables and Cash	Available for Sale	Amortised Cost	Fair Value through Net Result
AASB 139 Measurement Categories	**$'000**	**$'000**	**$'000**	**$'000**
Loan and Receivables:				
- Sale of Goods and Services	2,526	-	2,272	-
- Other Receivables	774	-	774	-
Held to Maturity:				
- Term Deposits	35,000	-	35,000	-
Available-for-Sale:				
- Managed Investment Schemes	-	45,520	-	45,520
As at 1 July 2018	**38,300**	**45,520**	**38,046**	**45,520**

Changes to the Impairment of Financial Assets

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

For other loans and receivables, the hospital applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method resulted in an increase in the impairment loss allowance of $254,000. Refer to note 7.1 (c) for details about the calculation of the allowance. The loss allowance decreased by $148,000 for these financial assets during the financial year.

For debt instruments at amortised costs, the hospital considers them to be low risk and therefore determines the loss allowance based on ECLs associated with the probability of default in the next 12 months. Applying the ECL model does not result in recognition of additional loss allowance (previous loss allowance was nil). No further increase in allowance in the current financial year.

Transition Impact

The transition impact of first-time adoption of AASB 9 on Comprehensive Operating Statement and Balance Sheet has been summarised in the following tables.

Impact on Comprehensive Income Statement as at 1 July 2018 as follows:

Comprehensive Operating Statement	**30/6/2018 $'000**
Impairment of Financial Assets	(254)
Other Economic Flows Included in Net Result	**254**
Changes to Financial Assets Available-for-Sale Revaluation Surplus	(3,872)
Other Economic Flows – Other Comprehensive Income	**(3,872)**
Comprehensive Income	**(3,618)**

Impact on Balance Sheet is illustrated with the following reconciliation between the carrying amounts under AASB 139 at 30 June 2018 and the balances reported under AASB 9 at 1 July 2018 for each affected balance sheet line item:

Balance Sheet	**Amount at 30/6/2018 $'000**	**Reclassifi -cation $'000**	**Remeasure- ment (ECL) $'000**	**Restated amount at 1/7/2018 $'000**
Impairment Loss Allowance	(115)	-	(254)	(369)
Total Financial Assets	**(115)**	**-**	**(254)**	**(369)**
Accumulated Surplus/(Deficit)	86,383	3,872	(254)	90,001
Financial Assets Available-for-Sale Revaluation Surplus	3,872	(3,872)	-	-
Total Equity	**90,255**	**-**	**(254)**	**90,001**

Note 8.10: AASBs Issued that are Not Yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2019 reporting period. The 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 2019, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The 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 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 for Not-for-Profit entities.	01 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. The hospital has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the hospital.
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. The hospital has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the hospital.

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 most 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. The hospital has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the hospital.
AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	01 Jan 2019	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed. The hospital has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the hospital.

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning	Impact on Financial Statements
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 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	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 Contributions. The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed. The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement. The hospital has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the hospital.
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	01 Jan 2020	The hospital has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the hospital.

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), Foundation 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.

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