# Annual Report

2020–2021

the royal victorian eye and ear hospital

# Contents

# General Information

The Royal Victorian Eye and Ear Hospital has provided state-wide eye, ear, nose and throat health care since it was founded in 1863. The hospital is accountable to the people of Victoria, through the Minister for Health.

### Manner of establishment and relevant Minister

The Eye and Ear was founded in 1863 by the pioneer surgeon, Dr Andrew Sexton Gray. The hospital is a public health service and is established under the Health Services Act 1988 (as amended). The responsible Ministers for Health during the reporting period were:

From 1 July 2020 to 26 September 2020
Jenny Mikakos MP
Minister for Health
Minister for Ambulance Services

From 26 Sept 2020 to 30 June 2021
The Hon Martin Foley MP
Minister for Health
Minister for Ambulance Services
Minister for Equality

### Powers and duties

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

### Nature and range of services

The Royal Victorian Eye and Ear Hospital provides a state-wide specialist tertiary and emergency eye and ear, nose and throat (ENT) 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 ENT specialists. Services are provided in inpatient, 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 hospital 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 service. The majority of services provided at the Eye and Ear are on an outpatient or same-day basis. In 2020-2021 we provided over 170,000 episodes of care to our patients:

- 120,375 outpatient attendances
- 14,028 inpatient admissions
- 37,386 emergency attendances.

The hospital is a teaching and research centre and has key partnerships with the Centre for Eye Research Australia (CERA), The University of Melbourne, the Bionics Institute, Bionic Vision Technologies and HEARnet.

### Vision, Mission and Values

The Royal Victorian Eye and Ear Hospital (the Eye and Ear) is Australia's leading provider of eye and ear health care.

In 2020-2021, the Eye and Ear cared for approximately 53,139 unique patients throughout Victoria, maintaining essential specialist services throughout the considerable challenges associated with the COVID-19 pandemic and its broader implications on the Victorian healthcare system.

### 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

The COVID-19 pandemic has continued to provide challenges across the Victorian healthcare sector. Throughout the 2020-2021 period, The Royal Victorian Eye and Ear Hospital has responded to these issues by adapting its operating processes to facilitate continuing high-quality care and the safety of all our patients, visitors and staff. Pleasingly, throughout these changing times we have also seen good progress on the hospital's redevelopment project, which included the opening of the new Surgical Admissions and Recovery unit.

On 7 July 2020, Victoria entered a state-wide lockdown lasting 112 days, resulting in fewer patient presentations than the previous years. Despite these challenges we were still able to care for 120,375 outpatients, 14,028 inpatients and 37,386 emergency patients.

Throughout 2020-2021 we continued to support our community, delivering care in a COVIDSafe environment. An ongoing challenge was the hesitancy of patients to seek care during COVID-19 lockdown periods owing to fears associated with the pandemic. To mitigate this, the hospital focused on messaging that underscored our implementation of a COVIDSafe approach and the required protocols. The importance of keeping appointments, especially those relating to eye conditions, such as Glaucoma, that required ongoing monitoring and treatment, was also promoted.

### Digital Health Strategy

The Eye and Ear finalised its Digital Health Strategy in Q4 FY 2021. The first of its kind for the organisation, it defined the hospital's digital health direction, vision and workplan from 2021 to 2026, and established a contemporary and well supported digital environment for staff and patients. The strategy was aligned with the Eye and Ear's Strategic Priorities and was informed by a series of workshops conducted with staff.

The strategy will enhance the ongoing digital support required to maintain the Eye and Ear as a recognised leader in specialist care.

### Working in partnership

As part of our commitment to creating better access to specialist care for patients across Victoria and to support the expansion of our cochlear implant services, the Victorian Cochlear Implant Program (VCIP) was launched in early 2021.

The program establishes cochlear implant audiology services across Victoria via a collaboration with Cochlear Ltd and local community hearing service providers, creating a truly state-wide cochlear implant service for Victorians, regardless of geographic location.

### Outstanding patient experience

In a further commitment to providing an outstanding patient experience, the hospital rolled out its Electronic Medical Record (EMR) system in March 2021. The EMR allows for patient medical information to be housed on a secure electronic medical record platform.

The implementation of the EMR, supported by Cerner solutions, will see all patient information including relevant patient history, medications, test results and assessments available in one place, making it easier for our staff to make more tailored and informed decisions about patient care.

### Engaging with the Community

The hospital continued to work with our community to meet the diverse needs of our patients and consumers. In June 2021, the hospital launched its third iteration of the Aboriginal Employment Plan (AEP) for 2021-2025. The AEP was written to align with the Korin Korin Balit-Djak: Aboriginal health, wellbeing and safety strategic plan 2017-2027, and the Eye and Ear Innovate Reconciliation Action Plan. The AEP further supports the hospital as a diverse, inclusive, and culturally safe employer of choice for Aboriginal people.

Another key milestone in supporting the community was the launch of our Partnering with Consumers and Community Plan 2020-2023, which contains four sub-plans; the Partnering with Consumers Plan, the Aboriginal Health Plan, the Diversity Plan and the Disability Action Plan. The documents set out the strategy for continuing to improve the provision of safe and equitable care.

### Staff training and development

We continued to provide training to support staff understanding and awareness of diversity. The hospital's Aboriginal Cultural Awareness e-learning package was launched in April 2020, achieved a 90 per cent staff completion rate in 2020-2021. The

package included topics such as: the history of colonisation and segregation; the Stolen Generation; legislation and political history; significant historical events for the Aboriginal community; cultural practices and how a culturally safe environment could be provided for Aboriginal and Torres Strait Islander patients, carers and staff.

A further recommended training course on Patient Centred Care was launched in November 2020 as all staff have a role to play in influencing a patient's experience.

### Respiratory Protection Program (RPP) and Personal Protective Equipment (PPE) Training

In August 2020 the Victorian Government released the 'Protecting our healthcare workers' action plan. As part of this plan, Health services were required to undertake a local risk assessment to determine the risk of a healthcare worker's exposure to respiratory hazards. The hospital implemented a Respiratory Protection Program which included a mask fit testing program for all staff undertaking patient facing roles. In 2020-2021, 50 per cent of required staff had completed the fit testing and training program.

2020-2021 also saw the hospital rollout tailored Personal Protective Equipment (PPE) training modules for staff with both patient facing and non-patient facing roles.

### Clinical education

The virtual reality-based education initiative, GENEYE, continued to provide support to Eye surgeons in 2020-2021, moving to a fully digital model of delivery. At the core of the program is patient safety. The training supports the continual improvement of the skills of surgeons by focusing on a wide range of competencies.

### Redevelopment

The hospital redevelopment project, designed to provide a better experience for patients, staff and visitors, made significant progress in 2020-2021, key milestones achieved included:

- The opening of the Surgical Admissions and Recovery Suite
- The completion of the infill building structure and installation of much of the façade
- The relocation of pharmacy/reception/security and the Zouki cafe to enable the works to commence on the Ground Floor

During the peak of the COVID-19 pandemic in 2020, works continued.

### Staff recognition

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

Recipients of the 2020 Excellence Awards were:

- **Board Chair's Medal** - Associate Professor Carmel Crock, OAM
- **Administrative/Clerical/Support Services Excellence** - Glenda Prewett Manager Contracts and Procurement
- **Allied Health Excellence** - Jaime Leigh, Audiologist and Paediatric Services Coordinator for the Cochlear Implant Clinic
- **Nursing Excellence** - Sigi James, a registered Nurse in our Emergency Department
- **Dr J Aubrey Bowen Medal** - Ophthalmologists Dr Cecilia Ling and Dr Robyn Troutbeck from the Ocular Immunology Clinic
- **Team Excellence Award** - Patricia McGarrity, Fiona Moran, An Ly and Judy Stinson who represent the Service Improvement team.

In 2021, three of our specialist clinicians were acknowledged in the Australia Day honours.

- **Associate Professor Carmel Crock, OAM**
  Director of the Emergency Department, Associate Professor Carmel Crock, received a Medal of the Order of Australia (OAM) 2021 for service to emergency medicine and to medical education.
- **Associate Professor Anne Brooks, AM**
  Ophthalmologist and Head of Special Eye Clinic 3, Associate Professor Anne Brooks was appointed a Member of the Order of Australia (AM) for significant service to ophthalmology and to eye health organisations.
- **Dr Richard Stawell, AM**
  Ophthalmologist and former Eye and Ear Chief of Medical Staff, Dr Richard Stawell, was also appointed a Member of the Order of Australia (AM) for his significant service to ophthalmology, to research, and to professional bodies.

**Acknowledgements**
This has been another year of challenge and opportunity for the hospital. We would like to thank all patients, consumers, volunteers, staff and Board Directors for their courage, compassion and commitment during these testing times. Our gratitude is also extended to the Eye and Ear's partners and stakeholders. We are particularly grateful for the leadership and support provided by the Department of Health.

**Thank you**
The Eye and Ear is most appreciative of 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 very appreciative of the input from our community advisory members and volunteers who enable us to enhance our engagement with the community.

**Responsible Bodies Declaration**
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 2021.

**Dr Sherene Devanesen**
Chair, Board of Directors
10 September 2021

**Brendon Gardner**
Chief Executive Officer
The Royal Victorian Eye and Ear Hospital
10 September 2021

# 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 held the position of Chief Executive Officer of Yooralla until February 2021. 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. Dr Devanesen was a member of the Victorian Health and Human Services Building Authority Advisory Board until February 2021 and is currently a member of the Northern Territory Health Governance and Assurance Committee.

**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 20 years and was Executive Director of Finance at Peninsula Health for 16 years to 2018. He has recently undertaken work for the Healthshare Victoria and is a Director of Ballarat Health Services. 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, GAICD
**Appointed** 1 July 2017
**Chair** Audit Committee
**Member** Digital Health and Information Communication Technology Governance Committee, Quality & Safety Committee, Remuneration Committee.

Mr Brewin is an experienced non-executive director holding several health-related board appointments, including Uniting Agewell Ltd and Guardian Network. He is experienced in corporate and clinical governance, risk & compliance and strategy. Previously, Mr Brewin held senior appointments within the Victorian healthcare sector including executive director roles at Alfred Health, Monash Health and Peninsula Health. Mr Brewin is a Graduate of the Australian Institute of Company Directors, past state branch president of the Australasian College of Health Service Management, and the Royal Victorian Eye and Ear Hospital nominee as Director to the Board of CERA.

**Ms Linda Hornsey** Grad. Dip AB, MAICD
**Appointed** 2 August 2016
**Chair** Community Advisory Committee
**Member** Finance Committee, 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. She had a leadership role in changing Tasmania's old economy. This involved the first whole-of-State consultation in Australia, and reached most of the population in many old and new forums. She and a colleague from the ABS were invited to the annual OECD Conference in Palermo to present the resulting Strategic Plan to be measured and implemented over

two decades. She has held many statutory board directorships, including Western Health. Until recently she was a member of the Parenting Research Centre Board and its Governance Committee.

**Professor Alan Lilly** MHA, Grad Dip HSM, RGN, RPN, FIML, FCHSM CHE, MAICD

**Appointed** 1 July 2019

**Chair** Quality & Safety Committee

**Member** Remuneration Committee

Adjunct Professor Alan Lilly is a Registered Psychiatric Nurse and Registered General Nurse with a Graduate Diploma in Health Services Management and Master of Business in Health Administration. He has worked across the health, disability and the aged care sectors and was a Chief Executive for ten years in public and private organisations. He is also an Adjunct Professor with Australian Catholic University.

In addition to his appointment at the Royal Victorian Eye and Ear Hospital, he is also a Director of the Royal Women's Hospital. He is a Fellow of the Australian Institute of Managers & Leaders and the Australasian College of Health Services Management and a Member of the Australian Institute Company of Directors. Alan is Principal of his own consulting firm, Acumenity, providing consulting services in Health and Aged Care.

**Mr Bruce Mildenhall** BA, GD Rec, GAICD

**Appointed** 1 July 2018

**Member** Finance Committee, Community Advisory Committee

Mr Mildenhall 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 seven years as Parliamentary Secretary to Premier, and nine 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 nine 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., D.Bus.Admin., GAICD

**Appointed** 1 July 2018

**Member** Digital Health and Information Communication Technology Governance Committee, Quality & Safety Committee

Dr Owen has held executive appointments in the hospital and higher education sectors. She was inaugural CEO of The Royal Australasian College of Medical Administrators (RACMA). She Chaired 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 as a 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. Karen continues to hold positions on boards and management committees in the not-for-profit sector.

**Ms Llewellyn Prain** BA(hons), LLB(hons), FAICD

**Appointed** 1 July 2015

**Chair** Primary Care and Population Health Advisory Committee

**Member** Quality & Safety Committee, (from 20 September 2020) Community Advisory 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. Ms Prain is also the Eye and Ear's Nominee as the Alternate Director to the Board of The Centre for Eye Research Australia (CERA).

**Mr Bruce Ryan** BSc (maj. Comp Science and Statistics)

**Appointed** 1 July 2017

**Chair** Digital Health and Information Communication Technology Governance Committee

**Member** Audit 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 EMR there.

The hospital is grateful for the commitment and contribution of outgoing Director, Karen Owen and welcomes Jane Hider to the Board as of 1 July, 2021.

# 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, Ms Linda Hornsey (from 14 May 2020), Mr Bruce Mildenhall and Mr Bruce Ryan (until 14 May 2020). 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.

### Digital Health and Information Communication Technology Governance Committee

The Digital Health and Information Communication Technology Governance Committee membership comprises the following non-executive directors: Mr Bruce Ryan (Chair), Mr Simon Brewin and Dr Karen Owen.

The Committee was formed as of 14 May 2020 and will meet at least quarterly hereon. The primary purpose of the Committee is to ensure that all Digital Health, Information Communication Technology (ICT), Clinical Informatics (eHealth) and Electronic Medical Record (EMR) strategies, risks, work plans and high-level operations are monitored centrally to ensure coordination of teams and functions, compliance with hospital policies and procedures, and alignment with the hospital's strategic and business plans.

### Quality & Safety Committee

The Quality & Safety Committee membership comprises the following non-executive directors: Professor Alan Lilly (Chair), Mr Simon Brewin, Dr Karen Owen and Ms Llewellyn Prain. Consumer member: Ms Ileana Guizzo.

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 Professor Alan Lilly.

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 terms and conditions of employment for the Chief Executive Officer. It also provides oversight of the remuneration of the Executive Directors of the hospital. All the Remuneration Committee members are independent of management.

### Community Advisory Committee

The Community Advisory Committee membership includes the following non-executive directors: Ms Linda Hornsey (Chair) and Mr Bruce Mildenhall. Consumer members: Mr Ramakrishnan (Rama) Appuswamy, Ms Sandra Knight, Mr Mick Shaddock, Ms Carolyn Tran, Mr Desbele (Des) G. Temelso, Mr Gordon Proudfoot, Ms Stephanie Thow-Tapp, Ms Mary Kelleher (until Sep-20).

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

### Primary Care and Population Health Advisory Committee

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

The Primary Care and Population Health Advisory Committee provides advice to the Board on working with primary health services and responding to population health issues. The committee is currently focused on the Eye and Ear's Aboriginal health strategy and improving health outcomes for Aboriginal and Torres Strait Islander people. The committee meets at least twice a year. All members are independent of management.

# Executive Management



### Chief Executive Officer (CEO)

**Brendon Gardner** B.AppSc (HIM), MHA UNSW

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

### Executive Director Medical Services and Chief Medical Officer

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

The Executive Director, Medical Services and Chief Medical Officer (CMO) has executive responsibility for medical workforce, medical training and education, and research at the hospital. The CMO is also responsible for leading clinical governance, risk, quality and safety, and clinical improvement initiatives. In addition, the role also provides executive leadership and oversight for health information services, clinical informatics, digital health and the development of the hospital's electronic medical record.

### 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 Operations and Chief Nursing Officer

**Ms Jenni Bliss** General Nursing, GradDipAdvClinPracPaed&ProfCertInHlthSysMgt, (1 July 2020 – 12 July 2020)

**Ms Tracy Siggins** MPH, DipLeadership&Mgt, DipAppSc(OralHlthTherapy), (Acting 13 July 2020 to 11/10/2020, 11/01/2021 to current)

**Ms Sinead Cucanic** BHSc (Nursing), GradDip Project Management, GradCert Nursing Management (Acting 12/10/2020 to 10/01/2021)

The Executive Director Operations is responsible for overseeing all clinical operations for the organisation including surgical and inpatient services, the Emergency Department, Specialist Clinics, the Cochlear Implant program, pharmacy services and all related patient support services. The role is also responsible for overseeing the emergency management requirements for both sites.

### Chief Nursing Officer

**Ms Sinead Cucanic** BHSc (Nursing), GradDip Project Management, GradCert Nursing Management (Acting 13 July 2020 to current)

Chief Nursing Officer 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** B.Bldg (QS) (Hons), Grad Dip Comp Sc, MBA GAICD

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, patient experience, facility maintenance and security services. The role has overview of the Eye and Ear on the Park site/services, oversight of the redevelopment program including the model of care and physical works associated with the redevelopment and service planning.

### Executive Director Finance and Corporate Services

**Mr Danny Mennuni** B.Bus, CPA

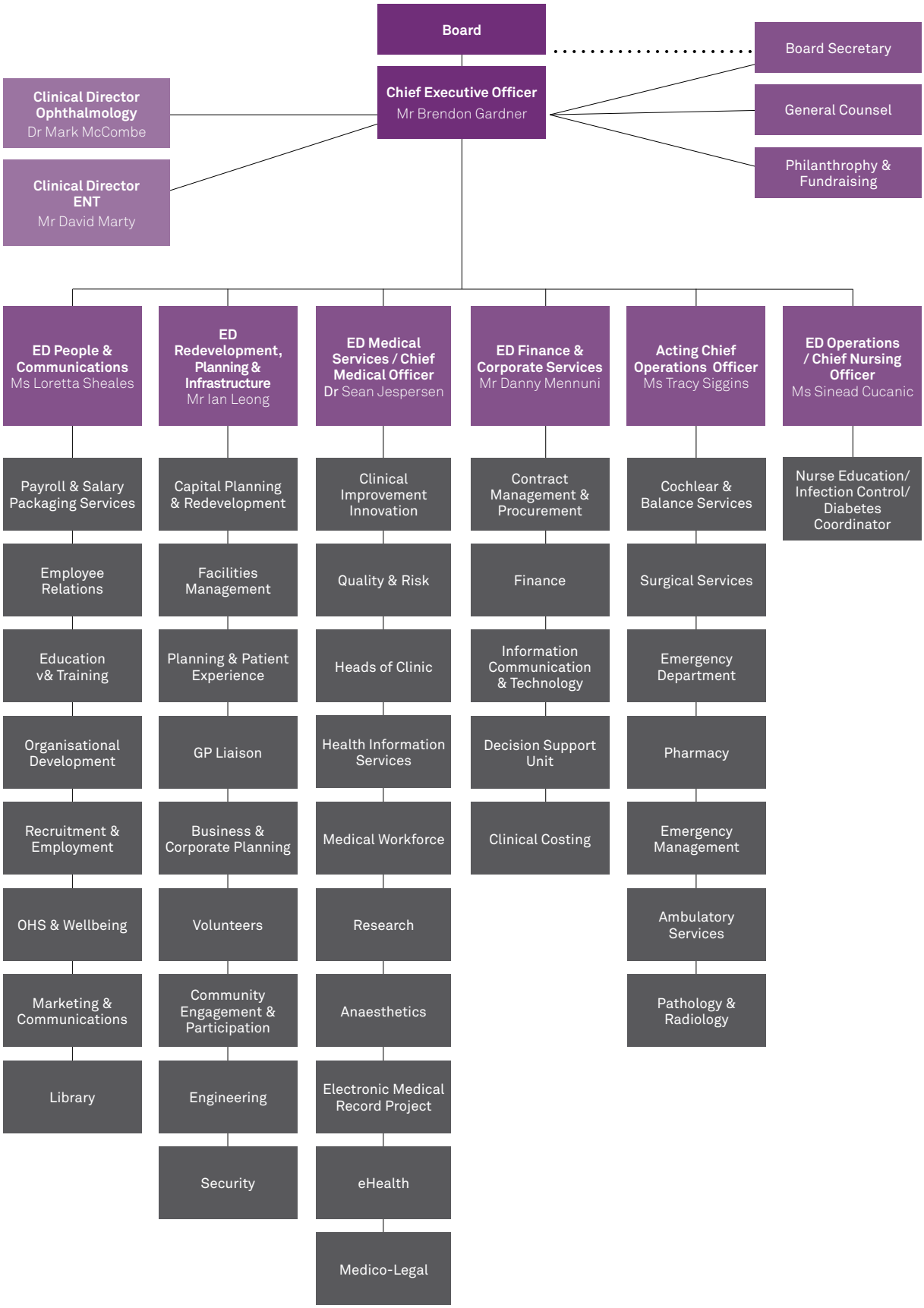
The Executive Director Finance and Corporate Services is the Chief Financial Officer and the hospital's Chief Procurement Officer. He is responsible for providing leadership in financial management, reporting and controls. The position is also responsible for leading and managing efficient and effective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

### Executive Director People and Communication

**Loretta Sheales** BSc, MEd(RC), GradDipHRMngt, FAHRI, GAICD

The Executive Director People and Culture is responsible for the leadership and support to functions including People and Culture, Marketing & Communications, Organisational Development, Payroll Services, Employee Support Services, Safety and Wellbeing and the Library Services.

# Organisational Chart



# Donors and Supporters

## The Eye and Ear is appreciative of the continued support of our donors, ambassadors and volunteers.



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

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

**Patron**
Mr Anthony Howard QC (11 August 2015 - present)

**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 La Trobe University.

Ms Emilie Rohan is the current recipient commencing in 2019.

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

**Early Career Research Support Grants (ECRSG)**
Total awarded for 2019/20 - $35,000. Recipients for 2019-2020: Dr Zoe Keon Cohen, Dr George Kong and Dr Rosie Dawkins.

No ECRSG were awarded in 2020. However an extension of funding from the 2019 recipients was carried into the 2020 financial year pertaining to maternity leave (Dr Zoe Keon Cohen) and request for second year of funding (Dr Rosie Dawkins). Both extensions were granted.

ECRSG were advertised in mid-2021 with grants awarded in June 2021 (to commence January 2022) to Dr Claire Iseli, Dr Doron Hickey, Dr Jennifer Fan Gaskin and Ms Laura Power.

## Our Major Donors, Bequestors, Corporate and Community Supporters

### Trusts and Foundations

Collier Charitable Fund
Joe White Bequest
The Eirene Lucas Foundation
The Louis & Lesley Nelken Trust Fund
The Muriel and Les Batten Foundation

### Bequests

Estate of Doris Irene Andrews
Estate of Ernest Finlay Burns
Estate of Graeme Bernard Sexton
Estate of Karl Ludwig Riha
Estate of Marion Isabel Jennings
Estate of Mr Sum Luong
Estate of Patricia Mary Thomas
Estate of Peter Wall
Estate of Sue Lissendon
Estate of Gwendoline Eve Marian
Estate of Harry Robinson
Estate of Stanley John Stephen Harrison
The Penelope Foster Foundation

### Estates

Estate of Alfred H W Dehnert
Estate of John Alexander Anderson
Estate of Martha Miranda Livingstone
The Elizabeth & Alexander Reddan Memorial Foundation
The Harry Yoffa Charitable Bequest
The Joseph & Kate Levi Charitable Trust
The William & Mary Ievers & Sons Maintenance Fund

### Estates managed by Equity Trustees

Betty Brenda Spinks Charitable Trust
Eliza Wallis Charitable Trust
Ernest and Letitia Wears Memorial Trust
Estate of Heather Sybil Smith
Estate of John F Wright
George T & Lockyer Potter Trust
The Erica Cromwell Trust
The Joseph Kronheimer Charitable Fund
William Hall Russell Trust Fund

### Major Donors

Mr Alan McKay
Mrs Ann Chlebnikowski
Mr Anthony J Robinson
Mr Arthur Tsilibakis & Ms Janet Sickinger
Mr Arun Kollamana
Mr Boo Tsan Khoo
Mr Dan Lam
Mrs Dionisia Street
Mr Douglas Mackenzie
Mrs Elizabeth Donovan
Mr Graham McKnight
Mr Greg Shalit & Dr Miriam Faine
Mr Harry Soultanidis
Mr James Smith
Ms Jules McLean in memory of the Late Mr Douglas McLean
Mr John Cook
Mr John Fisher
Mr Judith Stembridge in memory the Late Mr William Stembridge
Ms Kaye Cleary
Ms Kim Ngo
Ms Koon Yap
Ms Lam Thi Nga
Miss Liliana Mangoni
Mrs Margaret Dorrington
Mrs Marjorie Todd
Mr Michael Halprin
Mr Neil Scott
Mr Neil Tucker
Ms Ruth Crutch
Mr Robert Croft
Dr Robert Webb
Mrs Thi Rang Nguyen
Mr Trevor Edwards

### Community Supporters

Ballarat Combined Charities Card Shop
Ritchies
Johnson & Johnson Vision
Viola Design

### Partners

Glaucoma Australia

**Volunteers**
The hospital is home to a dedicated 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. Due to the pandemic, our volunteer program has been suspended since March 2020, however we have continued to stay in touch during this time. Some of our volunteers have supported us through online administration tasks and we have put steps in place for the gradual return to onsite volunteering when it is safe to do so. A highlight has been hosting a couple of small onsite celebrations for our volunteers during National Volunteer Week in May 2021 to thank them for their ongoing generosity, kindness and support. We sincerely thank all our volunteers for their hard work and continued commitment and look forward to welcoming them back soon.

**Consumer Representatives**
Among our volunteers are a dedicated group of consumer representatives who partner with us to help us improve our services for 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. Our consumer representatives have continued to participate in these activities virtually through online platforms during the 2020-2021 period.

# Key Financial and Service Performance Reporting

## Workforce Data

| | June Current Month FTE | | Average Monthly FTE | |
|---|---|---|---|---|
| **Hospitals Labour Category** | **2020** | **2021** | **2020** | **2021** |
| Nursing | 168 | 173 | 168 | 170 |
| Administration and Clerical | 161 | 162 | 162 | 166 |
| Medical Support | 53 | 56 | 55 | 54 |
| Hotel and Allied Services | 16 | 17 | 16 | 17 |
| Medical Officers | 5 | 5 | 5 | 5 |
| Hospital Medical Officers | 53 | 61 | 55 | 57 |
| Sessional Clinicians | 44 | 41 | 45 | 42 |
| Ancillary Staff (Allied Health) | 38 | 40 | 40 | 39 |
| **Total** | **538** | **555** | **546** | **550** |

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

### People and culture

In 2020-2021, we increased the focus of our workforce strategies and communication on employee wellbeing to support managers to lead in times of uncertainty and for all staff to navigate the challenges faced during the pandemic. Our online educational resources and training modules were tailored to increasing staff resilience and normalising new ways of work and communication.

### Employee Culture and Engagement

In 2020, our People Matter Survey results continued to reflect a positive trend in: staff engagement; staff psychological health and safety; job enrichment; workload; and results supporting the view that senior leaders support staff to work in an environment of change. The Eye and Ear patient safety culture results continued to be consistently above the health sector comparison group. Our results for incidences of bullying, discrimination, sexual harassment and occupational violence were particularly reflective of lower incidences compared with other hospitals. Other positive trends in our results related to the following themes: communication by our leaders; our safety culture; staff wellbeing; career development; equity; and inclusion and team work. In regards to specific questions related to the pandemic, our results were positive and were similar to other health services in topics such as working from home, organisational support and communication in relation to COVID-19.

### Health and wellbeing initiatives

We recognise the impact that work systems and culture can contribute to positive staff health and wellbeing and better work outcomes.

We continued to progress our wellness@work program priority areas of: mental health and wellbeing of staff; physical activity; nutrition; financial health; reducing alcohol intake; and the QUIT smoking program. During the year, a key focus was to support the psychological impact on staff during the continued uncertainty, change, lock down and fatigue during COVID-19.

A number of resources were communicated and implemented, we took a holistic approach to help staff navigate through COVID-19. This included taking into consideration the individuals' personal circumstances, in the context of the impact of the work environment. We developed specific strategies to support hybrid working arrangements for staff in the workplace and those working remotely.

### Recruiting and onboarding staff

In 2020-2021, the Eye and Ear workforce comprised approximately 950 staff. We recruited and onboarded approximately 170 new staff, all of whom participated in an orientation program. Our employee separation rate was 12.6 per cent, which is 1 per cent higher than industry average. The Eye and Ear appreciates that its employees are its most important asset. A supportive, informative onboarding process is critical when staff begin at the Eye and Ear to ensure 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 increased our online content and tailored our general orientation to be delivered more flexibly in the pandemic.

### 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.

### Employee recognition programs

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

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 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 2020 Excellence Awards are listed in our Chair and CEO Report on page 4. The following staff were the recipients of the Values Award in 2021:

- **Ethel Pandan,** Associate Nurse Unit Manager
- **Kathryn Day,** Manager, Patient Services and Access

### Building a capable workforce

Our leadership development pathway aims to outline development opportunities for four levels in the organisation. The need to optimise clinical leadership and operational leadership across the organisation is of critical importance to the delivery of excellence and improved patient outcomes.

The programs on our Leadership Pathway are aligned to our Leadership and Change Capabilities, group needs and organisational needs. Our programs are designed to include formal learning time through interactive workshops and also recognise the important role that the manager has in reinforcing leadership development on the job.

During the year, leadership development has involved tailored programs for levels such as: Associate Nurse Unit Managers Team Leaders, emerging leaders and experienced managers. Our 2020 programs coped well with a pivot to online learning and still managed to provide valuable learning opportunities for our leaders. We held 'Making Change Happen' and 'Maximising Team Performance' workshops, as well as virtual leadership skill practice labs. Post program evaluations showed us that participants felt confident to apply their skills on the job. Virtual micro courses were popular amongst leaders who were short of time but still had high motivation to learn.

Online courses and virtual leadership 'practice labs' have become an important mode of delivery in response to physical distancing measures. Supporting our leaders through the COVID-19 period has seen the development of a range of resources including refresher apps and more popular resources through our Lunch and Learn topics.

We continue to improve the quality of our performance and development discussions by amending the template on our online e-Performance system. These critical discussions ensure performance feedback is provided, and that 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. As a result of our audit process and staff feedback, we have refined our question regarding continuing professional development.

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

Confidential counselling and support services, provided externally was utilised at a rate of 4 per cent, which is slightly less than the previous year. 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, 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 manager support and post incident debriefing in the workplace.

### Occupational Health and Safety (OHS)

The Eye and Ear is committed to providing a safe and healthy workplace. To achieve this, management of the Eye and Ear's occupational health and safety is based upon a continuous improvement model of

planning, implementing, monitoring and reviewing health, safety and wellbeing related to prevention, early intervention promotion and response activities. The Eye and Ear takes a holistic approach to safety, considering both physical and non-physical (psychosocial) hazards and understands the impact psychosocial hazards can have on workplace health and safety.

The table below shows highlights of OHS performance. There were an additional 10 incidents for the year per full time equivalent employees: however; our WorkCover claims and time lost injuries reduced. This indicates there was higher reporting of incidents with lower severity.

| Eye and Ear Staff | 2018–19 | 2019–20 | 2020–21 |
|---|---|---|---|
| Incidents/hazards per 100 full-time equivalent staff members | 50 | 25 | 35 |
| Lost time standard claims per 100 full-time equivalent staff members | 0.92 | 1.13 | 0.18 |

### WorkCover and Injury Management

During 2020–2021, the Eye and Ear's injury management program continued to have positive results with a focus on preventative, proactive early intervention and injury management programs. The emphasis of early intervention is to address issues prior to escalation and assist in the management of injuries and illnesses. Our non-work related injury management program ensures coordination of staff to return, or remain at work which creates great benefit for individual staff and their work teams.

Our key occupational health and safety incidents related to: slips, trips and falls; occupational violence and aggression; psychological safety (including fatigue); the psychological impact of the COVID-19 pandemic on staff; and, manual handling.

Over the last year the highest incidence of open WorkCover claims are related to manual handling, followed by slips, trips and falls. The highest claims costs, with low incidence, is attributed to mental health injuries.

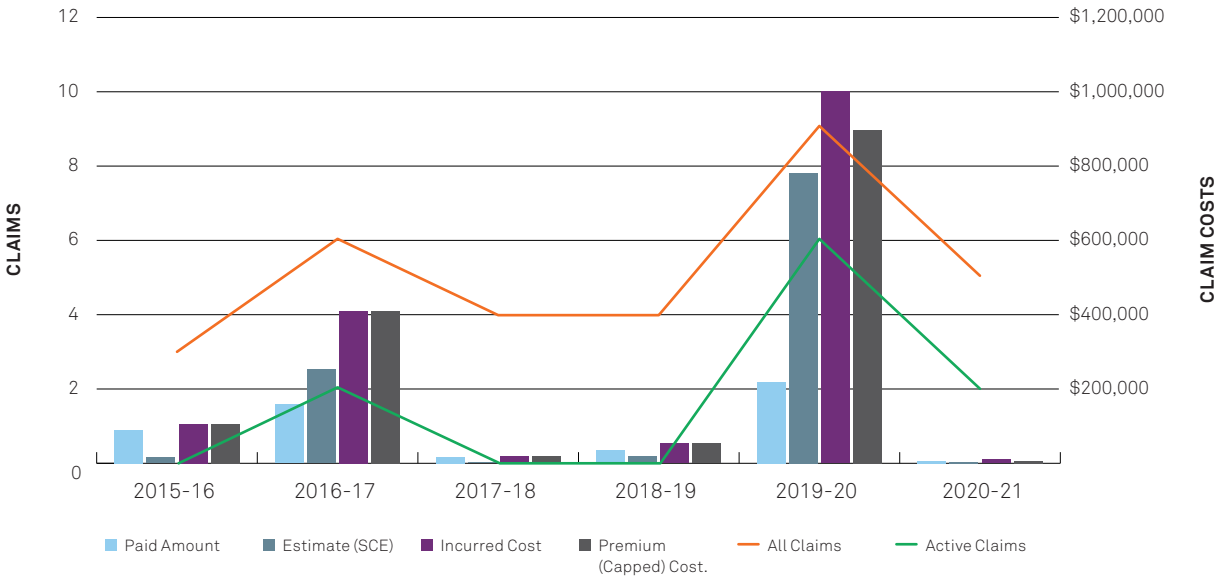
As a result of claims management, proactive management of injuries and minimisation of hazards, our incurred claims costs have reduced by over 90 per cent compared with the previous year.

The graph below shows claims cost trends from July 2015 to June 2021.

This is reflected in our Employer Performance Rating (EPR) of 0.45 that continues to be better than industry average of 1.0. This shows our WorkCover performance was 55 per cent better than the industry.

We continue to implement the preventative actions outlined below to contain costs and manage injuries. WorkCover claims reduced last year from nine to five. Of the five claims there were two-time lost claims and three medical expense only claims lodged.

### WorkCover claims lodged and cost 2015-2021



### Preventative strategies

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,
- The importance of appropriate consultation between Health and Safety representatives, staff, managers and People and Culture before implementing new work practices or equipment
- Risk assessments to identify hazards that have the potential to cause harm prior to a change in work practices, procedures or work environment.

In 2020-2021, the Health, Safety and Environment Committee met quarterly to discuss, monitor and agree on remedial action for safety issues. Committee members include: management, Health and Safety representatives and a consumer representative.

The Laser and Radiation Safety and Emergency Management Committee is held quarterly and has management, staff and safety representatives involved that facilitates consultation regarding health and safety decisions.

The following OHS related training was provided: Leading Appropriate Workplace Behaviours—that incorporates the prevention of bullying; discrimination and harassment for all managers; occupational violence and aggression management for clinical and front-line staff; and five-day initial OHS and one day refresher training for Health and Safety Representatives.

### 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 an Occupational Violence and Aggression (OVA) Action Plan to address specific occupational violence needs and promote staff safety. In 2020-2021 all staff have the opportunity to complete an online occupational violence and aggression training package designed to increase staff awareness and understanding of OVA. An external training provider was engaged to facilitate OVA training for clinical and front-line staff and for Code Grey and Code Black emergency response team members.

The Eye and Ear has implemented a number of initiatives including increasing staff awareness of inappropriate behaviours that constitute OVA.

The table below outlines the comparison in Occupational Violence incidents compared with the previous year.

| Occupational violence statistics | 2019-20 | 2020-21 |
|---|---|---|
| WorkCover accepted claims with an occupational violence per 100 FTE | 0 | 0 |
| Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 0 | 0 |
| Number of occupational violence incidents reported | 62 | 82 |
| Number of occupational violence incidents reported per 100 FTE | 11.3 | 14.9 |
| Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 0 | 2.4 |

There was an increase of twenty OVA reported incidents for the year totalling 82, compared with 62 incidents the previous year. A high number of the incidents were related to changes in hospital processes stemming from COVID-19 and the requirement for patients, visitors and carers to wear masks and comply with COVIDSafe requirements.

Definitions of occupational violence:

- **Occupational violence** – any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.
- **Incident** – an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.
- **Accepted Workcover claims** – accepted Workcover claims that were lodged in 2020-2021.
- **Lost time** – is defined as greater than one day.
- **Injury, illness or condition** – this includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

## Financial Information

| | 2021 $,000 | 2020 $,000 | 2019 $,000 | 2018 $,000 | 2017 $,000 |
|---|---|---|---|---|---|
| **Operating Result** | **96** | **824** | **148** | **272** | **130** |
| Total Revenue | 157,785 | 148,986 | 147,407 | 158,047 | 131,558 |
| Total Expense | (129,357) | (126,934) | (128,890) | (122,238) | (113,380) |
| **Net Result from Transactions** | **28,428** | **22,052** | **18,517** | **35,809** | **18,178** |
| Total Other Economic Flows | 4,784 | (1,836) | (4,088) | 639 | 474 |
| **Net Result** | **33,212** | **20,216** | **14,429** | **36,448** | **18,652** |
| Total Assets | 388,452 | 345,001 | 326,678 | 332,022 | 285,370 |
| Total Liabilities | (45,222) | (34,983) | (36,876) | (34,050) | (25,612) |
| **Net Assets / Total Equity** | **343,230** | **310,018** | **289,802** | **297,972** | **259,758** |

## Reconciliation of Net Result from Transactions and Operating Result

| | 2020-21 $,000 |
|---|---|
| **Net Operating Result** | **96** |
| **Capital and Specific Items:** | |
| Capital Purpose Income | 38,671 |
| Specific Income | 0 |
| COVID 19 State Supply Arrangements: | |
| - Assets received free of charge or for nil consideration under the State Supply Arrangements | 150 |
| - State supply items consumed up to 30 June 2021 | (150) |
| Assets Received Free of Charge | 0 |
| Assets Provided Free of Charge | 0 |
| Expenditure for Capital Purposes | (410) |
| Depreciation and Amortisation | (9,873) |
| Impairment of Non-Financial Assets | 0 |
| Finance Costs | (56) |
| **Net Result from Transactions** | **28,428** |

## Consultancies information FRD 11(e)

**Details of consultancies (under $10,000)**
In 2020-2021, 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 2020-2021, there were four consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2020-2021 in relation to these consultancies is $133,861 (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 2020-21 (excluding GST) | Future Expenditure (excluding GST) |
|---|---|---|---|---|---|---|
| Chrysalis Advisory | Conduct a governance and ethics review at Centre for Eye Research Australia and The Royal Victorian Ear and Eye Hospital. | Aug-20 | Oct-20 | $53,361 | $53,361 | $0 |
| Workwell Consulting Pty Ltd | Articulate and agree strategic options in light of the COVID-19 pandemic. | Jun-20 | Sep-20 | $50,000 | $25,000 | $0 |
| Workwell Consulting Pty Ltd | Advisory and facilitation services relating to strategy and governance development. | Mar-21 | Aug-21 | $50,000 | $37,500 | $12,500 |
| Workwell Consulting Pty Ltd | For the boards of The Royal Victorian Ear and Eye Hospital and Centre for Eye Research Australia to reach a unified position on 'shared value'. | Jun-21 | Aug-21 | $18,000 | $18,000 | $0 |

**Significant Changes in Financial Position During 2020-2021**
There were no significant changes in the financial position during 2020-2021.

## 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) |
| $4.195 million | $1.321 million | $0.00 | $1.321 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 2020-2021 financial year was as follows:

| | |
|---|---|
| **Application fee** | $29.60 |
| **Search and retrieval fee** | $5.00 |
| **Photocopying/printing (black & white)** | $0.20 per page |
| **Photographs** | $5 per photo |
| **Supervised viewing** | $27.00 per ¼ hour ($85.20 max.) |

| Freedom of Information Applications 2020-2021 | | Requestors | No. of requests |
|---|---|---|---|
| Total requests | 172 | General Public | 35 |
| Fully granted | 137 | Lawyers & insurance companies | 137 |
| **Completed** | **146** | **Total** | **137** |

The requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee.
- The FOI officer for the Eye and Ear is Dr Sean Jespersen.

## 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 2020-21, The Royal Victorian Eye and Ear Hospital at 32 Gisborne St East Melbourne achieved 100 per cent 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.

## Public Interest Disclosures 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 Public Interest Disclosures Act 2012 (Vic).

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 Public Interest 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.

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. The Eye and Ear is committed to many waste management and sustainability practices, including, PPE preservation, a recycling program, and donating equipment to community organisations and charities.

This year we donated electronic beds and mattresses to support hospitals in Fiji. During the peak of the COVID-19 pandemic, one of our ENT surgeons' Dr Christopher Brown enhanced our garden spaces with drought tolerant plants during his lunch breaks to help brighten the area.

| **Total greenhouse gas emissions (tonnes CO2e)** | **2020/2021** |
|---|---|
| Scope 1 | 2,279 |
| Scope 2 | 11,717 |
| **Total** | **13,996** |
| **Total stationary energy purchased by energy type (GJ)** | |
| Electricity | 43,041 |
| Natural Gas | 44,230 |
| **Total** | **87,271** |
| **Total water consumption by type (kL)** | |
| Class A Recycled Water | N/A |
| Potable Water | 37,559 |
| Reclaimed Water | N/A |
| **Total** | **37,559** |
| **Waste** | |
| Total waste generated (kg clinical waste+kg general waste+kg recycling waste) | 404,884 |
| Total waste to landfill generated (kg clinical waste+kg general waste) | 345,471 |
| Total waste to landfill per patient treated ((kg clinical waste+kg general waste)/PPT) | 5.11 |
| Recycling rate % (kg recycling / (kg general waste+kg recycling)) | 16.09 |

Please note the increase in 2020-2021 data correlates with the opening of the tower building at Eye and Ear on The Park which has been occupied by St Vincent's Hospital since August 2020.

## 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 2020-23 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 2019-2020 include engaging consumers to inform improvements to our signage and wayfinding, and input into the actions outlined in new DAP.

## Car parking fees

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

## 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 2020-2021 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 2021.

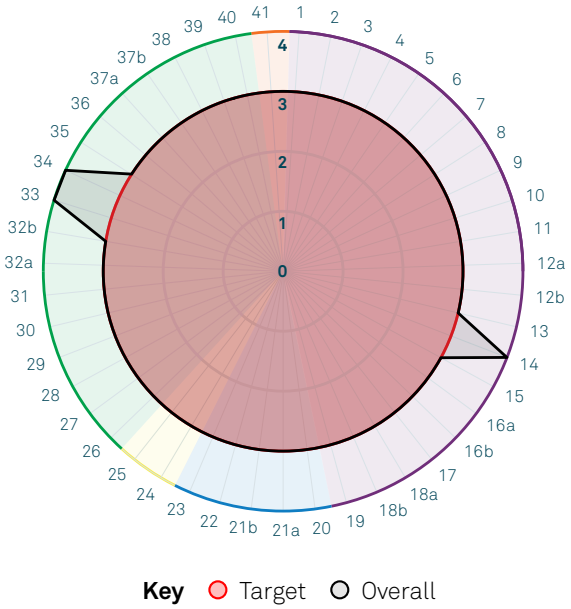
## Gender Equality Act 2020

The organisation commenced activities in recognition of the Gender Equality Act 2020, which included developing strategies and measures to promote gender equality within the workplace. Along with other health services, representatives from the Eye and Ear completed training delivered by the Commission for Gender Equality in the Public Sector, and participated in a sector wide working group. A Gender Equality Working Group was convened which is made up of a Consumer representative along with representatives from a variety of departments within the hospital, who will be crucial in the implementation of the Act requirements. Plans are in place to complete a Gender Audit and create a Gender Equality Action Plan.

The Eye and Ear continues to be an equal opportunity employer and is committed to providing its employees with a work environment which is free from harassment and discrimination, together with an environment that promotes wellbeing. Our employees show their commitment to our values by upholding appropriate behaviours and applying fair and equitable employment principles to their daily decisions. In order to be viewed as an employer of choice, we actively support and engage workforce diversity. Valuing diversity facilitates the delivery of better patient centred care to a wide range of patients. It also engages employees by celebrating our differences; with this strength we are able to harness these characteristics to achieve organisational and individual benefit.

## Asset Management Accountability Framework

The following sections summarise the hospital's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The hospital's overall target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.




### Legend

| Status | Scale | Compliance |
|---|---|---|
| Not Applicable | N/A | Not Applicable |
| Innocence | 0 | Non-Comply |
| Awareness | 1 | Non-Comply |
| Developing | 2 | Non-Comply |
| Competence | 3 | Comply |
| Optimising | 4 | Comply |
| Unassessed | U/A | Unassessed |

**Leadership and Accountability (requirements 1-19)**
The hospital has met its target maturity level under all requirements within this category although there are areas where reviews are required to devise an improvement. However, overall, there are no material non-compliance reported in this category. The hospital also exceeded the target in one of the monitoring performance area where it incorporates the asset management into the overall corporate and strategic planning framework in the form of Strategic Capital Plan.

**Planning (requirements 20-23)**
The hospital has met its target maturity level in this category.

**Acquisition (requirements 24 and 25)**
The hospital has met its target maturity level in this category.

**Operation (requirements 26-40)**
The hospital has met its target maturity level under all requirements within this category. Similar to the above, there are some areas that require review for improvement, particularly around non-financial information (eg service history) and implementing effective processes to generate the required information. However, no material non-compliance was reported in this category.

The hospital is ahead of target in establishing and maintaining asset information databases as well as asset registers.

**Disposal (requirement 41)**
The hospital has met its target maturity level in this category.

**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.

# Attestations



### Financial Management Compliance Attestation

I, Simon Brewin, on behalf of the Responsible Body, certify that The Royal Victorian Eye and Ear Hospital has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.

**Mr Simon Brewin**
Board Member and Chair, Audit Committee
10 September 2021

### Data Integrity

I, Brendon Gardner, 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.

**Brendon Gardner**
Chief Executive Officer
The Royal Victorian Eye and Ear Hospital
10 September 2021

### Conflict of Interest

I, Brendon Gardner, 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.

**Brendon Gardner**
Chief Executive Officer
The Royal Victorian Eye and Ear Hospital
10 September 2021

### Integrity, fraud and corruption

I, Brendon Gardner, 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.

**Brendon Gardner**
Chief Executive Officer
The Royal Victorian Eye and Ear Hospital
10 September 2021

# Financial and Service Performance



## Reporting against the Statement of Priorities Part A: Strategic Priorities

For financial year 2020-2021 there have been no individual deliverables that constitutes Strategic Priorities Part A due to the COVID-19 pandemic. The Eye and Ear will have reported on the overarching strategic priorities provided by the Minister for Health.

**How the health service maintains their COVID-19 readiness and response (including any arrangements in relation to hotel quarantine management)**

The Eye and Ear activated its Hospital Incident Management Team (HoIMT) response in March 2020 as a result of the COVID 19 pandemic. In the initial months of the HoIMT response, four response streams were formed. Each stream consisted of key internal representatives who were charged with responsibility of developing and implementing identified Incident Action Plans. In all, thirteen Incident Action Plans were developed to outline how the hospital would respond to a given situation and the strategies that would be initiated in the event of the situation unfolding.

From the start of July 2020, the Operations Working Group continued to meet with representatives of the three other streams joining the group, including senior medical staff, procurement, communications and the clinical improvement unit. More efficient and targeted decision-making processes were employed to reduce overlap of tasks being undertaken. This group has continued to meet regularly, the frequency of meetings are based on the particular pandemic response level in place at any given time. The key function of this group has been to identify, address and manage issues around the day-to-day functioning of the organisation in the ever-changing landscape of the COVID-19 pandemic response.

This group has been responsible for actioning the following the key functions:

- Communicating key updates from the Chief Health Officer and Department of Health via the daily huddles and weekly staff bulletin
- Development of a COVID Safe Plan as per Department of Health requirements
- Activation of the Victorian Health Services Guidance and Response to Risk Levels: COVID Ready, COVID Alert, COVID Active and COVID Peak
- Development of a specific Incident Action Plan (Management of Activity) that has customised the Victorian Health Services Guidance and Response to Risk Levels matrix to reflect the patient activity levels that would apply to Eye and Ear patients for each Risk Level
- Introduction of an online PPE training package for all staff. The training package comprises four courses (including the assessment questions); the Nursing Education unit primarily led the development of this package
- Progression of the implementation of the Respiratory Protection Program (RPP), including the recruitment of the RPP Coordinator
- Regular review and monitoring of the COVID-19 staff attestation process and the screening requirements for patients, carers and visitors. This has required numerous amendments to the screening questions for staff, patients and visitors in recognition of the implementation of the Victorian Government's 'traffic light' approach to exposure areas across Australia
- Implemented the COVID-19 AstraZeneca and influenza vaccination programs
- Oversight of the transition of the hospital's concierge program (from a staffing perspective) from clinical staff to administration staff commenced in November 2020. Implementation of the COVID-19 vaccination program
- Compliance with physical distancing rules in all areas across both campuses of the hospital.

**How the health service engages with their community, especially with those who are most vulnerable including Aboriginal communities, and those whose treatment has been delayed due to COVID-19.**

As part of The Royal Victorian Eye and Ear Hospital's commitment to supporting a diverse community across Victoria, we engage with the most vulnerable patients in the following ways:

- Our Aboriginal Health Liaison Officers (AHLOs) keep in contact with the Aboriginal patients that are on our waiting lists—especially those whose appointments have been cancelled due to COVID-19

- Specialist clinics during COVID-19:
  - During the long state-wide lockdown that commenced on 7 July 2020, medical staff re-triaged all patients on their lists to either re-categorise or recommend telehealth reviews
  - Medical staff have also been rostered to respond to clinical queries that patients have raised over the phone, calling to talk to them about their concerns or completed scripts for medications as required
  - During the shorter lockdown periods patients were not cancelled (unless requested by the patient) but instead their appointments were all rescheduled for a later date (within six weeks)
- Surgical Services during COVID-19:
  - Category 2 cases were reviewed by the Consultants from each unit to determine which cases were Category 2a (urgent)
  - All cases that were cancelled were added to a COVID-19 folder which formed the top of the list for rebooking on easing of restrictions.

**How the health service will respond to the Mental Health and Aged Care Royal Commissions**

The Eye and Ear welcomed the release of the Final Report of the Royal Commission into Victoria's Mental Health System on 2 February 2021 and the Royal Commission into Aged care on 1 March 2021. As a hospital servicing the whole of Victoria we continue to consider ways we can support reform in this sector across the organisation, led by our Board and Executive.

**How the health service develops and fosters local partnerships including with Aboriginal community controlled health organisations (ACCHOs), Traditional Owners, Registered Aboriginal Parties and local Aboriginal communities more broadly.**

As part of The Royal Victorian Eye and Ear Hospital's Reconciliation Action Plan, we foster relationships with our Aboriginal community members in the following ways:

- Quarterly operations meetings with VAHS for both the ENT clinic and the Ophthalmology clinic to support our partnership outreach clinics
- Membership of Victorian Aboriginal Eye Health Strategic Committee which is in partnership with VACCHO, ACCHOs and Indigenous Eye Health at the University of Melbourne
- Membership of the North and West Metro Melbourne Aboriginal Eye Health Stakeholder group
- The setting up of a group called Dharri Baagon which is a peer support group for AHLOs in specialist health care organisations in Melbourne.

The Royal Victorian Eye and Ear's Aboriginal Cultural Safety Plan details the actions we have undertaken or are undertaking to improve the cultural safety of our organisation. Our Aboriginal Cultural Safety Plan Report was submitted to the Department of Health in June 2021. Some key achievements include:

- Over 90 per cent of our staff and all of our Board Directors have completed Aboriginal Cultural Awareness training
- An external consultant was engaged to complete a cultural safety audit of our buildings
- Planning for the development of an outdoor Welcome Space for Aboriginal patients and their families has been completed and funding through Philanthropy is currently being investigated
- The Aboriginal Employment Plan has been reviewed and updated and the new version was launched during Reconciliation Week in May 2021
- Progress against the actions in our Innovate Reconciliation Action Plan (RAP) is on track.

# Part B: Key Performance Measures

## High quality and safe care

| Key performance measure | Target | 2020-21 result |
|---|---|---|
| **Infection prevention and control** | | |
| Compliance with the Hand Hygiene Australia program | 83% | 88.5% (March 2021) |
| Percentage of healthcare workers immunised for influenza | 90% | 92.5% |
| **Patient experience** | | |
| Victorian Healthcare Experience Survey – percentage of positive patient experience responses | 95% | No Surveys conducted in 2020- 2021 |
| Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care | 75% | No Surveys conducted in 2020- 2021 |
| **Healthcare associated infections (HAI's)** | | |
| Rate of patients with SAB per 10,000 occupied bed days | ≤ 1 | 0 |

## Timely access to care

| Emergency care | Target | Result |
|---|---|---|
| Percentage of ambulance patients transferred from ambulance to emergency department within 40 minutes | 90% | 98% |
| Percentage of Triage Category 1 emergency patients seen immediately | 100% | 100% |
| Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended time | 80% | 81% |
| Percentage of emergency patients with a length of stay in the emergency department of less than four hours | 81% | 77% |
| 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 surgery patients admitted within 30 days | 100% | 100% |
| Percentage of Urgency Category 1, 2 and 3 elective patients admitted within clinically recommended timeframes | 94% | 87.4% |
| Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category | 5% or 15% proportional improvement from prior year | 25.9% |
| Number of patients on the elective surgery waiting list | 3,500 | 4,164 |
| Number of hospital initiated postponements per 100 scheduled admissions | <7/100 | 4.05 |
| Number of patients admitted from the elective surgery waiting list – annual total | 13,940 | 9,919 |
| **Specialist clinics** | | |
| Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days | 100% | 90.9% |
| Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days | 90% | 85.5% |

### Effective financial management

| Key performance measure | Target | 2020-21 result |
|---|---|---|
| Operating result ($m) | 0.000 | 0.10 |
| Average number of days to pay trade creditors | 60 days | 29 days |
| Average number of days to receive patient fee debtors | 60 days | 17 days |
| Public and Private WIES activity performance to target | 100% | 71.8% |
| Adjusted current asset ratio | 0.7 or 3% improvement from health service base target | 3.29 |
| Actual number of days available cash, measured on the last day of each month. | 14 days | 62 days |
| Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June. | Variance ← $250,000 | $967,882 |

# Part C: Activity and Funding

| Funding type | Activity |
|---|---|
| **Acute Admitted** | |
| Acute WIES | 9,122 |
| WIES DVA | 34 |
| WIES TAC | 1 |
| **Acute Non-Admitted** | |
| Emergency Services | 37,386 |
| Specialist Clinics | 137,860 |
| Specialist Clinics - DVA | 152 |

# Disclosure Index

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



| Legislation | Requirement | Page reference |
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# Financial Statements

# Financial Statements

Financial Year ended 30 June 2021

## Board Member's, Accountable Officer's, and Chief Finance & Accounting 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 Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of *The Royal Victorian Eye and Ear Hospital* at 30 June 2021.

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 10 September 2021.

Dr Sherene Devanesen
Chair, Board of Directors
10 September 2021

Brendon Gardner
Accountable Officer
10 September 2021

Danny Mennuni
Chief Finance and Accounting Officer
10 September 2021

# 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:<br>• balance sheet as at 30 June 2021<br>• comprehensive operating statement for the year then ended<br>• statement of changes in equity for the year then ended<br>• cash flow statement for the year then ended<br>• notes to the financial statements, including significant accounting policies<br>• board member's, accountable officer's and chief finance & accounting officer's declaration.<br>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2021 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.<br>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.<br>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. |
| **Board's responsibilities for the financial report** | The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.<br>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. |

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**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
29 September 2021

Dominika Ryan
*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 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue and Income from Transactions:** | | | |
| Operating Activities | 2.1 | 155,319 | 146,094 |
| Non-Operating Activities | 2.1 | 2,466 | 2,892 |
| **Total Revenue and Income from Transactions** | | **157,785** | **148,986** |
| **Expenses from Transactions:** | | | |
| Employee Expenses | 3.1 | (80,224) | (78,710) |
| Supplies and Consumables | 3.1 | (24,802) | (24,946) |
| Finance Costs | 3.1 | (56) | (269) |
| Administrative Expenses | 3.1 | (7,761) | (7,516) |
| Other Operating Expenses | 3.1 | (6,612) | (6,198) |
| Depreciation and Amortisation | 4.4 | (9,873) | (9,213) |
| Other Non-Operating Expenses | 3.1 | (29) | (82) |
| **Total Expenses from Transactions** | | **(129,357)** | **(126,934)** |
| **Net Result from Transactions - Net Operating Balance** | | **28,428** | **22,052** |
| **Other Economic Flows Included In Net Result:** | | | |
| Net Gain/(Loss) on Non-Financial Assets | 3.4 | 412 | - |
| Net Gain/(Loss) on Financial Instruments at Fair Value | 3.4 | 3,646 | (1,633) |
| Other Gain/(Loss) from Other Economic Flows | 3.4 | 726 | (203) |
| **Total Other Economic Flows Included In Net Result** | | **4,784** | **(1,836)** |
| **Net Result For The Year** | | **33,212** | **20,216** |
| | | | |
| **Comprehensive Result For The Year** | | **33,212** | **20,216** |

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

# The Royal Victorian Eye and Ear Hospital
# Balance Sheet
## As at 30 June 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | 6.2 | 26,301 | 25,394 |
| Receivables and Contract Assets | 5.1 | 2,737 | 1,759 |
| Investments and Other Financial Assets | 4.1 | 141 | - |
| Inventories | 4.6 | 326 | 371 |
| Other Assets | 5.3 | 1,149 | 1,142 |
| **Total Current Assets** | | **30,654** | **28,666** |
| **Non-Current Assets** | | | |
| Receivables and Contract Assets | 5.1 | 4,515 | 4,211 |
| Investments and Other Financial Assets | 4.1 | 45,488 | 41,898 |
| Property, Plant and Equipment | 4.2 | 286,199 | 252,467 |
| Intangible Assets | 4.3 | 8,586 | 5,149 |
| Investment Properties | 4.5 | 13,010 | 12,610 |
| **Total Non-Current Assets** | | **357,798** | **316,335** |
| **Total Assets** | | **388,452** | **345,001** |
| **Current Liabilities** | | | |
| Payables and Contract Liabilities | 5.2 | 14,933 | 4,263 |
| Employee Benefits | 3.2 | 20,244 | 18,521 |
| Borrowings | 6.1 | 1,736 | 1,736 |
| **Total Current Liabilities** | | **36,913** | **24,520** |
| **Non-Current Liabilities** | | | |
| Employee Benefits | 3.2 | 3,109 | 3,584 |
| Borrowings | 6.1 | 5,200 | 6,879 |
| **Total Non-Current Liabilities** | | **8,309** | **10,463** |
| **Total Liabilities** | | **45,222** | **34,983** |
| **Net Assets** | | **343,230** | **310,018** |
| **Equity** | | | |
| Property, Plant and Equipment Revaluation Surplus | 4.2(f) | 67,428 | 67,428 |
| General Purpose Reserve | SCE | 258 | 166 |
| Restricted Specific Purpose Reserve | SCE | 41,922 | 49,948 |
| Contributed Capital | SCE | 51,568 | 51,568 |
| Accumulated Surpluses | SCE | 182,054 | 140,908 |
| **Total Equity** | | **343,230** | **310,018** |

**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 2021

| | Property, Plant and Equipment Revaluation Surplus | General Purpose Reserve | Restricted Specific Purpose Reserve | Contributed Capital | Accumulated Surpluses/ (Deficits) | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 30 June 2019** | **67,428** | **110** | **56,418** | **51,568** | **114,278** | **289,802** |
| Net Result for the Year | - | - | - | - | 20,216 | 20,216 |
| Transfer to / (from) Accumulated Surpluses | - | 56 | (6,470) | - | 6,414 | - |
| **Balance at 30 June 2020** | **67,428** | **166** | **49,948** | **51,568** | **140,908** | **310,018** |
| Net Result for the Year | - | - | - | - | 33,212 | 33,212 |
| Transfer to / (from) Accumulated Surpluses | - | 92 | (8,026) | - | 7,934 | - |
| **Balance at 30 June 2021** | **67,428** | **258** | **41,922** | **51,568** | **182,054** | **343,230** |

**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 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Cash Flows From Operating Activities:** | | | |
| Operating Grants from Government (State) | | 113,281 | 99,582 |
| Operating Grants from Government (Commonwealth) | | 2,570 | 3,070 |
| Capital Grants from Government (State) | | 3,829 | 2,519 |
| Patient Fees Received | | 3,591 | 4,199 |
| Private Practice Fees Received | | 1,606 | 1,903 |
| Donations and Bequests Received | | 1,148 | 3,179 |
| GST Received from ATO | | 3,440 | 3,726 |
| Interest and Investment Income Received | | 2,563 | 2,494 |
| Car Park Income Received | | 260 | 430 |
| Other Receipts | | 6,555 | 6,024 |
| **Total Receipts** | | **138,843** | **127,126** |
| Employee Expenses Paid | | (76,577) | (75,813) |
| Payments for Supplies and Consumables | | (24,523) | (26,902) |
| Payments for Medical Indemnity Insurance | | (1,448) | (1,375) |
| Payments for Repairs and Maintenance | | (2,085) | (2,094) |
| GST (Paid to) ATO | | (208) | (251) |
| Other Payments | | (14,733) | (16,868) |
| **Total Payments** | | **(119,574)** | **(123,303)** |
| **Net Cash Flow From/(Used In) Operating Activities** | 8.1 | **19,269** | **3,823** |
| **Cash Flows From Investing Activities:** | | | |
| Purchase of Property, Plant and Equipment | | (16,638) | (13,651) |
| Proceeds from Disposal of Property, Plant and Equipment | | 12 | 24 |
| **Net Cash Flow From/(Used In) Investing Activities** | | **(16,626)** | **(13,627)** |
| **Cash Flows From Financing Activities:** | | | |
| Repayment of Borrowings | | (1,736) | - |
| **Net Cash Flow From/(Used In) Financing Activities** | | **(1,736)** | **-** |
| **Net Increase/(Decrease) In Cash And Cash Equivalents Held** | | **907** | **(9,804)** |
| **Cash and Cash Equivalents at Beginning of Year** | | **25,394** | **35,198** |
| **Cash and Cash Equivalents at End of Year** | 6.2 | **26,301** | **25,394** |

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

# Note 1: Basis of Preparation

These 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 2021. The report provides users with information about the hospital's stewardship of resources entrusted to it.

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

Structure:



## Note 1.1: Basis of Preparation of the Financial Statements

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, 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 authorised by the Assistant Treasurer.

The Royal Victorian Eye and Ear Hospital is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" health service under the Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

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

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

The financial statements are prepared on a going concern basis (refer 8.9 Economic Dependency).

The financial statements are in Australian dollars.

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

The annual financial statements were authorised for issue by the Board of The Royal Victorian Eye and Ear Hospital on 10 September 2021.

## Note 1.2: 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.

## Note 1.3: Impact of COVID-19 Pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. Since this date, to contain the spread of COVID-19 and prioritise the health and safety of our community, the hospital was required to comply with various directions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the hospital operates.

The hospital introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- deferring elective surgery and reducing activity
- implementing work from home arrangements where appropriate

As restrictions have eased towards the end of the financial year the hospital has been able to revise some measures where appropriate including returning elective surgery and other service activity to normal levels.

The financial impacts of the pandemic are disclosed at:

- Note 2: Funding the Delivery of Services
- Note 3: The Cost of Delivering Services
- Note 4: Key Assets to Support Service Delivery
- Note 5: Other Assets and Liabilities
- Note 6: Operational Financing

## Note 1.4: Abbreviations and Terminology Used in the Financial Statements

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

| Reference | Title |
|---|---|
| AASB | Australian Accounting Standards Board |
| AASs | Australian Accounting Standards, which include Interpretations |
| DH | Department of Health |
| DTF | Department of Treasury and Finance |
| FMA | Financial Management Act 1994 |
| FRD | Financial Reporting Direction |
| SCE | Statement of Changes in Equity |
| SD | Standing Direction |
| VAGO | Victorian Auditor General's Office |
| WIES | Weighted Inlier Equivalent Separation |

## Note 1.5: Key Accounting Estimates and Judgements

Management make estimates and judgements when preparing the financial statements.

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

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

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

## Note 1.6: Accounting Standards Issued but Not Yet Effective

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

| Standard | Adoption Date | Impact |
|---|---|---|
| AASB 17: Insurance Contracts | Reporting periods on or after 1 January 2023 | Adoption of this standard is not expected to have a material impact. |
| AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current | Reporting periods on or after 1 January 2022 | Adoption of this standard is not expected to have a material impact. |
| AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments | Reporting periods on or after 1 January 2022 | Adoption of this standard is not expected to have a material impact. |
| AASB 2020-8: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 | Reporting periods on or after 1 January 2022 | Adoption of this standard is not expected to have a material impact. |

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the hospital in future periods.

## Note 1.7: Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Balance Sheet are stated inclusive of the amount of GST. 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 included in the Cash Flow Statement on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, which are disclosed as operating cash flows.

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

# Note 2: Funding the Delivery of Services

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

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

Structure:

2.1 Revenue and Income from Transactions

2.2 Fair Value of Assets Received Free of Charge or for Nominal Consideration

2.3 Other Income

### Telling the COVID-19 Story

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

This was offset by funding provided by the Department of Health to compensate for reductions in revenue and to cover certain direct and indirect COVID-19 related costs.

Funding provided included:

- State repurpose grants to fund foregone revenue from patient and private practice fees, car parking fees and rental income and the costs associated with implementing COVID safe practices.
- COVID-19 grants to fund the costs associated with implementing COVID safe practices.

### Key Judgements and Estimates

This section contains the following key judgements and estimates:

| Key Judgements and Estimates | Description |
|---|---|
| Identifying performance obligations | The hospital applies significant judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations.<br>If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring the hospital to recognise revenue as or when the hospital transfers promised goods or services to customers.<br>If this criteria is not met, funding is recognised immediately in the net result from operations. |
| Determining timing of revenue recognition | The hospital applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time. |
| Determining time of capital grant income recognition | The hospital applies significant judgement to determine when its obligation to construct an asset is satisfied. Costs incurred is used to measure the hospital's progress as this is deemed to be the most accurate reflection of the stage of completion. |

## Note 2.1: Revenue and Income from Transactions

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Operating Activities** | | | |
| **Revenue from Contracts with Customers:** | | | |
| Government Grants (State) - Operating | | 97,231 | 95,878 |
| Patient Fees | | 3,669 | 3,964 |
| Private Practice Fees | | 1,607 | 1,903 |
| Commercial Activities [(i)] | | 973 | 1,275 |
| **Total Revenue from Contracts with Customers** | | **103,480** | **103,020** |
| **Other Sources of Income:** | | | |
| Government Grants (State) - Operating | | 6,969 | 5,051 |
| Government Grants (Commonwealth) - Operating | | 2,601 | 3,075 |
| Government Grants (State) - Capital | | 35,173 | 26,822 |
| Assets Received Free of Charge or for Nominal Consideration | 2.2 | 1,123 | 1,702 |
| Other Revenue from Operating Activities (including Non-Capital Donations) | | 5,973 | 6,424 |
| **Total Other Sources of Income** | | **51,839** | **43,074** |
| **Total Revenue and Income from Operating Activities** | | **155,319** | **146,094** |
| **Non-Operating Activities** | | | |
| **Other Sources of Income:** | | | |
| Capital Interest | 2.3 | 124 | 459 |
| Dividends | 2.3 | 2,075 | 2,035 |
| Other Income from Non-Operating Activities | 2.3 | 267 | 398 |
| **Total Income from Non-Operating Activities** | | **2,466** | **2,892** |
| **Total Revenue and Income from Transactions** | | **157,785** | **148,986** |

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

## How We Recognise Revenue and Income From Transactions

### Government Operating Grants

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

When both these conditions are satisfied, the hospital:

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

When the contract is not enforceable and/or does not have sufficiently specific performance obligations, in accordance with AASB 1058 – Income for not-for-profit entities, the hospital:

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

The types of government grants recognised under AASB 15: Revenue from Contracts with Customers includes:

| Government Grant | Performance Obligation |
|---|---|
| Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix | The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities.<br>Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed.<br>WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group. |

### Capital Grants

When the hospital receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities arising from a contract with a customer) recognised under other Australian Accounting Standards.
Income is recognised progressively as the asset is procured or constructed which aligns with the hospital's obligation to procure or construct the asset. The progressive percentage of costs incurred is used to recognise income, as this most accurately reflects the stage of completion.

### Patient Fees

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

### Private Practice Fees

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

### Commercial Activities

Revenue from commercial activities includes commercial car parking facilities, property rental, sale of medication and providing education services. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

## Note 2.2: Fair Value of Assets and Services Received Free of Charge or For Nominal Consideration

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash Donations and Bequests - Capital | 935 | 1,659 |
| Plant and Equipment | 37 | - |
| Personal Protective Equipment | 150 | 41 |
| Other Contributions | 1 | 2 |
| **Total Fair Value of Assets and Services Received Free of Charge or For Nominal Consideration** | **1,123** | **1,702** |

### How We Recognise the Fair Value of Assets and Services Received Free of Charge or For Nominal Consideration

**Donations and Bequests**

Donations and bequests are generally recognised as income upon receipt (which is when the hospital obtained control of the asset) as they do not contain sufficiently specific and enforceable performance obligations. Where sufficiently specific and enforceable performance obligations exist, revenue is recorded as and when the performance obligation is satisfied.

**Personal Protective Equipment**

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

Generally, the State Supply Arrangement stipulates that Health Purchasing Victoria (trading as HealthShare Victoria) sources, secures and agrees terms for the purchase of PPE. The purchases are funded by the Department of Health, while Monash Health takes delivery and distributes an allocation of the products to health services. The hospital received these resources free of charge and recognised them as income.

**Contributions**

The hospital may receive assets for nil or nominal consideration to further its objectives. The assets are recognised at their fair value when the hospital obtains control over the asset, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

On initial recognition of the asset, the hospital recognises related amounts being contributions by owners, lease liabilities, financial instruments, provisions and revenue or contract liabilities arising from a contract with a customer.

The hospital recognises income immediately in the profit or loss as the difference between the initial fair value of the asset and the related amounts.

**Voluntary Services**

Contributions by volunteers, in the form of services, are only recognised when fair value can be reliably measured, and the services would have been purchased if they had not been donated. The hospital received volunteer services that it would not have purchased if not donated and does not depend on volunteers to deliver its services; these services are not recognised at fair value.

### Non-Cash Contributions from the Department of Health

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

| Supplier | Description |
|---|---|
| Victorian Managed Insurance Authority | The Department of Health purchases non-medical indemnity insurance for the hospital which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions. |
| Department of Health | 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 Hospital Circular. |

## Note 2.3: Other Income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Capital Interest | 124 | 459 |
| Dividends Received from Investments | 2,075 | 2,035 |
| Rental Income – Investment Properties | 267 | 398 |
| **Total Other Income** | **2,466** | **2,892** |

### How We Recognise Other Income

**Rental Income – Investment Properties**

Rental income from investment properties is recognised on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the pattern of use of the underlying asset.

Where a lease incentive is provided to a lessee, this is considered an integral part of the net consideration agreed for the use of the lease asset and therefore the incentive is recognised as a reduction of rental income over the period to which it relates.

The following table sets out the maturity analysis of undiscounted future lease payments receivable under our operating leases:

| As at 30 June | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Within One Year | 423 | 367 |
| Within One to Two Years | 273 | 361 |
| Within Two to Three Years | 42 | 99 |
| Within Three to Four Years | 13 | 42 |
| Within Four to Five Years | 13 | 13 |
| After Five Years | 50 | 63 |

**Dividend Income**

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

**Interest Income**

Interest income is recognised on a time proportionate basis that considers the effective yield of the financial asset, which allocates interest over the relevant period.

# 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 Employee Benefits

3.3 Superannuation

3.4 Other Economic Flows

### Telling the COVID-19 Story

Expenses incurred to deliver services during the financial year were not materially impacted by the COVID-19 pandemic because the hospital's response was limited to implementing COVID safe practices.

### Key Judgements and Estimates

This section contains the following key judgements and estimates:

| Key Judgements and Estimates | Description |
|---|---|
| Measuring and classifying employee benefit liabilities | The hospital applies significant judgment when measuring and classifying its employee benefit liabilities.<br>Employee benefit liabilities are classified as a current liability if the hospital does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category.<br>Employee benefit liabilities are classified as a non-current liability if the hospital has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.<br>The hospital also applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if the hospital does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value. All other entitlements are measured at their nominal value. |

## Note 3.1: Expenses from Transactions

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Salaries and Wages | 62,496 | 60,058 |
| On-Costs | 15,487 | 16,085 |
| Agency Expenses | 515 | 1,324 |
| Fee for Service Medical Officer Expenses | 1,322 | 820 |
| Workcover Premium | 404 | 423 |
| **Total Employee Expenses** | **80,224** | **78,710** |
| Drug Supplies | 4,021 | 4,648 |
| Medical and Surgical Supplies (including Prostheses) | 16,052 | 15,772 |
| Diagnostic and Radiology Supplies | 981 | 1,010 |
| Other Supplies and Consumables | 3,748 | 3,516 |
| **Total Supplies and Consumables** | **24,802** | **24,946** |
| Finance Costs | 56 | 269 |
| **Total Finance Costs** | **56** | **269** |
| Administrative Expenses | 7,761 | 7,516 |
| **Total Administrative Expenses** | **7,761** | **7,516** |
| Fuel, Light, Power and Water | 2,669 | 2,464 |
| Repairs and Maintenance | 402 | 597 |
| Maintenance Contracts | 1,683 | 1,497 |
| Medical Indemnity Insurance | 1,448 | 1,375 |
| Expenditure for Capital Purposes | 410 | 265 |
| **Total Other Operating Expenses** | **6,612** | **6,198** |
| **Total Operating Expense** | **119,455** | **117,639** |
| Depreciation and Amortisation (refer Note 4.4) | 9,873 | 9,213 |
| **Total Depreciation and Amortisation** | **9,873** | **9,213** |
| Bad and Doubtful Debt Expense | 29 | 82 |
| **Total Other Non-Operating Expenses** | **29** | **82** |
| **Total Non-Operating Expense** | **9,902** | **9,295** |
| **Total Expenses from Transactions** | **129,357** | **126,934** |

### How We Recognise Expenses From Transactions

**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.

**Finance Costs**

Finance costs include:

- amortisation of discounts relating to borrowings.

**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 of $1,000).

The Department of Health 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: Employee Benefits

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current Provisions** | | |
| Accrued Days Off | | |
| - Unconditional and expected to be settled wholly within 12 months [(i)] | 183 | 188 |
| Annual Leave | | |
| - Unconditional and expected to be settled wholly within 12 months [(i)] | 4,787 | 4,321 |
| - Unconditional and expected to be settled wholly after 12 months [(ii)] | 2,052 | 1,852 |
| Long Service Leave | | |
| - Unconditional and expected to be settled wholly within 12 months [(i)] | 1,291 | 1,257 |
| - Unconditional and expected to be settled wholly after 12 months [(ii)] | 9,943 | 9,163 |
| | **18,256** | **16,781** |
| Provisions related to Employee Benefit On-Costs | | |
| - Unconditional and expected to be settled within 12 months [(i)] | 669 | 585 |
| - Unconditional and expected to be settled after 12 months [(ii)] | 1,319 | 1,155 |
| | **1,988** | **1,740** |
| **Total Current Employee Benefits** | **20,244** | **18,521** |
| **Non-Current Provisions** | | |
| Conditional Long Service Leave | 2,801 | 3,243 |
| Provisions related to Employee Benefits On-Costs | 308 | 341 |
| **Total Non-Current Employee Benefits** | **3,109** | **3,584** |
| **Total Employee Benefits** | **23,353** | **22,105** |

[(i)] The amounts disclosed are nominal amounts.

[(ii)] The amounts disclosed are discounted to present values.

## How We Recognise Employee Benefits

### 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 measured at present value and is disclosed as a non-current liability. Any gain or loss following 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 3.2 (a) Employee Benefits and Related On-Costs

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current Employee Benefits including Related On-Costs** | | |
| Unconditional Accrued Days Off | 183 | 188 |
| Unconditional Annual Leave Entitlements | 7,591 | 6,819 |
| Unconditional Long Service Leave Entitlements | 12,470 | 11,514 |
| **Total Current Employee Benefits including Related On-Costs** | **20,244** | **18,521** |
| **Non-Current Employee Benefits including Related On-Costs** | | |
| Conditional Long Service Leave Entitlements | 3,109 | 3,584 |
| **Total Non-Current Employee Benefits including Related On-Costs** | **3,109** | **3,584** |
| **Total Employee Benefits including Related On-Costs** | **23,353** | **22,105** |
| **Carrying Amount at Start of Year** | **22,105** | **19,372** |
| Additional Provisions Recognised | 10,520 | 12,764 |
| Amounts Incurred During the Year | (9,272) | (10,031) |
| **Balance at End of Year** | **23,353** | **22,105** |

## Note 3.3: Superannuation

| | Contributions Paid for the Year | | Contribution Outstanding at Year End | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| **Defined benefit plans[(i)]:** | | | | |
| Aware Super | 138 | 147 | - | - |
| **Defined contribution plans:** | | | | |
| Aware Super | 4,006 | 3,902 | - | - |
| HESTA | 2,116 | 1,960 | - | - |
| Other | 706 | 634 | - | - |
| **Total Superannuation** | 6,966 | 6,643 | - | - |

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

### How We Recognise Superannuation

Employees of the hospital are entitled to receive superannuation benefits and the hospital contributes to both the defined benefit and defined contribution plans.

**Defined Benefit Superannuation Plans**

The defined benefit plan provides benefits based on years of service and final average salary. 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's staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

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.

DTF discloses the State's defined benefits liabilities in its disclosure for administered items. However 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 that have been expensed in relation to the major employee superannuation funds and contributions made by the hospital are disclosed above.

**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.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by the hospital are disclosed above.

## Note 3.4: Other Economic Flows

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Net Gain/(Loss) on Non-Financial Assets:** | | |
| Gain/(Loss) on Revaluation of Investment Property | 400 | - |
| Net Gain/(Loss) on Disposal of Property Plant and Equipment | 12 | - |
| **Total Net Gain/(Loss) on Non-Financial Assets** | **412** | **-** |
| **Net Gain/(Loss) on Financial Instruments:** | | |
| Gain/(Loss) on Allowance for Impairment Losses of Contractual Receivables | 55 | 86 |
| Other Gains/(Losses) on Financial Instruments | 3,591 | (1,719) |
| **Total Net Gain/(Loss) on Financial Instruments** | **3,646** | **(1,633)** |
| **Other Gains/(Losses) from Other Economic Flows:** | | |
| Net Gain/(Loss) from Revaluation of Long Service Leave Liability | 726 | (203) |
| **Total Other Gains/(Losses) from Other Economic Flows** | **726** | **(203)** |
| **Total Gains/(Losses) from Other Economic Flows** | **4,784** | **(1,836)** |

### How We Recognise Other Economic Flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

**Net Gain/(Loss) on Non-Financial Assets**

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

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

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

Net gain/(loss) on financial instruments 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 Note 7.1); and
- Disposals of financial assets and derecognition of financial liabilities.

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

# 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
4.6 Inventories

### Telling the COVID-19 Story

Assets used to support the delivery of our services during the financial year were not materially impacted by the COVID-19 pandemic.

### Key Judgements and Estimates

This section contains the following key judgements and estimates:

| Key Judgements and Estimates | Description |
|---|---|
| Measuring fair value of property, plant and equipment and investment properties | The hospital obtains independent valuations for its non-current assets at least once every five years.<br>If an independent valuation has not been undertaken at balance date, the hospital estimates possible changes in fair value since the date of the last independent valuation with reference to Valuer-General of Victoria indices.<br>Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an interim independent valuation is undertaken. |
| Estimating useful life and residual value of property, plant and equipment | The hospital assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset.<br>The hospital reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate. |
| Estimating the useful life of intangible assets | The hospital assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset. |
| Identifying indicators of impairment | At the end of each year, the hospital assesses impairment by evaluating the conditions and events specific to the hospital that may be indicative of impairment triggers. Where an indication exists, the hospital tests the asset for impairment.<br>The hospital considers a range of information when performing its assessment, including considering:<br>• if an asset's value has declined more than expected based on normal use<br>• if a significant change in technological, market, economic or legal environment which adversely impacts the way the hospital uses an asset<br>• if an asset is obsolete or damaged<br>• if the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life<br>• if the performance of the asset is or will be worse than initially expected<br>Where an impairment trigger exists, the hospital applies significant judgement and estimate to determine the recoverable amount of the asset. |

## Note 4.1: Investments and Other Financial Assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Australian Listed Equity Securities | 141 | - |
| **Total Current** | 141 | - |
| **Non-Current** | | |
| Managed Investment Schemes | 45,488 | 41,898 |
| **Total Non Current** | 45,488 | 41,898 |
| **Total Investments and Other Financial Assets *** | **45,629** | **41,898** |
| *** Represented by:** | | |
| Hospital Investments | 45,629 | 41,898 |
| **Total Investments and Other Financial Assets** | **45,629** | **41,898** |

### How We Recognise Investments and Other Financial Assets

The hospital's investments and other financial assets are made in accordance with Standing Direction 3.7.2 - Treasury Management, including the Central Banking System.

The hospital manages its investments and other financial assets in accordance with an investment policy approved by the Board.

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

The 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.

All financial assets, except those measured at fair value through net result are subject to annual review for impairment.

**Fair Value Determination**

| Asset Class | Likely Valuation Approach | Significant Inputs (Level 3 only) |
|---|---|---|
| Australian Listed Equity Securities | Market approach | N/A |
| Managed Investment Schemes | Market approach | N/A |

**How We Measure Fair Value**

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 as explained below.

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.

There have been no transfers between levels during the period.

**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.

**Managed Investment Schemes**

The investments of the hospital are facilitated by Victorian Funds Management Corporation (VFMC). The hospital invests in shares, which are quoted in an active market and managed funds where the net asset value (NAV) is directly observed and independently verified. VFMC considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. The hospital classifies shares at Level 1 and managed funds at Level 2.

## Note 4.2: Property, Plant and Equipment

### How We Recognise Property, Plant and Equipment

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

**Initial Recognition**

Items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. Where an asset is acquired for no or nominal cost, being far below the fair value of the asset, the deemed cost is its fair value at the date of acquisition. Assets transferred as part of an amalgamation/machinery of government change are transferred at their carrying amounts.

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

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

**Subsequent Measurement**

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

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

Further information regarding fair value measurement is disclosed below.

**Revaluation**

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

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

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

An independent valuation of the hospital's property, plant and equipment was performed by the VGV on 30 June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2021 indicated an overall:

- increase in fair value of land of 2.0% ($0.9 million)
- increase in fair value of buildings of 3.8% ($4.8 million)

As the cumulative movement was less than 10% for land and buildings since the last revaluation a managerial revaluation adjustment was not required as at 30 June 2021.

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

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly to the asset revaluation reserve, except 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, in which case the increment is recognised as income in the net result.

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

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

**Impairment**

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

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

## Note 4.2 (a) Gross Carrying Amount and Accumulated Depreciation

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Land** | | |
| Land at Fair Value | | |
| - Crown | 2,160 | 2,160 |
| - Freehold | 43,568 | 43,568 |
| **Total Land** | **45,728** | **45,728** |
| **Buildings** | | |
| Buildings at Fair Value | 166,819 | 138,242 |
| less Accumulated Depreciation | (14,060) | (7,034) |
| **Total Buildings** | **152,759** | **131,208** |
| **Plant and Equipment** | | |
| Plant and Equipment at Fair Value | 5,486 | 5,052 |
| less Accumulated Depreciation | (3,696) | (3,203) |
| **Total Plant and Equipment** | **1,790** | **1,849** |
| **Medical Equipment** | | |
| Medical Equipment at Fair Value | 20,874 | 19,451 |
| less Accumulated Depreciation | (13,021) | (12,115) |
| **Total Medical Equipment** | **7,853** | **7,336** |
| **Assets Under Construction** | | |
| PP&E Assets Under Construction | 78,069 | 66,346 |
| **Total Assets Under Construction** | **78,069** | **66,346** |
| **Total Property, Plant & Equipment** | **286,199** | **252,467** |

## 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 2019** | **45,728** | **138,167** | **803** | **7,426** | **33,845** | **225,969** |
| Additions | - | 63 | 496 | 1,257 | 33,567 | 35,383 |
| Disposals | - | - | (5) | (19) | - | (24) |
| Net Transfers between Classes | - | - | 1,052 | 14 | (1,066) | - |
| Depreciation (Note 4.4) | - | (7,022) | (497) | (1,342) | - | (8,861) |
| **Balance at 1 July 2020** | **45,728** | **131,208** | **1,849** | **7,336** | **66,346** | **252,467** |
| Additions | - | 39 | 485 | 1,841 | 40,464 | 42,829 |
| Assets Written Back and Transferred to Expense | - | - | - | - | (39) | (39) |
| Net Transfers between Classes | - | 28,538 | 42 | 138 | (28,702) | 16 |
| Depreciation (Note 4.4) | - | (7,026) | (586) | (1,462) | - | (9,074) |
| **Balance at 30 June 2021** | **45,728** | **152,759** | **1,790** | **7,853** | **78,069** | **286,199** |

**Land and Buildings Carried at Valuation**

The Valuer-General Victoria undertook to re-value all of the hospital owned 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 was 30 June 2019.

## Note 4.2 (c) Fair Value Measurement Hierarchy for Assets

| | Note | Carrying Amount as at 30 June 2021 $'000 | Fair Value Measurement at End of Reporting Period using: | | |
|---|---|---|---|---|---|
| | | | Level 1 [(i)] $'000 | Level 2 [(i)] $'000 | Level 3 [(i)] $'000 |
| **Land** | | | | | |
| Non-Specialised Land at Fair Value | | 4,880 | - | 4,880 | - |
| Specialised Land at Fair Value | | 40,848 | - | - | 40,848 |
| **Total Land at Fair Value** | 4.2(a) | **45,728** | **-** | **4,880** | **40,848** |
| **Buildings** | | | | | |
| Non-Specialised Buildings at Fair Value | | 3,290 | - | 3,290 | - |
| Specialised Buildings at Fair Value | | 149,469 | - | - | 149,469 |
| **Total Buildings at Fair Value** | 4.2(a) | **152,759** | **-** | **3,290** | **149,469** |
| **Plant and Equipment** | | | | | |
| Plant and Equipment at Fair Value | 4.2(a) | 1,790 | - | - | 1,790 |
| **Medical Equipment** | | | | | |
| Medical Equipment at Fair Value | 4.2(a) | 7,853 | - | - | 7,853 |
| **Assets Under Construction** | | | | | |
| Assets Under Construction at Fair Value | 4.2(a) | 78,069 | - | - | 78,069 |
| **Total Property, Plant and Equipment At Fair Value** | | **286,199** | **-** | **8,170** | **278,029** |

| | Note | Carrying Amount as at 30 June 2020 $'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** | 4.2(a) | **45,728** | **-** | **4,880** | **40,848** |
| **Buildings** | | | | | |
| Non-Specialised Buildings at Fair Value | | 3,390 | - | 3,390 | - |
| Specialised Buildings at Fair Value | | 127,818 | - | - | 127,818 |
| **Total Buildings at Fair Value** | 4.2(a) | **131,208** | **-** | **3,390** | **127,818** |
| **Plant and Equipment** | | | | | |
| Plant and Equipment at Fair Value | 4.2(a) | 1,849 | - | - | 1,849 |
| **Medical Equipment** | | | | | |
| Medical Equipment at Fair Value | 4.2(a) | 7,336 | - | - | 7,336 |
| **Assets Under Construction** | | | | | |
| Assets Under Construction at Fair Value | 4.2(a) | 66,346 | - | - | 66,346 |
| **Total Property, Plant and Equipment At Fair Value** | | **252,467** | **-** | **8,270** | **244,197** |

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

## 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 2020** | 40,848 | 127,818 | 1,849 | 7,336 | 66,346 | 244,197 |
| Additions / (Disposals) | - | 39 | 485 | 1,841 | 40,464 | 42,829 |
| Transfers In (Out) of Asset Classes | - | 28,538 | 42 | 138 | (28,702) | 16 |
| Gains / (Losses) Recognised in Net Result | | | | | | |
| - Depreciation | - | (6,926) | (586) | (1,462) | - | (8,974) |
| - Assets Written Back and Transferred to Expense | - | - | - | - | (39) | (39) |
| **Closing Balance at 30 June 2021** | **40,848** | **149,469** | **1,790** | **7,853** | **78,069** | **278,029** |
| | | | | | | |
| **Opening Balance at 1 July 2019** | 40,848 | 134,677 | 803 | 7,426 | 33,845 | 217,599 |
| Additions / (Disposals) | - | 63 | 491 | 1,238 | 33,567 | 35,359 |
| Transfers In (Out) of Asset Classes | - | - | 1,052 | 14 | (1,066) | - |
| Gains / (Losses) Recognised in Net Result | | | | | | |
| - Depreciation | - | (6,922) | (497) | (1,342) | - | (8,761) |
| **Closing Balance at 30 June 2020** | **40,848** | **127,818** | **1,849** | **7,336** | **66,346** | **244,197** |

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

## 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 | Community Service Obligations adjustments (20%) [(i)] |
| Non-Specialised Buildings | Market approach | N/A |
| Specialised Buildings | Depreciated replacement cost approach | Cost per square metre<br>Useful life |
| Vehicles | Market approach | N/A |
| Plant and Equipment | Depreciated replacement cost approach | Cost per square metre<br>Useful life |

[(i)] A community service obligation (CSO) of 20% was applied to the hospital's specialised land.

### How We Measure Fair Value

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 as explained above.

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

There have been no transfers between levels during the 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
- 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 AASB 13 *Fair Value Measurement* paragraph 29, the hospital has assumed 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. Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

**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 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).

**Furniture, Fittings, Plant and Equipment**

Furniture, fittings, plant and equipment (including medical equipment, computers and communication equipment) 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 2021.

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Balance at Beginning of Reporting Period | 67,428 | 67,428 |
| **Balance at End of the Reporting Period *** | **67,428** | **67,428** |
| * Represented by: | | |
| - Land | 42,079 | 42,079 |
| - Buildings | 25,349 | 25,349 |
| **Balance at End of the Reporting Period** | **67,428** | **67,428** |

## Note 4.3: Intangible Assets

### Note 4.3 (a) Gross Carrying Amount and Accumulated Amortisation

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Computer Software | 16,492 | 9,995 |
| Less Accumulated Amortisation | (8,244) | (7,352) |
| | **8,248** | **2,643** |
| Computer Software - Work in Progress | 338 | 2,506 |
| **Total Intangible Assets** | **8,586** | **5,149** |

### 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 2019** | **2,233** | **698** | **2,931** |
| Additions | 100 | 2,470 | 2,570 |
| Assets transferred between Classes | 662 | (662) | - |
| Amortisation (Note 4.4) | (352) | - | (352) |
| **Balance at 1 July 2020** | **2,643** | **2,506** | **5,149** |
| Additions | 4,103 | 117 | 4,220 |
| Assets transferred between Classes | 2,301 | (2,285) | 16 |
| Amortisation (Note 4.4) | (799) | - | (799) |
| **Balance at 30 June 2021** | **8,248** | **338** | **8,586** |

### How We Recognise Intangible Assets

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

**Initial Recognition**

Purchased intangible assets are initially recognised at cost.

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

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

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

**Subsequent Measurement**

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

**Impairment**

Intangible assets with finite useful lives are testing for impairment whenever an indication of impairment is identified.

## Note 4.4: Depreciation and Amortisation

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Depreciation** | | |
| Buildings | 7,026 | 7,022 |
| Plant and Equipment | 586 | 497 |
| Medical Equipment | 1,462 | 1,342 |
| **Total Depreciation** | **9,074** | **8,861** |
| **Amortisation** | | |
| Computer Software | 799 | 352 |
| **Total Depreciation and Amortisation** | **9,873** | **9,213** |

### How We Recognise 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.

### How We Recognise 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:

| | 2021 | 2020 |
|---|---|---|
| Buildings | | |
| - Structure Shell Building Fabric | 2 to 80 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 20 years | 2 to 15 years |
| - Trunk Reticulated Building Systems | 2 to 30 years | 2 to 15 years |
| Plant & Equipment | 3 to 20 years | 3 to 20 years |
| Medical Equipment | 3 to 15 years | 4 to 10 years |
| Intangible Assets | 2 to 15 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

## Note 4.5(a) Movements in Carrying Value for Investment Properties as at 30 June 2021

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Balance at Beginning of Period** | 12,610 | 12,610 |
| Net Gain/(Loss) from Fair Value Adjustments | 400 | - |
| **Balance at End of Period** | **13,010** | **12,610** |

## Note 4.5(b) Fair Value Measurement Hierarchy for Investment Properties

| | Carrying amount as at 30 June 2021 | Fair Value Measurement at End of Reporting Period using: | | |
|---|---|---|---|---|
| | | Level 1 [(i)] | Level 2 [(i)] | Level 3 [(i)] |
| Investment properties | 13,010 | - | 13,010 | - |
| | **13,010** | **-** | **13,010** | **-** |

| | Carrying amount as at 30 June 2020 | 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** | **-** |

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

### How We Recognise 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.

**Initial Recognition**

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

**Subsequent Measurement**

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 arrived at on the basis of an independent valuation carried out by the Valuer-General Victoria. The valuation was determined with reference to market evidence of properties including location, condition and lease terms. The fair value of the hospital's investment properties at 30 June 2021 are based on the 30 June 2019 valuation adjusted by the Valuer-General Victoria land indexation factors for the subsequent financial years.

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

There were no transfers between levels during the period. There were no changes in valuation techniques throughout the period.

## Note 4.6: Inventories

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Pharmaceuticals At Cost | 326 | 371 |
| **Total Inventories** | **326** | **371** |

### How We Recognise 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 are measured at the lower of cost and net realisable value.

# Note 5: Other Assets and Liabilities

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

Structure:

5.1 Receivables and Contract Assets

5.2 Payables and Contract Liabilities

5.3 Other Assets

### Telling the COVID-19 Story

Other assets and liabilities used to support the delivery of our services during the financial year were not materially impacted by the COVID-19 pandemic, with the exception of the Department of Health payable which increased as a result of funding being recalled due to restrictions on elective surgery activity and COVID-19 grants exceeding actual expenses.

### Key Judgements and Estimates

This section contains the following key judgements and estimates:

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

## Note 5.1: Receivables and Contract Assets

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Current** | | | |
| **Contractual** | | | |
| Inter Hospital Debtors | | 968 | 57 |
| Trade Debtors | | 891 | 1,309 |
| Patient Fees | | 215 | 134 |
| Accrued Revenue | | 295 | 110 |
| less Allowance for Impairment of Contractual Receivables: | | | |
| - Trade Debtors | 7.1 (c) | (52) | (109) |
| - Patient Fees | 7.1 (c) | (29) | (27) |
| **Total Current Contractual Receivables** | | **2,288** | **1,474** |
| **Statutory** | | | |
| GST Receivable | | 449 | 285 |
| **Total Current Statutory Receivables** | | **449** | **285** |
| **Total Current Receivables and Contract Assets** | | **2,737** | **1,759** |
| **Non-Current** | | | |
| **Contractual** | | | |
| Long Service Leave - Department of Health | | 4,515 | 4,211 |
| **Total Non-Current Contractual Receivables** | | **4,515** | **4,211** |
| **Total Non-Current Receivables and Contract Assets** | | **4,515** | **4,211** |
| **Total Receivables and Contract Assets** | | **7,252** | **5,970** |

## Note 5.1 (a) Movement in Allowance for Impairment of Contractual Receivables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Balance at Beginning of Year | 136 | 221 |
| Increase in Allowance | 55 | 86 |
| Amounts Written Off During the Year | (29) | (82) |
| Reversal of Unused Allowance Recognised in the Net Result | (81) | (89) |
| **Balance at End of Year** | **81** | **136** |

### How We Recognise Receivables

Receivables consist of:

- **Contractual Receivables:** which mostly includes debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The 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.
- **Statutory Receivables:** which mostly includes Goods and Services Tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The 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.

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

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

**Impairment Losses of Contractual Receivables**

Refer Note 7.2 (c) for the hospital's contractual receivables impairment losses.

## Note 5.2: Payables and Contract Liabilities

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Current** | | | |
| **Contractual** | | | |
| Accounts Payable | | 165 | 226 |
| Accrued Expenses | | 3,151 | 2,837 |
| Accrued Salaries and Wages | | 1,746 | 968 |
| Department of Health | | 9,744 | 108 |
| Deferred Capital Grant Revenue | 5.2 (a) | 98 | 98 |
| Contract Liabilities - Income Received in Advance | 5.2 (b) | 29 | 26 |
| **Total Current Contractual Payables** | | **14,933** | **4,263** |
| **Total Current Payables and Contract Liabilities** | | **14,933** | **4,263** |
| **Total Payables and Contract Liabilities** | | **14,933** | **4,263** |

### How We Recognise Payables and Contract Liabilities

Payables consist of:

- **Contractual payables:** which mostly includes payables in relation to goods and services. These payables are 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.
- **Statutory payables:** which mostly includes Goods and Services Tax (GST) payable. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

## Note 5.2 (a) Deferred Capital Grant Revenue

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Opening Balance of Deferred Capital Grant Revenue** | 98 | - |
| Grant Consideration for Capital Works Received During the Year | 35,173 | 26,920 |
| Grant Revenue for Capital Works Recognised During the Year | (35,173) | (26,822) |
| **Closing Balance of Deferred Capital Grant Revenue** | **98** | **98** |

### How We Recognise Deferred Capital Grant Revenue

Grant consideration was received from the Department of Health for various projects including the redevelopment of the hospital building, equipment, technology and infrastructure replacement and to procure an operating room microscope. Grant revenue is recognised progressively as the asset is constructed or procured, since this is the time when the hospital satisfies its obligations under the transfer by controlling the asset as and when it is constructed or procured. As a result, the hospital has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

## Note 5.2 (b) Contract Liabilities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Opening Balance of Contract Liabilities** | 26 | 57 |
| Payments received for performance obligations not yet fulfilled | 29 | 26 |
| Revenue recognised for the completion of a performance obligation | (26) | (57) |
| **Total Contract Liabilities *** | **29** | **26** |
| | | |
| *** Represented by:** | | |
| - Current Contract Liabilities | 29 | 26 |
| **Total Contract Liabilities** | **29** | **26** |

### How We Recognise Contract Liabilities

Contract liabilities include consideration received in advance from customers in respect of property rental and providing education services.

Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer (refer to Note 2.1).

#### Maturity Analysis of Payables

Refer Note 7.2 (b) for the ageing analysis of payables.

## Note 5.3: Other Assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Prepayments | 1,149 | 1,142 |
| **Total Other Assets** | **1,149** | **1,142** |

# 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 borrowings and 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

### Telling the COVID-19 Story

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

### Key Judgements and Estimates

This section contains the following key judgements and estimates:

| Key Judgements and Estimates | Description |
|---|---|
| Determining if a contract is or contains a lease | The hospital applies significant judgement to determine if a contract is or contains a lease by considering if the hospital:<br>• has the right-to-use an identified asset<br>• has the right to obtain substantially all economic benefits from the use of the leased asset<br>• can decide how and for what purpose the asset is used throughout the lease |
| Determining if a lease meets the short-term or low value asset lease exemption | The hospital applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria.<br>The hospital estimates the fair value of leased assets when new. Where the estimated fair value is less than $10,000, the hospital applies the low-value lease exemption.<br>The hospital also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the hospital applies the short-term lease exemption. |

## Note 6.1: Borrowings

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Department of Health Loan [(i)] | 1,736 | 1,736 |
| **Total Current Borrowings** | **1,736** | **1,736** |
| **Non-Current** | | |
| Department of Health Loan [(i)] | 5,200 | 6,879 |
| **Total Non-Current Borrowings** | **5,200** | **6,879** |
| **Total Borrowings** | **6,936** | **8,615** |

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

### How We Recognise Borrowings

Borrowings refer to interesting bearing liabilities mainly raised from advances from the Treasury Corporation of Victoria (TCV) and other funds raised through lease liabilities, service concession arrangements and other interest-bearing arrangements.

**Initial Recognition**

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

**Subsequent Measurement**

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

**Maturity Analysis of Borrowings**

Refer Note 7.2 (b) for the ageing analysis of Borrowings.

## Note 6.2: Cash and Cash Equivalents

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash on Hand | 3 | 3 |
| Cash at Bank | 77 | 81 |
| Cash at Bank - Centralised Banking System (CBS) | 26,221 | 25,310 |
| **Total Cash and Cash Equivalents** | **26,301** | **25,394** |

### How We Recognise Cash and Cash Equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and in banks, 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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Capital Expenditure Commitments:** | | |
| Not later than one year | 13,679 | 9,604 |
| Later than 1 year and not later than 5 years | - | 10,569 |
| **Total Capital Expenditure Commitments** | **13,679** | **20,173** |
| **Operating Expenditure Commitments:** | | |
| Not later than one year | 8,824 | 8,160 |
| Later than 1 year and not later than 5 years | 5,217 | 7,029 |
| Later than 5 years | 60 | 85 |
| **Total Operating Expenditure Commitments** | **14,101** | **15,274** |
| **Total Commitments for Expenditure (inclusive of GST)** | **27,780** | **35,447** |
| less GST Recoverable from the Australian Tax Office | (1,565) | (1,534) |
| **Total Commitments for Expenditure (exclusive of GST)** | **26,215** | **33,913** |

### How We Disclose Our Commitments

Our commitments relate to expenditure.

**Expenditure Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of 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 that are not subject to GST.

# Note 7: Risks, Contingencies and Valuation Uncertainties

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

Structure:

7.1 Financial Instruments

7.2 Financial Risk Management Objectives and Policies

7.3 Contingent Assets and Contingent Liabilities

## 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 (eg. taxes). Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation.*

### Note 7.1 (a) Categorisation of Financial Instruments

| | Note | Financial Assets at Amortised Cost | Financial Assets at Fair Value through Net Result | Financial Liabilities at Amortised Cost | Total |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **2021** | | | | | |
| **Contractual Financial Assets** | | | | | |
| Cash and Cash Equivalents | 6.2 | 26,301 | - | - | 26,301 |
| Receivables and Contract Assets | 5.1 | 6,508 | - | - | 6,508 |
| Investments and Other Financial Assets | 4.1 | - | 45,629 | - | 45,629 |
| **Total Contractual Financial Assets** [(i)] | | **32,809** | **45,629** | **-** | **78,438** |
| **Contractual Financial Liabilities** | | | | | |
| Payables | 5.2 | - | - | 14,806 | 14,806 |
| Borrowings | 6.1 | - | - | 6,936 | 6,936 |
| **Total Contractual Financial Liabilities** [(i)] | | **-** | **-** | **21,742** | **21,742** |

[(i)] The carrying amount excludes statutory receivables (ie. GST receivable) and statutory payables (ie. GST payable).

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

| | Note | Financial Assets at Amortised Cost | Financial Assets at Fair Value through Net Result | Financial Liabilities at Amortised Cost | Total |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **2020** | | | | | |
| **Contractual Financial Assets** | | | | | |
| Cash and Cash Equivalents | 6.2 | 25,394 | - | - | 25,394 |
| Receivables and Contract Assets | 5.1 | 5,575 | - | - | 5,575 |
| Investments and Other Financial Assets | 4.1 | | 41,898 | - | 41,898 |
| **Total Contractual Financial Assets** [(i)] | | **30,969** | **41,898** | **-** | **72,867** |
| **Contractual Financial Liabilities** | | | | | |
| Payables | 5.2 | - | - | 4,139 | 4,139 |
| Borrowings | 6.1 | - | - | 8,615 | 8,615 |
| **Total Contractual Financial Liabilities** [(i)] | | **-** | **-** | **12,754** | **12,754** |

[(i)] The carrying amount excludes statutory receivables (ie. GST receivable) and statutory payables (ie. GST payable).

### How We Categorise Financial Instruments

### Categories of Financial Assets:

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

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

Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15 para 63.

**Financial Assets at Amortised Cost**

Financial assets are measured at amortised cost 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 soley to collect the contractual cash flows, and
- The assets' contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

These assets are initially recognised at fair value plus any directly attributable transaction costs and are 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; and
- Receivables (excluding statutory receivables).

**Financial Assets at Fair Value through Other Comprehensive Income**

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- The assets are held by the hospital to achieve its objective both by collecting the contractual cash flows and by selling the financial assets; and
- The assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and the hospital has irrevocably elected at initial recognition to recognise in this category.

**Financial Assets at Fair Value through Net Result**

The hospital initially designates a financial instrument as measured at fair value through net result if:

- It eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or recognising the gains and losses on them, on a different basis;
- It is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial asset can be managed and evaluated consistently on a fair value basis; or
- It is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through net result is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

The hospital recognises listed equity securities as mandatorily measured at fair value through net result and has designated all of its managed investment schemes as fair value through net result.

### Categories of Financial Liabilities:

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

**Financial Liabilities at Fair Value through Net Result**

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

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

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

**Financial Liabilities at Amortised Cost**

Financial liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in net result over the relevant period. The effective interest is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

The hospital recognises the following liabilities in this category:

- Payables (excluding statutory payables); and
- Borrowings.

**Derivative Financial Instruments**

A derivative financial instrument is classified as a held for trading financial asset or financial liability. They are initially recognised at fair value on the date on which a derivative contract is entered.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition, are recognised in the consolidated comprehensive operating statement as an other economic flow included in the net result.

**Offsetting Financial Instruments**

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

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

**Derecognition of Financial Assets**

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

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

  (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.

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

**Reclassification of Financial Instruments**

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

A financial liability reclassification is not permitted.

## Note 7.2: Financial Risk Management Objectives and Policies

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

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

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

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

### Note 7.2 (a) Credit Risk

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

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

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

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

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

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

There has been no material change to the hospital's credit risk profile in 2020-21.

**Impairment of Financial Assets Under AASB 9**

The hospital records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9, impairment assessment includes the hospital's contractual receivables.

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

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

**Contractual Receivables at Amortised Cost**

The 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 closing loss allowance at the end of the financial year as follows:

| 30 June 2020 | Note | Current | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Expected Loss Rate** | | 4.0% | 16.4% | 37.3% | 88.3% | 100.0% | |
| Gross Carrying Amount of Contractual Receivables ($'000) | 5.1 | 1,300 | 238 | 27 | 44 | 1 | 1,610 |
| **Loss Allowance** | | **47** | **39** | **10** | **39** | **1** | **136** |

| 30 June 2021 | | Current | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Expected Loss Rate** | | 1.4% | 14.0% | 53.5% | 65.5% | 100.0% | |
| Gross Carrying Amount of Contractual Receivables ($'000) | 5.1 | 2,244 | 61 | 10 | 53 | 1 | 2,369 |
| **Loss Allowance** | | **32** | **9** | **5** | **35** | **1** | **81** |

**Statutory Receivables**

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 a result, no loss allowance has been recognised.

## Note 7.2 (b) Liquidity Risk

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

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

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

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

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

**Maturity Analysis of Financial Liabilities as at 30 June**

| | Note | 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 |
| **2021** | | | | | | | |
| **Financial Liabilities** [(i)] | | | | | | | |
| At Amortised Cost | | | | | | | |
| Payables | 5.2 | 14,806 | 14,806 | 5,062 | - | 9,744 | - |
| Borrowings | 6.1 | 6,936 | 6,936 | - | - | 1,736 | 5,200 |
| **Total Financial Liabilities** | | **21,742** | **21,742** | **5,062** | **-** | **11,480** | **5,200** |
| **2020** | | | | | | | |
| **Financial Liabilities** [(i)] | | | | | | | |
| At Amortised Cost | | | | | | | |
| Payables | 5.2 | 4,139 | 4,139 | 4,031 | - | 108 | - |
| Borrowings | 6.1 | 8,615 | 8,615 | - | - | 1,736 | 8,346 |
| **Total Financial Liabilities** | | **12,754** | **12,754** | **4,031** | **-** | **1,844** | **8,346** |

[(i)] Ageing analysis of financial liabilities excludes statutory payables (ie. GST payable)

## Note 7.2 (c) Market Risk

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

**Sensitivity Disclosure Analysis and Assumptions**

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

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

**Interest Rate Risk**

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

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

**Foreign Currency Risk**

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

The hospital has minimal exposure to foreign currency risk.

**Equity Risk**

The hospital is exposed to equity price risk through its investments in managed investment schemes and Australian listed equity securities. Such investments are allocated and traded to match the hospital's investment objectives.

The hospital's sensitivity to equity price risk is set out below:

| | | -15% | +15% |
|---|---|---|---|
| | **Carrying Amount** | **Net Result** | **Net Result** |
| **30 June 2021** | | | |
| Contractual Financial Assets | | | |
| Investments and Other Contractual Financial Assets | 45,629 | (6,844) | 6,844 |
| **Total Impact** | | **(6,844)** | **6,844** |
| **30 June 2020** | | | |
| Contractual Financial Assets | | | |
| Investments and Other Contractual Financial Assets | 41,898 | (6,285) | 6,285 |
| **Total Impact** | | **(6,285)** | **6,285** |

## Note 7.3: Contingent Assets and Contingent Liabilities

### How We Measure and Disclose Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

**Contingent Assets**

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the hospital.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

**Contingent Liabilities**

Contingent liabilities are:

- Possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the hospital; or
- Present obligations that arise from past events but are not recognised because:
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - The amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

The hospital has Nil contingent assets or contingent liabilities at 30 June 2020. (30 June 2019: Nil).

# Note 8: Other Disclosures

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

Structure:

8.1 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 Equity
8.9 Economic Dependency

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

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Net Result for the Period** | OS | 33,212 | 20,216 |
| **Non-Cash Movements:** | | | |
| Depreciation | 4.4 | 9,074 | 8,861 |
| Amortisation of Intangible Non-Produced Assets | 4.4 | 799 | 352 |
| (Gain)/Loss on Revaluation of Investment Property | 4.5 | (400) | - |
| Net (Gain)/Loss on Financial Instruments at Fair Value | 3.4 | (3,591) | 1,719 |
| Discount Interest on Financial Instruments | 3.1 | 56 | 269 |
| Allowance for Impairment of Contractual Receivables | 5.1 | (55) | (86) |
| Non-Cash DHHS Government Grants | | (30,404) | (24,303) |
| Resources/Assets Received Free of Charge | | (140) | - |
| **Movements Included in Investing and Financing Activities:** | | | |
| Net (Gain)/Loss from Disposal of Non-Financial Physical Assets | | (12) | - |
| **Movements in Assets and Liabilities:** | | | |
| Change in Operating Assets and Liabilities: | | | |
| (Increase)/Decrease in Receivables | 5.1 | (1,227) | (976) |
| (Increase)/Decrease in Prepayments | 5.3 | (6) | 33 |
| (Increase)/Decrease in Inventories | 4.6 | 45 | (100) |
| Increase/(Decrease) in Payables and Contract Liabilities | 5.2 | 9,888 | (3,521) |
| Increase/(Decrease) in Employee Benefits | 3.2 | 2,026 | 1,301 |
| Increase/(Decrease) in Other Liabilities | 5.3 | 4 | 58 |
| **Net Cash Inflow / (Outflow) from Operating Activities** | | **19,269** | **3,823** |

## 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 Jenny Mikakos, Minister for Health and Minister for Ambulance Services | 1 Jul 2020 - 26 Sep 2020 |
| The Honourable Martin Foley, Minister for Health | 26 Sep 2020 - 30 Jun 2021 |
| **Governing Board:** | |
| Mr David Anderson | 1 Jul 2020 - 30 Jun 2021 |
| Mr Simon Brewin | 1 Jul 2020 - 30 Jun 2021 |
| Dr Sherene Devanesen | 1 Jul 2020 - 30 Jun 2021 |
| Ms Linda Hornsey | 1 Jul 2020 - 30 Jun 2021 |
| Professor Alan Lilly | 1 Jul 2020 - 30 Jun 2021 |
| Mr Bruce Mildenhall | 1 Jul 2020 - 30 Jun 2021 |
| Dr Karen Owen | 1 Jul 2020 - 30 Jun 2021 |
| Ms Llewellyn Prain | 1 Jul 2020 - 30 Jun 2021 |
| Mr Bruce Ryan | 1 Jul 2020 - 30 Jun 2021 |
| **Accountable Officer:** | |
| Mr Brendon Gardner | 1 Jul 2020 - 30 Jun 2021 |

**Remuneration of Responsible Persons**

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

| Income Band | 2021 Number | 2020 Number |
|---|---|---|
| $20,000 - $29,999 | 8 | 8 |
| $30,000 - $39,999 | - | 1 |
| $50,000 - $59,999 | - | 2 |
| $60,000 - $69,999 | 1 | - |
| $240,000 - $249,999 | - | 1 |
| $340,000 - $349,999 | 1 | - |
| **Total Numbers** | **10** | **12** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:** | **629** | **604** |

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 the Accountable Officer, 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) | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Short Term Employee Benefits | 1,222 | 1,008 |
| Post-Employment Benefits | 97 | 79 |
| Other Long-Term Benefits | 29 | 24 |
| **Total Remuneration** [(i)] | **1,348** | **1,111** |
| **Total Number of Executives** | 7 | 5 |
| **Total Annualised Employee Equivalents (AEE)** [(ii)] | 4.80 | 3.89 |

[(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 (such as superannuation guarantee contributions) 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:

- All Key Management Personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members; and
- All health services and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

**Key Management Personnel (KMP)**

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;
- Mr David Anderson, Non-Executive Director;
- Mr Simon Brewin, Non-Executive Director;
- Ms Linda Hornsey, Non-Executive Director;
- Professor Alan Lilly, Non-Executive Director;
- Mr Bruce Mildenhall, Non-Executive Director;
- Dr Karen Owen, Non-Executive Director;
- Ms Llewellyn Prain, Non-Executive Director;
- Mr Bruce Ryan, Non-Executive Director;
- Mr Brendon Gardner, Chief Executive Officer and Accountable Officer;
- Dr Sean Jespersen, Executive Director Medical Services and Chief Medical Officer;
- Ms Jenni Bliss, Executive Director Chief Operating Officer and Chief Nursing Officer (1 July to 12 July 2020);
- Ms Tracy Siggins, Executive Director Chief Operating Officer and Chief Nursing Officer (13 July to 11 October 2020, 11 January to 30 June 2021);
- Ms Sinead Cucanic, Executive Director Chief Operating Officer and Chief Nursing Officer (12 October 2020 to 10 January 2021);
- Mr Ian Leong, Executive Director Redevelopment, Planning and Infrastructure;
- Mr Danny Mennuni, Executive Director Finance and Corporate Services and Chief Finance and Accounting Officer; and
- Ms Loretta Sheales, Executive Director People and Communications.

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

| **Compensation - Key Management Personnel** | **2021 $'000** | **2020 $'000** |
|---|---|---|
| Short Term Employee Benefits | 1,797 | 1,559 |
| Post-Employment Benefits | 143 | 125 |
| Other Long-Term Benefits | 37 | 31 |
| **Total** [(i)] | **1,977** | **1,715** |

[(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 of $108.4 million (2020: $102.3 million) and indirect contributions of $31.0 million (2020: $25.5 million).

Expenses incurred by the hospital in delivering services and outputs are in accordance with HealthShare 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 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 2021 (2020: none).

There were no related party transactions required to be disclosed for the hospital Board of Directors, Chief Executive Officer and Executive Directors in 2021 (2020: none).

## Note 8.5: Remuneration of Auditors

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Victorian Auditor-General's Office** | | |
| Audit of Financial Statements | 48 | 49 |
| **Total Auditor Remuneration** | **48** | **49** |

## Note 8.6: Ex-Gratia Expenses

The hospital made Nil ex-gratia payments for the year ending 30 June 2021. (The year ending 30 June 2020: Nil.)

## Note 8.7: Events Occurring After the Balance Sheet Date

There are no events occurring after the Balance Sheet date.

## Note 8.8: Equity

**Contributed Capital**

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

**Specific Restricted Purpose Reserves**

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

## Note 8.9: Economic Dependency

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

# Affiliations and Memberships

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

Australian College of Optometry
Bionic Vision Technologies
The Bionics Institute
The Centre for Eye Research Australia
HEARnet
Lions Eye Donations Service Melbourne
The University of Melbourne
Victorian Aboriginal Health Service (VAHS)

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

**The World Association of Eye Hospitals**
Members: Aier Eye Hospital Group (China); Emory Eye Center (Atlanta, USA); Eye & ENT Hospital Fudan University (Shanghai, China); Fondation Asile des Aveugles (Lausanne, Switzerland); Hoftalon Eye Hospital (Londrina, Brasil); Ispahani Islamia Eye Institute & Hospital (Bangladesh, India); Jakarta Eye Center (Jakarta, Indonesia); Kellogg Eye Center (Ann Arbor, USA); Kim's Eye Hospital (Seoul, South Korea); King Khaled Eye Specialist Hospital (Riyadh, Saudi Arabia); Magrabi Eye Hospital (Saudi Arabia); Massachusetts Eye and Ear Infirmary (Massachusetts, USA); Moorfields Eye Hospital (London, UK); New York Eye and Ear Infirmary (New York, USA); Orenburg branch of S. Fyodorov Eye Microsurgery Federal State Institution (Orenburg, Russia) 2020; Phillips Eye Institute (Minneapolis, USA); Rutnin Eye Hospital (Bangkok, Thailand); Singapore National Eye Centre (Singapore); St. Erik Eye Hospital (Stockholm, Sweden); St. John of Jerusalem Eye Hospital (Jerusalem, Israel); Sydney Eye Hospital (Sydney, Australia); The Beijing TONGREN Hospital (Beijing, China); The Metta Eye Hospital (Mettapracharak (Wat Rai Khing) Hospital) (Bangkok – Thailand); The Niteroi Eye Hospital (Rio de Janeiro, Brasil); The Rotterdam Eye Hospital (Rotterdam, The Netherlands); The Royal Victoria Eye and Ear Hospital (Dublin, Ireland); The Xi'an Eye Hospital (Xi'an, China); Tianjin Medical University Eye Hospital (Tianjin, China);Tun Hussein Onn National Eye Hospital (Kuala Lumpur, Malaysia); Turin Ophthalmic Hospital (Turin, Italy); UCSF Eye Health (San Francisco, USA); Wills Eye Hospital (Philadelphia, USA); Wilmer Eye Institute at Johns Hopkins (Baltimore, USA).

**The American Association of Eye and Ear Centers of Excellence**
Members: Bascom Palmer Eye Institute (Florida, USA); Emory Eye Center (Georgia, USA); The University of California, San Francisco Medical Center (San Francisco, USA); Massachusetts Eye and Ear Infirmary (Massachusetts, USA); Moorfields Eye Hospital (London, UK); Wills Eye Hospital (Philadelphia, USA); Phillips Eye Institute (Minnesota, USA); Rutnin Eye Hospital (Bangkok, Thailand); Singapore National Eye Centre (Singapore); St. Erik's Eye Hospital (Stockholm, Sweden); Wilmer Eye Institute at Johns Hopkins (Baltimore, USA).

**Victorian Healthcare Association**

**Melbourne Academic Centre for Health**

**The Royal Victorian Eye and Ear Hospital**

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