
The Royal
Children's
Hospital
Melbourne
Annual Financial Report
2020-21

Vision

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

Mission

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

Values

Unity

We work as a team and in partnership with our communities

Respect

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

Integrity

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

Excellence

We are committed to achieving our goals and improving outcomes

Contents

Chairman's report

As we approach the end of 2021 and another challenging year, it is timely to reflect on the goals set forth in our 2019–21 Strategic Plan — *Great Care, Everywhere*, while at the same time, establish our vision and roadmap for the years ahead.

Our strategic plan was launched in July 2019 and demonstrates our commitment to delivering outstanding care within the hospital, while pursuing new opportunities to support better health outcomes and experiences for children and young people. Underpinning our strategic plan are three key commitments — to collaborate, innovate and advocate — while increasing capacity and capability to improve paediatric healthcare beyond The Royal Children's Hospital (RCH).

We have taken important steps to embed the premise of *Great Care, Everywhere* into everything we do. That's why, despite the pressures placed on the hospital by the enduring impacts of COVID-19, I'm pleased to say that we have delivered on key elements of our strategic plan and achieved exceptional results for patients, families and staff.

The hospital's financial performance was significantly impacted by the pandemic, due to both lower commercial revenue streams and through the increase in COVID-19 response-related expenditure. Despite these challenges, the RCH was able to deliver a satisfactory operating result with a $25,000 surplus for the year. This can be largely attributed to increased funding support from the Department of Health, which has allowed for the recovery of pandemic-related financial losses.

If the COVID-19 global pandemic has taught us anything, it is the important role technology will play in delivering excellent patient outcomes and in providing care outside the four walls of our hospital.

Over the next five years, the RCH will implement a virtual care strategy to support our strategic plan of delivering Great Care, Everywhere. This healthcare delivery approach will use digital and telecommunications technology to drive and support continuous, connected and coordinated care for our patients and families. These models of care will take the form of telehealth, digital care coordination and remote monitoring, linking patients, clinicians and the wider community together to allow patient care to be accessible at home and in the community as well as in hospital. The future of healthcare is providing care outside the walls of the hospital, with an inspired workforce and healthcare community (including patients and families) who work together to help achieve better patient outcomes. We are very much looking forward to realising our vision of using virtual care technology to enable the best care in the best place at the right time.

In August 2020 we supported the successful delivery of the Parkville Connecting Care program — a shared EMR with The Royal Women's Hospital, The Royal Melbourne Hospital and Peter MacCallum Cancer Centre. The RCH was one of the first paediatric hospitals in Australia to replace paper-based medical records with a world-class electronic medical record, and we are proud to have collaborated with our health colleagues on this project for the benefit of patients and staff across the Parkville Precinct.

"We recognise the ongoing pressure of the pandemic on professional and personal lives, as well as the challenges faced by our staff in meeting the demand for our services — we thank them for their dedication and resilience this year …"

Furthermore, our RCH National Child Health Poll continued to shed new light on the big issues in contemporary child and adolescent health. In June, the Poll explored the experience of Australian families using telehealth, finding that that one in four Australian children have had a telehealth appointment in the past year with 92 per cent of parents saying they would use telehealth again. The RCH recognises that telehealth has a valuable place in healthcare delivery for Australian children, and while it is not a replacement for face-to-face care, we will learn from what has worked well under these challenging circumstances and use these lessons to inform further growth and innovation.

I am proud to say that we continue to lead the way in paediatric healthcare through establishing an Australian-first service to enhance care for children with complex colorectal conditions. Made possible through state and federal funding, as well as generous donations to the RCH Foundation, the Colorectal and Pelvic Reconstruction Service will provide individualised care to more than 500 children each year. The service is designed to simplify and streamline care for patients and families by strengthening the collaboration between a multidisciplinary team of health professionals, who all provide the care and support patients and their families need as they grow.

I would also like to commend our Education Institute, who this year received State recognition at the Victorian Early Years Awards for our Special Kindergarten Program. The program enables four-year-old children who have limited-to-no access to community kindergarten settings due to poor health, vulnerability, disadvantage or hospitalisation to take part in vital early childhood education suited to their individual needs. This program received the prestigious Minister's Award, which is personally selected by the Minister for Early Childhood.

On behalf of the RCH Board of Directors, I want to extend my sincere thanks to the entire RCH team for their collective efforts over the past year. We recognise the ongoing pressure of the pandemic on professional and personal lives, as well as the challenges faced by our staff in meeting the demand for our services: we thank them for their dedication and resilience this year.

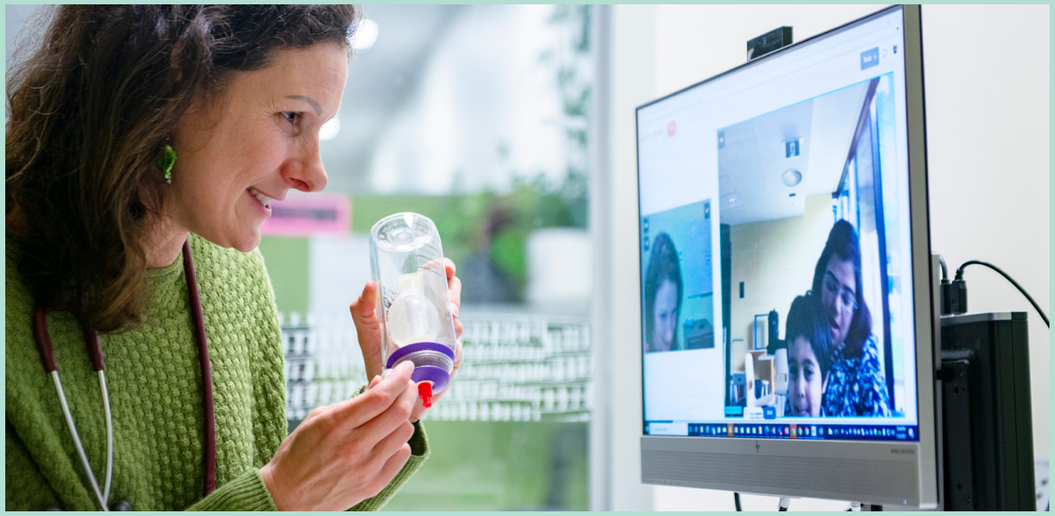
I'd also like to recognise the efforts of Acting CEO Ed Oakley and the Executive team in leading the organisation through this period. The RCH response, and the commitment to keeping our people and our patients safe, has been outstanding.

Of course, we also recognise the significant contribution of The Royal Children's Hospital Foundation in supporting the work of the hospital over this past year: the value of their support cannot be underestimated. Along with our Campus partners the Murdoch Children's Research Institute and the University of Melbourne Department of Paediatrics, we continue to deliver excellence in research, education and care for children and young people here and globally.

Finally, I would like to take this opportunity to farewell John Stanway as our Chief Executive Officer after more than 15 years of service to the RCH. John's commitment to the growth of the RCH was impactful and clear, and his dedication to patient care was at the heart of every action he took.

As we approach a new year, I look forward to turning our focus to developing a new strategic plan that will guide our vision and action over the coming years and to continuing our work in leading the way as a one of the world's great children's hospital.

The Hon Rob Knowles AO
Chairman



CEO's report

The 2020-21 period saw the RCH face another challenging year – both in the demand and growing complexity of our services due to the ongoing response required by COVID-19, which placed immense pressure on our resources.

Our Emergency Department (ED) continues to be one of the busiest in Victoria, with the unpredictability of demand and extraordinarily high daily presentation numbers proving to be the biggest challenges in 2020-21. We have implemented several strategies to manage this increasing demand, which will continue to be a focus in the year ahead.

Our ED, Respiratory Infection Clinic and Laboratory Services teams worked closely to manage surges in demand for COVID-19 swabbing, while we also prioritised the recruitment of additional medical and nursing staff to maintain clinical support activities in our ED. Recognising that managing this demand requires a collaborative approach across the health sector, the hospital engaged with key stakeholders including Ambulance Victoria, local hospitals and primary health networks to encourage families to seek care closer to home, where appropriate. As we look ahead, the RCH is undertaking plans for our ED redevelopment where managing access, flow and demand will continue to be prioritised to deliver better outcomes for patients and families.

Our transplant teams were also busy, with a total of 37 patients receiving transplants across several specialties. In collaboration with our colleagues at the Austin Hospital, 15 patients received liver transplants. We also saw seven patients receive kidney transplants and a further 15 received heart transplants. This year, the RCH also had the privilege of performing its 200th heart transplant. It took us 22 years to perform 100 heart transplants and just over 10 years to perform the next 100. Our Cardiology Department is home to the National Paediatric Heart Transplant Centre, and we are very proud to be the sole national provider of this life-changing service.

"The fact that we continued to deliver great care to our patients, while standing up additional COVID-19 response activities is a true testimony to our hard work..."

Reflective of the demand on our services, we provided care for:

- **80,398 Emergency Department presentations**
- **379,693 ambulatory appointments**
- **15,023 surgeries**
- **44,787 inpatient admissions**

Leveraging technology to deliver care

We developed and implemented a range of technological initiatives to increase our capacity to provide care within the community. This year, we partnered with the Murdoch Children's Research Institute (MCRI) and University of Melbourne to establish the Centre for Health Analytics thanks to a generous, five-year grant from the RCH Foundation The first of its kind in Australia, the Centre will use data to reshape the structure and delivery of education and research across the Melbourne Children's campus. Health analytics is the digital meeting place of health care, information technology and science. At the right time, the right data presented in the right way can inform decisions and impact prevention, treatment, and cure of conditions– making a big difference in little lives.

Telehealth appointments continued to be an important player in the way we deliver care and remain high compared with pre-pandemic levels. Recognising the benefits of telehealth for patients, families and staff, we actively took steps to address known barriers to using the service. This included supporting Interpreter Services to engage Culturally and Linguistically Diverse (CALD) families using telehealth and educating families on their ability to request telehealth appointments and more importantly, on how to get the most out of them.

Our Newborn Intensive Care Unit, known as Butterfly, launched a virtual health program called Baby Chat. This new program helps our smallest patients feel at home and enables them to hear the voices of their parents and siblings while being cared for in Butterfly. While the pandemic and subsequent visitor restrictions meant that it was challenging for parents and siblings to attend the hospital together, this new program connected families virtually so they would not miss special milestones or moments.

The hospital also launched our Kids Health Info podcast series, educating the community on common child and adolescent health topics. The podcast is based on the widely utilised Kids Health Info fact sheets with all episodes having a corresponding written resource. Our Kids Health Info podcast was streamed 27,270 times since its launch in July 2020, with seven per cent of listeners coming from overseas. These initiatives demonstrate the significant role technology will play in how we deliver care beyond the four walls of our hospital and will continue to be a priority in the years ahead.

Diversity and Inclusion

In recognition of our 150th birthday which we formally acknowledged in September 2020, the RCH Foundation commissioned two major artworks by Indigenous artists to be permanently housed on hospital grounds. The artworks included TOGETHER by Pitjantjatjara/Yankunytjatjara artist Elizabeth Close and Wurundjeri/Dja Dja Wurrung artist Samantha Roberts - a four-storey mural that transforms the north facade of the hospital building at 48 Flemington Road and LEAF by Yamatji artist Robyne Latham - a burnished-bronze sculpture placed in the Northern Court.

The inclusion of First Nation's art in the hospital's story is tremendously important and signifies our ongoing commitment to, and respect for, our Aboriginal and Torres Strait Islander communities. We will continue to take actions to ensure the RCH is a welcoming and culturally safe environment for Aboriginal and Torres Strait Islander children and their families, now and well into the future.

Supporting our people

Instrumental to our ability to deliver Great Care, Everywhere is our team of almost 6,000 staff and more than 400 volunteers. We are proud of our staff, our positive culture and high workforce commitment to excellence. Our People and Culture strategy is centred on staff engagement, capability and safety, and this year we delivered strategic initiatives to support each of those. As an example, in response to the compounding stressors stemming from the pandemic and in recognition of the need for an integrated organisational approach to staff mental health, we launched the 2021-2023 Staff Mental Health Strategy.

CEO's report (continued)

The strategy sets out a framework and objectives to support staff wellbeing through an integrated approach, focusing on promotion, prevention and support as key objectives. This strategy will evolve the existing hospital programs to a best practice level. As our Compact says, 'We do better work, caring for patients and families when we also care for each other.'

We also recognise the importance of engaging and connecting with our staff and this year developed new digital platforms to reach them. Our particular focus was on keeping staff informed of the dynamic COVID-19 situation and the subsequent changes it caused to our hospital operations. In August 2020, we developed a COVID-19 staff intranet which has been accessed more than 366,413 times, and in February this year, launched a COVID-19 staff app. Both platforms enable our team to access COVID-19 information in a timely manner, with the staff app allowing for push notifications to be sent out for important updates and announcements.

Internally, we undertook significant work to improve our corporate systems through the organisation-wide roll out of Microsoft Teams and Office 365, the transition to a new recruitment platform and through updating our payroll system to provide a more integrated solution for managing leave.

The year ahead

As another busy year approaches, I look forward to establishing the next stages of our hospital's journey. On behalf of my Executive colleagues, I would like to thank all members of the RCH team for their hard work and agility in responding to new challenges and for respecting and caring for one another. The fact that we continued to deliver great care to our patients, while standing up additional COVID-19 response activities is a true testimony to our hard work.

I would also like to thank the Chairman of the Board, the Hon Rob Knowles AO and our Board members for their insight, leadership, and support throughout a particularly demanding year.

Although we can expect more challenges in the year ahead, we can also expect great innovation, teamwork and opportunity. I look forward to continuing our work as world leaders in paediatric healthcare and to providing great care to our patients and families for the years to come.

Professor Ed Oakley
Acting Chief Executive Officer
*See RCH Executive staff, page 14.

RCH Staff Excellence Awards

At our 2020 Staff Excellence Awards celebration, we paid tribute to the incredible work of team members across the organisation.

The recipients of the 2020 awards were:

Andrew Daley
CHAIRMAN'S MEDAL

Molecular Microbiology team
CEO AWARD FOR GREAT CARE EVERYWHERE — CLINICAL EXCELLENCE

Communications Department
CEO AWARD FOR GREAT CARE EVERYWHERE — POSITIVE EXPERIENCE

Antun Bogovic (posthumously awarded)
CEO AWARD FOR GREAT CARE EVERYWHERE — A SAFE PLACE

Family Healthcare Support team
CEO AWARD FOR GREAT CARE EVERYWHERE — SUSTAINABLE HEALTHCARE

Respiratory Infection Clinic team
CEO AWARD FOR GREAT CARE EVERYWHERE — TIMELY ACCESS

Grainne Butler
DR WILLIAM SNOWBALL AWARD

Kelly Bernard
MARY PATTEN AWARD

Bernadette O'Connor
ALLIED HEALTH AWARD

Karl Wood
YVONNE WAGNER AWARD

Information Communication Technology team
SUPPORTING GREAT CARE AWARD

Dominic Morrison
EXCELLENCE IN RETURN TO WORK AWARD

Karen Scott
EXCELLENCE IN HEALTH, SAFETY AND WELLBEING AWARD

Board member profiles

Chairman: Hon Rob Knowles AO

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

Elleni Bereded-Samuel AM

MED, GradDip (Couns), GradCert (Mgt), BA

Elleni is African Australian from an Ethiopian background who has focused her life's work on strengthening education, training and employment for culturally and linguistically diverse communities in Australia. She worked for 17 years in the higher education sector. In 2014 Elleni joined Australian Unity as Engagement and Partnerships Manager for Independent and Assisted Living. Elleni is now the Executive Manager, Diversity and Capability Development, at Australian Unity. Elleni's dynamic leadership has resulted in new solutions for the community to access and participate in society. She is particularly passionate about improving the lives of older Australians through responsive aged care. Elleni has held health service Board Director positions at Royal Women's Hospital. Breast Screen Victoria and Western Health for more than 16 years. Additionally, Elleni has experience as a Director of SBS for five years, Australian Social Inclusion Board for three years, and VMC Commissioner for six years. In 2014, Elleni was named by Westpac AFR as one of Australia's '100 Women of Influence. Elleni was made a Member of the Order of Australia (AM) in the 2019 Australia Day Honours.

Dr Rowena Coutts

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

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

Dr Christine Cunningham

BA, BLit, MSc, PhD, GAICD

Dr Christine Cunningham is an experienced consultant who provides a wide range of research and evaluation services. For more than twenty years, she has been conducting research, providing insights and strategy advice and undertaking comprehensive evaluations of services, programs and projects within the health, government and private sectors. She commenced her career as a clinician, moving into policy and program development and redesign roles within the Department of Health and regional hospitals. Chris has also enjoyed sessional lecturing in statistics and is a member of the Swinburne University Postgraduate Applied Statistics Advisory Committee. She is an experienced Non-Executive Director and Chairman with more than 15 years' service on health education and social enterprise boards, including nine years on the Board of Northeast Health Wangaratta, five of which, as Chairman. Christine is a Fellow of the Australian Institute of Company Directors with a PhD from the University of Melbourne and a Master's Degree in Science (Applied Statistics).

Professor Richard Doherty

MBBS (Hons), DObstRCOG, FRACP.

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

Ms Petrina Dorrington

Dip. Hotel & Catering Operations, GAICD

Petrina Dorrington is an experienced executive in the not-for-profit sector. She was the Executive Director of Kids Under Cover from 1997 to 2007 and a Director from 2007 to 2013. Petrina is a Director of the Consumer Policy Research Centre and has previously served on other boards including the Spectrum Migrant Resource Centre and Homes for Homes. She was awarded a study scholarship to Stanford University's Executive Program for Non-Profit Leaders in 2006 and graduated as a fellow of the Williamson Community Leadership Program in 2007. Petrina currently provides project services to not-for-profits and private companies. She also volunteers for the Anglicare Friends Program.

Ms Pallavi Khanna

CA, GAICD

Pallavi Khanna is an experienced risk management and governance advisor. She has worked both in South Africa and Australia across the corporate and not-for-profit sectors and has over the past 10 years specialised in the higher education sector, whilst working at SW Australia. For more than 20 years she has worked with organisations to develop strategies to address strategic risks, undertaken independent evaluation of governance frameworks and managed projects to deliver strategic objectives. She has also undertaken assessments pertaining to privacy (Australia and International), IT controls, procurement and customer experience. Pallavi is an independent member of the Finance and Risk Committee at Common Equity Housing Ltd and the City of Stonnington, a past Director on the board of Public Galleries Association of Victoria and the Chair of the Audit and Risk Committee of Ballarat Health Services. She is a Chartered Accountant (Australia and South Africa), Prince 2 certified and a Graduate of the Australian Institute of Company Directors.

Mr Sammy Kumar

B. Bus (Accounting), FCA

Sammy is the Co-Founder of Sayers Group and CEO of Sayers Advisory & Investments. Sammy is a business leader with over 30 years' experience in Management Consulting, Mergers and Acquisitions, Risk Management, Strategy, Technology and Ventures. Sammy's work includes significant experience in many overseas markets including the US, Canada, South America and Asia Pacific. He has advised companies in a number of sectors including financial services, telecommunications, technology services, private equity and venture capital. During his time at PwC he started, led and grew businesses both in Australia and the Asia-Pacific region managing revenues of over $1 billion. Sammy is a thought leader on a range of topics including revenue risk management, mega trends impacting economies and the impact of technology on business strategy. Sammy is a committed member of the broader community. Additionally, Sammy has been reappointed to the Board of the RCH from July 2018, and is also a Foundation director since 19 October 2015 and Chair of Audit Committee since 15 June 2016. In addition to serving on the Boards of the RCH and RCH Foundation he is also a Board Member of MOPT (The Melbourne and Olympic Parks Trust).

Dr Linden Smibert

MBBS, FRACGP, FAICD.

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

RCH Board Sub-committee membership for 2020–21 financial year

Audit and Corporate Risk Management Committee
Pallavi Khanna – (Chair)
Petrina Dorrington
Dr Rowena Coutts
Dr Linden Smibert
Sally Freeman – (External Member)

Community Advisory Committee
Hon Ron Knowles AO (Chair)
Elleni Bereded-Samuel AM
Petrina Dorrington

eHealth Board Sub-committee
Mr Sammy Kumar (Chair)
Elleni Bereded-Samuel AM
Dr Christine Cunningham
Professor Richard Doherty
Hon Rob Knowles AO

Finance Committee
Incorporating Facilities Management Board Sub-committee, IT Board Sub-committee and Investment Committee
Dr Rowena Coutts (Chair)
Hon Ron Knowles AO
Pallavi Khanna
Dr Linden Smibert
Max Findlay (External Member)

Quality and Population Health Committee
Dr Christine Cunningham (Chair)
Professor Richard Doherty
Petrina Dorrington
Dr Linden Smibert
Dean Griggs (External Member) — part year

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

Workplace Culture Committee
Dr Christine Cunningham (Chair)
Petrina Dorrington
Hon Rob Knowles AO

Executive staff

Chief Executive Officer
John Stanway
BEc, Grad Dip IR, FAICD

Chief Operating Officer
Jane Miller
BAppSc (Speech Path), GradDipNeuro, MHlthMgmt, GAICD

Chief of Medicine
Associate Professor Tom Connell
MB BAO BCH B Med Science MRCPI FRACP PhD

Executive Director Communications
Alison Errey
MJour, GradDipPublicAdmin, MAICD

Chief Nursing Officer and Executive Director Nursing and Allied Health
Maria Flynn
RN (Registered Nurse), RM (Registered Midwife – UK), Dip HEM, BA (Hons) – HealthCare Studies, MSc – HealthCare Management, Q Fellow (UK)

Chief Financial Officer
Jon Marcard
B.Ec, FCA, MAICD

Chief of Critical Care
Professor Ed Oakley
MBBS FACEM

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

Chief Medical Officer and Executive Director Medical Services and Clinical Governance
Professor Matt Sabin
MRCPCH (UK), FRACP, PhD

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

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

Workforce data

Hospitals labour category	JUNE current month FTE		Average Monthly FTE	
	2020	2021	2020	2021
Nursing	1308.3	1325.8	1336	1372.3
Administration and Clerical	700.3	715.3	700.2	715.2
Medical Support	384.3	402.4	386.2	403.6
Hotel and Allied Services	262.7	298.9	248.6	284.2
Medical Officers	142.5	173.2	152	175.4
Hospital Medical Officers	327.2	342.1	320.9	333.2
Sessional Clinicians	126.7	153.2	126	153.3
Ancillary Staff (Allied Health)	349.9	361.5	341.7	357.2

Application of employment and conduct principles

The RCH Code of Conduct is founded on four organisational values of Unity, Respect, Integrity and Excellence. Complementing these values is our RCH Compact, comprising a set of 10 pledges setting out the ways in which our people have agreed that they will engage, behave and work together to better deliver great care.

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

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

Organisational chart

As at 30 June 2021

The Royal Children's Hospital Board

Chief Executive Officer John Stanway

General Counsel
Annabelle Mann

Chief Operating Officer Jane Miller

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

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

Chief of Medicine
Tom Connell

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

Chief of Surgery
Mike O'Brien

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

Chief of Critical Care
Associate Professor Ed Oakley

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

Executive Director Nursing and Allied Health and Chief Nursing Officer
Maria Flynn

- After Hours Management
- Bed Management
- Allied Health
  - Audiology
  - Child Life Therapy
  - Equipment Distribution Centre
  - Gatehouse
  - Nutrition/Food Services
  - Occupational Therapy
  - Orthotic and Prosthetic Unit
  - Physiotherapy
  - Speech Pathology
  - Social Work and Pastoral Care
- Infection Prevention Control
- Interpreter and NESB Services
- Nursing and Administration Workforce
- Nursing Education and Research
- Ward NUMS
  - Banksia
  - Butterfly
  - Cockatoo
  - Dolphin
  - Emergency
  - Kelpie
  - Koala
  - Kookaburra
  - Platypus
  - Rosella
  - Sugar Glider

- Ambulatory Services
  - Customer Contact Centre
  - Complex Care Hub
  - Specialist Clinics
  - Day Medical Centre
  - Day Oncology
  - Wallaby
  - Family Healthcare Support
  - Immunisation
- Education Institute
- EMR Team
- Laboratory Services
- Pharmacy
- International Patients

Executive Director People and Culture
Danielle Byrnes

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

Executive Director Communications
Alison Errey

- Archives
- Corporate Communications
- Family Services and Volunteers
- RCH National Child Health Poll
- Strategy and Planning

Chief Financial Officer
Jon Marcard

- Decision Support
- Facilities and Emergency Management
- Finance
- Health Information Services
- Information Communication Technology
- Internal Audit Coordination
- Management Accounting
- Payroll
- Procurement and Supply
- Risk and Information Management Systems
- Support Services

Statutory statements

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

Powers and duties

The powers and duties of the RCH are prescribed by the *Health Services Act 1988*. The hospital is accountable to the people of Victoria through the former Minister for Health and Minister for Ambulatory Services, Jenny Mikakos (July 1, 2020 to September 26, 2020) and the Minister for Health, Minister for Ambulatory Services and Minister for Equality, The Hon Martin Foley (September 26,2020 to present).

Nature and range of services

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

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

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

The RCH leads a number of state-wide services, including:

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

Freedom of information

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

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

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

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

Nominated FOI Officers

Ms Annabelle Mann, General Counsel

Ms Laura Hartmann, Senior Legal Counsel

Ms Judith Smith, Freedom of Information Officer and Reviewer

Mr Ricky Huynh, FOI Reviewer

Ms Angela Wood, FOI Reviewer (from January 2021)

Requests received	2019-20	2020-21
Total requests	739	715
Access granted in full	332	347
No information available	35	34
Application withdrawn	81	61

Requests made came primarily from patients and their families (approximately 58.5 per cent), legal representatives (40.5 per cent) and the TAC (approximately 0.8 per cent). The remaining 0.2 per cent were from the Media or Members of Parliament for non-patient related information.

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

Building Act 1993

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

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

Public Interest Disclosure Act 2012

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

The RCH encourages individuals to make any disclosures which are public interest disclosures within the meaning of the Act directly to IBAC in accordance with s51 of the *Independent Broad-Based Anti-Corruption Commission Act 2011*. There have been no disclosures reported to IBAC for the year ending 30 June 2020.

National Competition Policy

In accordance with the Competition Principles Agreement (CPA), the State of Victoria is obliged to apply competitive neutrality policy and principles to all significant business activities undertaken by government agencies and local authorities.

Carer's Recognition Act 2012

The *Carers Recognition Act 2012* promotes and values the role of people in care relationships. The RCH understands the different needs of persons in care relationships and that care relationships bring benefits to the patients, their carers and the community.

The RCH takes all practicable measures to ensure that its employees, agents and carers have an awareness and understanding of the care principles and this is reflected in our commitment to a model of patient and family centred care and to involving carers in the development and delivery of our services.

Environmental performance

The RCH monitors energy consumption and waste generation through the RCH Sustainability Committee and the Utilities Management Committee. These committees serve as an important mechanism to initiate and oversee new waste and energy reduction initiatives.

The RCH has launched a campus wide Sustainability Plan to highlight the environmental impacts of our hospital and the measures taken to reduce those impacts. The Sustainability Plan will cover the RCH, MCRI and RCH Foundation and will highlight our shared sustainability goals for the 2021-25 period.

Further Information

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by senior officers as nominee or held beneficially;
- Details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service;

Public environment report

GREENHOUSE GAS EMISSIONS			
Total greenhouse gas emissions (tonnes CO2e)	**2018/19**	**2019/20**	**2020/21**
Scope 1	6,509	6,360	6,657
Scope 2	34,043	32,488	29,361
Total	**40,552**	**38,848**	**36,019**
Normalised greenhouse gas emissions	**2018/19**	**2019/20**	**2020/21**
Emissions per unit of floor space (kgCO2e/m2)	242.83	232.62	215.68
Emissions per unit of Separations (kgCO2e/Separations)	761.59	829.08	803.95
Emissions per unit of bed-day (LOS+Aged Care OBD) (kgCO2e/OBD)	292.19	292.76	294.34
STATIONARY ENERGY			
Total stationary energy purchased by energy type (GJ)	**2018/19**	**2019/20**	**2020/21**
Electricity	114,538	114,664	107,858
Natural Gas	124,531	121,766	129,191
Total	**239,069**	**236,430**	**237,050**
Normalised stationary energy consumption	**2018/19**	**2019/20**	**2020/21**
Energy per unit of floor space (GJ/m2)	1.43	1.42	1.42
Energy per unit of Separations (GJ/Separations)	4.49	5.05	5.29
Energy per unit of bed-day (LOS+Aged Care OBD) (GJ/OBD)	1.72	1.78	1.94
WATER			
Total water consumption by type (kL)	**2018/19**	**2019/20**	**2020/21**
Potable Water	156,239	151,944	139,929
Normalised water consumption (Potable + Class A)	**2018/19**	**2019/20**	**2020/21**
Water per unit of floor space (kL/m2)	0.94	0.91	0.84
Water per unit of Separations (kL/Separations)	2.93	3.24	3.12
Water per unit of bed-day (LOS+Aged Care OBD) (kL/OBD)	1.13	1.15	1.14
WASTE AND RECYCLING			
Waste	**2018/19**	**2019/20**	**2020/21**
Total waste generated (kg clinical waste+kg general waste+kg recycling waste)	1,126,983	1,034,824	1,073,491
Total waste to landfill generated (kg clinical waste+kg general waste)	959,811	893,920	874,691
Total waste to landfill per patient treated ((kg clinical waste+kg general waste)/PPT)	3.51	3.46	3.29
Recycling rate % (kg recycling / (kg general waste+kg recycling))	17.43	16.40	23.88

Statutory statements (continued)

- Details of any major external reviews carried out on the Health Service;
- Details of major research and development activities undertaken by the Health Service 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 Health Service and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- A general statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations;

Local Jobs First Act 2003

The RCH complies with the intent of the *Local Jobs First Act 2003* (Vic), promoted through the Local Jobs First Policy (LJFP)

The Local Jobs First Policy encompasses both Victorian Industry Participation Policy and Major Projects Skills Guarantee, which were previously administered separately. Part of this policy requires wherever possible local industry development, through the improvement of opportunities for local suppliers while taking into consideration the principle of value for money and transparency in procurement processes.

One project reported upon in last year's report is currently in implementation phase. The RCH has commenced one other project which required disclosure under the Local Jobs First Policy. The project is currently at tender with an estimated value of $8.5 million. The local content for this tender will be 97 per cent or above and in keeping with the Local Jobs First Policy requirements, Local Industry Development Plans will be required for this tender. There have been no projects to which the Major Skills Guarantee has been applied.

Gender Equality

The RCH is fully aware of its obligations under the *Gender Equality Act 2020* and the Executive team and Board are briefed regularly on progress. We are working towards its Gender Equity Action Plan submission requirements for the 1 December 2021 deadline. The RCH finalised a Diversity, Equality and Inclusion Plan in May 2021 and a Disability Action Plan in 2020. The RCH commenced work in 2021 on an 'Innovate" Reconciliation Action Plan in 2021 which builds on our previous 'Reflect' RAP Plan.

Asset Management Accountability Framework

The Asset Management Accountability Framework (AMAF) replaces Victoria's existing asset management framework, Sustaining Our Assets and the related asset management series.

The RCH Asset Management Accountability Framework (AMAF) purpose is to ensure compliance with the 2016 Standing Directions of the Minister for Finance section 4.2.3 regarding asset planning, acquisition, disposal and operations. The RCH maintains adherence to the AMAF and continuously seeks to enhance asset management compliance across the organisation. The RCH remains materially compliant through its asset management strategies, capital governance frameworks, enabling improved performance standards and processes.

A summary of the RCH's performance against each of the pillars is described as follows:

Compliance and maturity rating tool

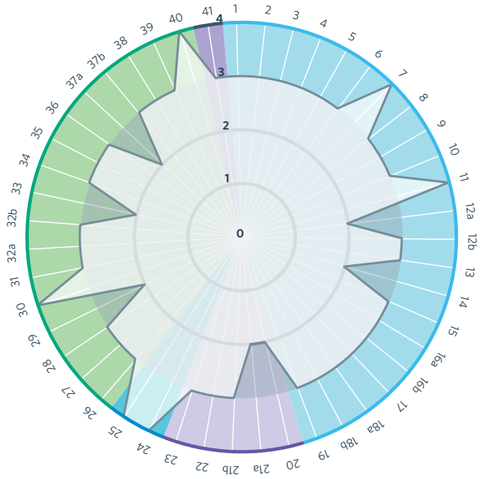
Asset management maturity

Legend

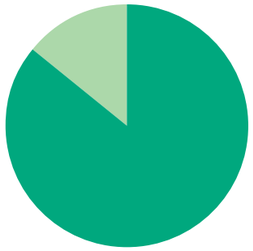
Status	Scale
Not applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

Target

Overall



AMAF compliance



Comply

Partial/non-comply

Not applicable

Unassessed

Leadership and Accountability (requirements 1–19)

The RCH has met its overall target maturity level in this category. The RCH continues to develop its asset performance monitoring standards and targets, further incorporating it into the overall corporate and strategic planning framework.

Planning (requirements 20–23)

The RCH has achieved its maturity targets for risk management and contingency planning. The RCH aims to further develop the maturity of its asset management strategy with coverage of the entire asset base over the whole asset lifecycle on a portfolio basis.

Acquisition (requirements 24 and 25)

The RCH has exceeded its target maturity level in this category.

Operation (requirements 26–40)

The RCH has met its target maturity levels under most of the requirements in this category. The RCH partially complied with some requirements in the areas of monitoring and preventative action and information management systems. The RCH is developing maturity in improving processes to ensure proactive asset management performance.

Disposal (requirement 41)

The RCH has met its target maturity level for this category.

Safe Patient Care Act 2015

The RCH provides details of all ward ratios to meet our reporting obligations under the *Safe Patient Care (Nurse to Patient and Midwife to Patient Ratios) Act 2015* (the Principle Act). The details are reported twice per year on the RCH website and can be viewed at: https://www.rch.org.au/baro/about_us/Safe_patient_care/

Car parking fees

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

Privacy

Since the *Health Records Act* became legally binding on July 1, 2002 the RCH has aimed to ensure all staff are aware of the Act (and the *Privacy and Data Protection Act, 2014*) and its implications in the workplace. The RCH has a privacy policy and procedures that reflect the legislative requirements.

In preparation for the implementation of the shared EMR between the RCH, The Royal Melbourne Hospital, Peter MacCallum Cancer Centre and The Royal Women's Hospital on the 8 August 2020, and in response to the work of the Privacy Governance Advisory Committee, the endorsed precinct Privacy Framework and wording was incorporated into the RCH privacy brochure, policy, and procedures. In addition, the agreed definitions and application of the FYI flags led to the development of a new RCH procedure titled 'Alerts – Documentation of Non-clinical Alerts using FYI Flags'.

Several other activities have occurred at the RCH over the past year in relation to communication and education of privacy. This includes publishing articles on managing confidential information and appropriate access to patient information via the RCH intranet; ongoing privacy awareness training for staff undertaking patient registration; privacy awareness messaging included in the CEO staff update; and privacy education by request to departments. These activities play an important role in building a solid foundation of privacy knowledge in the hospital.

Regular audits of our EMR are conducted to ensure that staff access patient information appropriately. The 'Privacy – Appropriate access by RCH staff to patient information in the medical record' procedure provides a clear statement for staff on appropriate access, and the audit processes in place to monitor access to patient information. Functionality has also been implemented to provide real time Break The Glass notifications to Gatehouse staff when sensitive patient documentation has been accessed in the EMR.

The privacy officer addresses general staff enquiries in relation to privacy. Privacy is part of the culture at the RCH and ongoing education is in place to ensure this continues.

Family Violence

The RCH has been funded by the Department of Health (previously the Department of Health and Human Services) since 2016 to implement the Strengthening Hospital Responses to Family Violence Project (SHRFV). To date 4,042 RCH staff (66 per cent) have been trained to recognise and respond to family violence. The training package is aligned with the state-wide Multi-Agency Risk Assessment and Management Framework (MARAM), to which the whole of the RCH was prescribed in April 2021. The MARAM framework and related Family Violence and Child information sharing schemes enable standardised assessment and collaborative management of family violence risk. The project team has developed a MARAM alignment plan for the RCH and have updated all relevant RCH procedures to align with the new requirements. The team also provides secondary consultation to staff regarding complex clinical matters, responds to requests for information under the Family Violence and Child Information Sharing Schemes, and assesses any risk posed by the MyRCH portal in situations where there is known or suspected family violence risk. There are also resources for supporting staff affected by family violence, including trained contact officers, a workforce procedure and access to family violence leave. Due to COVID-19 restrictions, the annual event to mark the 16 Days of Activism Against Gender Based Violence took place online as a Grand Round presented by a survivor/advocate. The RCH has funded the Family Violence team for a further 12 months, with partial funding provided by an extension of the Department of Health grant. The aims of the next 12 months are to continue to align the RCH's processes to the MARAM framework, to continue to provide and promote best practice and responses to patients and families experiencing family violence, and to strengthen consumer participation in this area of work.

Child Safety Standards

The RCH has continued to focus on child safety as an area of critical importance in a paediatric hospital. An e-learning package on the Child Safe Standards and recognising and responding to vulnerable and at-risk

Statutory statements (continued)

children and young people was developed and to date 3,493 (58 per cent) of RCH staff have been trained. Due to the COVID-19 pandemic, the annual marking of Universal Children's Day took place online via intranet blog posts. The RCH continued to auspice and support a Clinical Nurse Coordinator position outposted to the Western Metropolitan Child Protection Office to provide secondary consultation to child protection practitioners on the health needs of children known to child protection - and facilitate information sharing and service linkage. Four information leaflets for health professionals on working with vulnerable and at-risk children and young people were also developed and will be launched during Child Protection Week in September 2021. The RCH procedure and documentation systems for children and young people who fail to attend medical appointments are in the process of being updated to strengthen recognition and response to situations of potential medical neglect. In 2021-22, the RCH will focus on preparing to implement the updated Child Safe Standards which become operational in July 2022.

Aboriginal Cultural Safety

The RCH submitted a Cultural Safety Plan in December 2020 to meet the requirements of the Aboriginal cultural safety fixed grant. Our plan addresses detailed actions across eight cultural safety domains including Aboriginal health staffing, strengthening partnerships with local aboriginal communities and through the delivery of cultural safety training.

Our Wadja Family Place has six dedicated Aboriginal health worker positions in addition to two sessional paediatricians, making it amongst the most well-resourced Aboriginal health units in any paediatric hospital in Australia. Additionally, the RCH has two qualified mental health team members of First Nations heritage.

The RCH has an active Aboriginal Advisory Committee with membership including the RCH Executive, Aboriginal RCH staff, and community members from Victorian Aboriginal Health Service, Victorian Aboriginal Childcare Agency, Aboriginal Children's Youth Commissioner, and Aboriginal staff from the Parkville Precinct. The committee provides culturally informed guidance to ensure the RCH provides equitable, culturally safe, responsive healthcare that promotes improved health outcomes for Aboriginal children and their families.

The RCH has developed memoranda of understanding (MOU's) with the Department of Health's Child Protection and Victorian Aboriginal Childcare Agency as well as the Victorian Aboriginal Health Service to support and promote a collaborative and coordinated approach to the delivery of services for vulnerable children and their families.

A mandatory online cultural safety training module was introduced at the RCH on January 1, 2016 and is included in the orientation process for all new members of the workforce. Additionally, a comprehensive three-hour face-to-face training program on cultural safety is offered to staff on an ongoing basis.

Cross-cultural education sessions continue to be delivered by Wadja staff to the hospital's teams, outlining services provided by Wadja Aboriginal Family Place and how families can access the Wadja service.

Social Procurement Strategy

The RCH's Social Procurement Strategy 2019-2021 was approved by the Department of Treasury and Finance in June 2020. The strategy documents the commitment, processes, mechanisms and communication approaches that are used to ensure social value benefits and outcomes are a focus for procuring goods and/or services across the organisation. Over the past 12 months, the RCH has embedded social procurement evaluations into market approach documentation and contract clauses, engaged with suppliers to drive social benefit outcomes, and initiated projects with an emphasis on increased environmental sustainability. While the hospital's pandemic response was the foremost focus for 2020-2021, the RCH acknowledges the impact of COVID-19 on businesses and citizens of Victoria and reaffirms our commitment to better social and sustainable outcomes for the community of Victoria.

Developing Our People and Organisation

Our People and Culture Strategy provides several key initiatives which support our Great Care domain of 'positive experience' for our staff. These activities are aimed at maintaining/increasing employee engagement and satisfaction, continuing to build a positive workplace culture and building the capability of our staff and leaders.

The RCH Compact — Better Together

The RCH Compact is a significant culture program that began with employees collaborating to define the behaviours that would take our delivery of great care to the next level. The result was 10 simple behavioural pledges which have been adopted by all employees, which enable greater collaboration, innovation and advocacy. During 2020–1 we developed online leader and team member training modules and prepared for a large scale face-to-face Compact training rollout commencing Q1 2021-22.

An 'Above the Line Behaviours' workshop program was developed to address the Compact pledge "I take responsibility for my behaviour and its impact on others". Teams identify behaviours that are above the line (appropriate) and below the line (inappropriate) and explore how that is expressed in body language and how it makes themselves and others feel. At the end of the workshop, the team develops a team agreement. Sixteen workshops have been facilitated with more planned in the future. Leaders have noted positive reactions from their teams and usage of the 'above the line' language in future conversations amongst team members.

Diversity, equity and inclusion

The Diversity, Equity and Inclusion Action Plan remains a living document to enable the RCH to even more effectively deliver its services in a culturally safe environment, valuing our people, reflecting our community's diverse needs, and where we can appreciate health issues from a range of perspectives.

During the year we actively celebrated the diversity of our team members. A range of festivals across the Buddhist, Christian, Jewish, and Muslim faiths were celebrated through our communication channels, and included staff stories about how their families celebrated. The RCH also celebrated its LGBTQI+ community by participating in the 2021 Midsumma Pride March, Wear it Purple, and IDAHOBIT Day.

The RCH is very proud to continue its strong involvement in the Holmesglen Integrated Placement Program, giving young people with disability the opportunity to gain life changing work experience. This program, in which we were a founding partner, has now extended to a further two organisations.

An engaged workforce — People Matter Survey

At the RCH, we are committed to ensuring that our staff feel proud to work here and are supported to bring their best to work every day. One way we measure our success and provide our people with a voice is through the Victorian Public Sector Commission's People Matter Survey.

In October 2020, the RCH participated in the People Matter Wellbeing Survey and had our best response rate of 57 per cent. Our overall engagement score was 76 per cent, a one per cent improvement on the previous year. Ninety per cent of our people were proud to work for the RCH. We improved in most areas and continued strong positive gains with an average improvement of two per cent across all categories on last year's scores. This included improvements in Satisfaction (71 per cent) and Senior Leadership (72 per cent). Our most significant improvement was for Psychosocial Safety Climate, which increased by 12 per cent. This category measures how well we support staff experiencing stress, and demonstrated the improved care and connection provided by everyone at RCH during a challenging year.

COVID-19 pulse surveys

The health, wellbeing and stability of our workforce is one of our key priorities. This global pandemic had unprecedented impacts on our health workforce across Australia, and particularly in Victoria during 2020.

Throughout 2020-21 we reached out to staff for their feedback on six occasions. These results were analysed and fed back to staff within days of the survey closing and included details about the actions taken to respond to their needs. Responses included health and safety actions, continued frequent communications and people supports, such as the development and delivery of a series of supportive leadership webinars and tip sheets. The results highlighted the need to develop a comprehensive staff Mental Health Strategy.

Leadership Development Strategy

During 2020–21 the RCH Leadership Development Strategy was created in line with the hospital's Strategic Plan. This will build and grow leadership capability to ensure all our team members experience skilled and supportive leadership. The Strategy is underpinned by an organisational approach to building capability, based in best practice principles, and provides for a comprehensive series of programs for leaders across all levels of the RCH. Thanks to the support of the RCH Foundation, the Leadership Academy will provide the structure and architecture for leadership development over the coming three years.

People Processes and Support

Gender Equality Act

During 2020–21 RCH established a project team to work towards its obligations to comply with the *Victorian Gender Equality Act 2020*, including the submission of a Gender Equality Action Plan (GEAP) by December 2021.

An experienced specialist consultant has been engaged to lead the organisation through the initial stages of the project which includes a *Workplace Gender Audit* that reviews data against seven *Gender Equality Indicators*. The *Workplace Gender Audit* was successfully conducted on 30 June 2021. This data will indicate where there is room for improvement in relation to the workplace gender equality indicators including specific reference to how the RCH has considered the impact of 'intersectional gender inequality'. This information, along with feedback gained through required consultation, will then inform the strategies and measures for the GEAP.

A further requirement of the legislation is Gender Impact Assessments The assessment must demonstrate how a new policy, program or service will be developed or varied to meet the needs of persons of different genders, how gender inequality is to be addressed and how gender equality is to be promoted. The RCH has identified a pilot program for this requirement and the Assessment is underway.

Visa project

To ensure that the RCH has strong practices in place to comply with its visa obligations (particularly sponsorship 457/482 visas), with the assistance of our migration agent, Fragomen, a review was conducted between 2019-2020 and made a series of recommendations for improvements. During 2020-21 a project team was formed and developed new policy and procedures, manager training package, and payroll and system configuration. All visa holders are now tracked by Fragomen's system called Fragomen Connect and the RCH now conducts regular visa checks through the Department of Home Affair's visa checking platform called VEVO.

COVID-19

The COVID-19 response continued to be a primary responsibility for the Human Resources and Workplace Health and Safety teams in 2020-21. People and Culture's response focused on worker safety and wellbeing, industrial obligations/ relationship and employee conditions regarding the COVID-19 vaccination rollout.

Several initiatives were implemented to support both employees and managers including the development of employee benefits, entitlements, wellbeing and the deployment of Department of Health directions and guidance. Support to the management team consisted of management tool kits to address issues such as remote work practices and safety, at-risk worker guidance, furloughed worker support, implementation of employment stability payments, managing staff movements across other employers, managing the impact of personal and business travel restrictions on professional development and employee leave plans, providing guidance and advice on challenging workforce management, and the impacts of childcare and school closures. The RCH has also developed

Statutory statements (continued)

guidance on a post-COVID workplace which incorporates more flexibility and remote working practices.

Enterprise agreement implementation

The structure and governance for overall implementation of enterprise agreements (EA's) has been developed in preparation for implementation of multiple new/ replacement health sector EA's anticipated in 2021-22 with each agreement to be treated as a 'project'.

Implementation of the 2020-21 interim agreement for allied health professionals is underway with priority items, such as payment/back payment of salary and allowances complete. Implementation of priority items for the nurses and midwives agreement is commencing in accordance with Department of Health advice.

Bargaining continues between the Victorian Hospitals Industrial Association and employee representatives for all other agreements. Medical Specialists and Doctors in Training will commence bargaining in July 2021.

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

People and Culture Systems

RosterOn rollout

RosterOn is the RCH's time and attendance system. In a significant project over 2019 -20, RosterOn was integrated with our SAP payroll system and implemented for our nursing staff, eliminating 2,500 timesheets. RosterOn Phase 2 began during 2020-21, with all additional professional groups on timesheets now being added and the successful release of mobile functionality to all RosterOn employees.

MyDNA upgrade — Leave management

In 2020-21, the RCH launched the MyDNA leave management solution, introducing significant process improvements and full SAP payroll integration, and enabling the retirement of the old parallel Online Leave Management System (OLMS). The new system was introduced to provide staff with a more integrated solution for managing leave including new features that were not previously available.

XRef — Online reference checking

During 2020-21, the RCH has initiated a project to automate the recruitment reference checking process, by placing ownership on the candidate to engage with their own referees to the employer's standards. This project will improve reference checking turnaround times and reduce hiring manager workload.

Success Factors — Online recruitment system

A replacement online recruitment system was successfully launched on November 30, 2020 following a rapid 10-week implementation project. To support the implementation of Success Factors, the RCH developed and implemented launch materials to educate and enable hiring managers to utilise the system effectively; a Success Factors landing page for use by internal and external candidates; and a dedicated intranet site to house all the training material and for HR to share updates.

Workplace Health and Safety

In 2020–21, the RCH Workplace Health and Safety (WHS) program was enhanced to ensure we support the delivery of Great Care, Everywhere. We continued to strengthen our commitment to the domain of 'A Safe Place', supporting a work environment where everyone's wellbeing is paramount by addressing the known challenges experienced by the workforce.

Healthy employees

In October 2020, the RCH participated in a team *Step Challenge* motivating 200 staff to get active, engage in consistent physical activity and create healthy habits. In November 2020, the RCH partnered with Exercise Research Australia, to offer staff a 14-week telehealth exercise program designed to achieve health and fitness goals whilst being supported by qualified health professionals. Staff reported feeling motivated by the program especially staff who were working from home as a result of the COVID-19 lockdown.

Employee Assistance Program

The RCH Employee Assistance Program (EAP) continued to provide free and confidential counselling, coaching and additional services to support employee and members of their families work through personal and work-related issues. Throughout 2020-21 the EAP service provided evidence-based materials, tip sheets, videos and articles to build improved understanding of the impact of COVID-19 and its impact on mental health.

The following benchmarking data was provided by Converge International EAP provider for the 2020-21 period:

Annual EAP utilisation rate 2019–20	
RCH	7.9%
Industry Average	4.6%

Peer Support Program

In creating a psychological safe place, the RCH is committed to supporting and encouraging staff to connect with trained peer supporters who have a shared understanding and lived experiences of challenges inherent to healthcare. In 2020-21, the RCH Peer Support Program was reviewed, and an additional 34 peers were recruited and trained from across the workforce, taking our overall number of peer supporters from 29 to 63.

Mental health first aid training

In April 2021, the RCH began on-site mental health first aid training and has now trained almost 100 staff. The program is facilitated by accredited trainers with the course aiming to empower and educate participants on the impacts of mental ill-health, decrease the stigma towards mental health and teaching individuals how to conduct a mental health conversation. The aim of the program is to increase the organisational support to individuals who may be facing a mental health crisis.

New WHS staff intranet site

In March 2021, the RCH designed and launched a contemporary WHS intranet page. Since its launch, there have been more than 5,000 visits to the site. The new pages provide streamlined menus, clear navigation and layout, new functions to increase visibility of the wide range of wellbeing, safety and injury management supports and resources available to all staff.

Wellbeing hub

The RCH created a staff well-being hub in our education centre, designed to provide a space for staff to relax and recharge during the COVID-19 pandemic. The wellbeing hub was converted into a permanent space in May 2021. The space is designed to encourage social interaction or relaxation and supports staff in taking a meaningful break away from their work location.

2021-2023 Staff Mental Health Strategy

During 2020, our staff reports of unhealthy levels of stress increased the need for an integrated organisational approach to staff mental health, In March 2021, the RCH launched the 2021-2023 Staff Mental Health Strategy. This three-year Strategy of new programs was the culmination of research as well as contributions from across the hospital, its goal is that all RCH staff experience their best possible health, including mental health. It builds upon the wide range of health and wellbeing supports currently available to staff at the RCH and is designed to promote an accepting culture towards mental health and reduce psychological harm. The Strategy is a key component of our work to expand our suite of health and safety practices and initiatives.

Consultation and Health and Safety Representatives engagement

The RCH values the important role of Health and Safety Representatives (HSRs) in identifying and assisting to resolve occupational hazards. In 2020, WHS introduced a monthly HSR newsletter that keeps HSRs abreast of legislative changes, safety campaigns, wellbeing initiatives as well as showcasing examples of practical risk mitigation controls that local HSRs championed and implemented. Workplace Health and Safety Committees continued to provide a regular forum for collaboration in addressing ongoing and emerging risks that have contributed to several safety system improvements in areas including liquid nitrogen, occupational violence, chemical waste and improvements to the loading dock.

Injury management

Despite the ongoing challenges presented by the COVID-19 pandemic, our injury numbers have remained relatively stable compared with last year – with 107 staff being supported through our Early Intervention Program, compared with 109 in 2019-20 financial year.

As a testament to the effectiveness of our Early Intervention Program, only eight injuries have progressed to a standard accepted Workcover claim, compared to 16 in 2019-21 financial year.

With the introduction of our Mental Health Strategy, we hope to maintain a very low number of psychological injuries that progress to Workcover claims. This financial year we have had three accepted psychological claims, compared to five in 2019-21 financial year.

In addition, the COVID-19 specific workplace supports detailed above have positively influenced our ability to support staff throughout the past financial year, contributing to our injury management success.

Occupational Health and Safety Statistics	2020 –21	2019 –20	2018 –19
The number of reported hazards / incidents for the year per 100 FTE	7.8	7.7	9.8
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	0.16	0.44	0.08
The average cost per WorkCover claim for the year ('000)	$102,466	$152,685	$190,573

The RCH's successful ongoing management of claims received from the previous financial years has secured a premium reduction. The RCH continue to perform significantly better than the industry average by approximately 67 per cent, further improving on last year's performance.

Staff family violence support

The RCH takes positive steps to support our staff who experience family violence. Our Family Violence Contact Officer Program has reached even more employees during 2020-2021. Workplace Health and Safety received further referrals through our confidential and centralised email and switchboard pathways. We continued to train and upskill our contact officers to ensure that the best support can be provided to our staff. Additional supports for our staff were created and circulated widely in response to the increase in family violence during the pandemic.

Respiratory protection program

The pandemic highlighted the requirement to implement safety controls designed to protect staff from respiratory hazards. The pandemic resulted in a significant increase in the use of personal protective equipment (PPE) and more specifically, the use of respiratory protective equipment (RPE) by staff at the RCH. In response to this emerging risk and Department of Health guidance, the RCH developed and implemented a Respiratory Protection Program (RPP) in November 2020, designed to protect workers from workplace respiratory hazards. An RPP Lead was appointed to effectively manage and implement a large-scale fit testing program that saw more than 3,000 staff fit tested against TGA registered P2/N95 respirators.

The aim of the fit testing program was to validate whether a specific make, model and size of a respirator achieved an adequate seal on an individual face as well as providing our health care workforce with training to raise awareness on respiratory hazards in healthcare settings. Regulatory inspections of the RCH program have resulted in positive assessments.

Statutory statements (continued)

Smart Move Smart Lift Program (SMSL)

The RCH SMSL patient handling training program is a combination of online theoretical learning, practical training and competency assessment that aims to teach staff members how, when and where to use the patient handling equipment available in the hospital.

The manual handling (SMSL) program has been working to develop and deliver a range of supports to strengthen our commitment to care and equipment for bariatric patients. A working group was established in October 2020 and staff across the organisation have been working towards a suite of equipment to support patient care up to 350kg. This has included the procurement of bed, hoist, chair, hover jack and mobility aids. In December 2020, initiatives were undertaken to strengthen the systems and processes related to sling access and laundering across the organisation enhancing access to the right equipment at the right time.

Occupational violence

The prevention and management of occupational violence and aggression (OVA) remains a focus for the RCH. The RCH continued to work in collaboration with staff and union partners to respond to the risk of occupational violence and aggression aligned with the Department of Health OVA framework and in response to increased clinical presentations to manage patients exhibiting behaviours of concern.

Occupational violence statistics	2020 –21
WorkCover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0
Number of occupational violence incidents reported.	84
Number of occupational violence incidents reported per 100 FTE	2.2
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	44.5

Staff excellence awards for safety

The strength of the RCH is our people. Staff Excellence Awards are an opportunity to celebrate our staff and to recognise our colleagues who have made an exceptional contribution to the RCH. In 2020, the RCH introduced two new award categories *Excellence to Health, Safety and Wellbeing and Excellence in Return to Work*.

Consultancies information

Details of consultancies (under $10,000)

In 2020-21, there was one consultancy where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2020–21 in relation to these consultancies is $7,500 (excl. GST).

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

In 2020-21, there were two consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2020–21 in relation to these consultancies is $126,700 (excl. GST).

Table 8a: Consultancies over $10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2020-21 (excluding GST)	Future expenditure (excluding GST)
Fitzroy Health Asia Pacific Pty Ltd	Review of commercialisation opportunities	Jul–19	Apr–21	$300,000	$112,500	$0

Table 8b: Consultancies over $10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2020-21 (excluding GST)	Future expenditure (excluding GST)
Integral Group Victoria Pty Ltd	Development of RCH sustainability plan	Nov–20	Aug–21	$18,000	$14,200	$3,800

Information and communication technology (ICT) expenditure

Table 9: 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 (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
$24.8 million	**$1.98 million**	$0.14 million	$1.84 million

Statement of Priorities

Part A: Strategic priorities

Focus Priorities	Outcome
Maintain your robust COVID-19 readiness and response, working with my department to ensure we rapidly respond to outbreaks, if and when they occur, which includes providing to testing for your community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of our COVID-19 vaccine immunisation program rollout, ensuring your local community's confidence in the program.	The RCH has supported Victoria's COVID-19 response by maintaining COVID-19 readiness. This has included the provision of: • COVID-19 surveillance testing for staff in high-risk areas. • COVID-19 vaccinations for RCH staff. • COVID-19 testing for staff and public (children and families) at an onsite testing facility. • Clinical services to paediatric patients transferred from hotel quarantine. • Support for paediatric health service delivery (by RCH nurses) to children in hotel quarantine.
Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track.	The RCH has: • Developed facts sheets in relation to allergies and COVID-19, supporting your child to cope with COVID-19 and COVID-19 and surgery. • Provided COVID-19 updates for Culturally and Linguistically Diverse (CALD) communities though translated signage and handouts onsite as well as through translated webpages containing a suite of resources. These pages have been viewed 70,000 times since launch. • Provided advice for Aboriginal and Torres Strait Islander families including access to food and essential supplies, physical distancing and testing. • Conducted two RCH National Child Health Polls on COVID-19, one about the effects of the pandemic on the lives of Australian children and families and the other on COVID-19 testing in kids. • Developed information about what telehealth is and how to use it. • Established a partnership with the Victorian Aboriginal Health Service (VAHS) to support them in the development of clinics targeting the specialised medical care of children from Aboriginal communities. • Transitioned many patients attending the Aboriginal Health paediatrician-led clinic to telehealth with an attendance level consistent with pre-COVID levels. Based on feedback, a combined model of face-to-face and telehealth appointments will continue.
As providers of care, respond to the recommendations of the Royal Commission into Victoria's Mental Health System and the Royal Commission into Aged Care Quality and Safety. My department will engage further with your service as these reports are delivered.	The RCH response to the final report of the Royal Commission into Victoria's Mental Health System comprises the following activities: • Staff engagement (including establishing age-stream-based working groups). • Strategic planning for service delivery. • Assessment of capital works priorities. • Determining alignment with the Mental Health departmental Strategic Plan 2020-22 and the Campus Mental Health Strategy. • Purposeful stakeholder engagement within and outside the RCH. • Engagement of Mental Health and Wellbeing Division of Department of Health and consideration of a comprehensive recruitment strategy. While early work has started, the initial focus has been on building detailed awareness of the final report content and aligning this to both Campus Strategy and the Banksia ward review.

Statement of Priorities (continued)

Part A: Strategic priorities (continued)

Focus Priorities	Outcome
Develop and foster your local health partner relationships, which have been strengthened during the pandemic response, to continue delivering collaborative approaches to planning, procurement and service delivery at scale. This extends to prioritising innovative ways to deliver health care through shared expertise and workforce models, virtual care, co-commissioning services and surgical outpatient reform to deliver improved patient care through greater integration.	The RCH develops and fosters local partnerships with the Aboriginal community through: • The Aboriginal Advisory Committee whose role is to ensure that the RCH provides culturally safe and responsive health care that promotes improved health outcomes. • Expert advice on projects, research and initiatives that relate to Aboriginal consumers and community. • Continued engagement, consultation, support, and provision of advice to improve referral pathways with organisations including VAHS, Victorian Aboriginal Childcare Agency (VACCA), and Victorian Aboriginal Community Controlled Health Organisations. • Establishment of a memorandum of understanding (MOU) with VAHS to assist the planning and development of specialised clinics. • Participation in the Murdoch Children's Research Institute's Aboriginal Reference Group that advises on all ethics applications involving aboriginal health for children. • The Bubba Jabs project that produced a brochure to provide advice about immunisation.

Part B: Performance priorities

High quality and safe care

Key performance measure	Target	2020-21 result
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	90.8%
Percentage of healthcare workers immunised for influenza	90%	90.1%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	Not available on VHES site. Data has not been collected updated since 2019. Website notes it will begin again second half 2021
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	
Healthcare associated infections (HAIs)		
Rate of patients with surgical site infection	No outliers	"Achieved"
Rate of patients with ICU central-line-associated bloodstream infection (CLABSI)	Nil	"Not Achieved"
Rate of patients with SAB per 10,000 occupied bed days	≤ 1	0.4
Mental Health		
Rate of seclusion events relating to a child and adolescent acute mental health admission	≤ 10/1,000 occupied bed days	8.36
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	80%	76.2%

Timely access to care

Key performance measure	Target	2020-21 result
Emergency care		
Percentage of patients transferred from ambulance to Emergency Department within 40 minutes	90%	97%
Percentage of Triage Category 1 Emergency patients seen immediately	100%	99%
Percentage of Triage Category 1 to 5 Emergency patients seen within clinically recommended time	80%	70%
Percentage of Emergency patients with a length of stay in the emergency department of less than four hours	81%	76%
Number of patients with a length of stay in the Emergency Department greater than 24 hours	0	10
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 surgery patients admitted within clinically recommended time	94%	95%
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	-22% proportional deterioration from prior year
Number of patients on the elective surgery waiting list as at 30 June 2021	To be confirmed	3779
Number of hospital-initiated postponements per 100 scheduled elective surgery admissions	≤ 7 /100	4.6 %
Number of patients admitted from the elective surgery waiting list	To be confirmed	6900
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	91%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	85%

Statement of Priorities (continued)

Part C: State funding (modelled budget)

Table 1: Royal Children's Hospital's funding summary for 2020-21

Funding type	Activity	2020-21 Activity achievement
Acute Admitted		
Acute WIES	57,766	53,588
WIES TAC	482	376
Acute Non-Admitted		
Home Enteral Nutrition	7,059	7,659
Home Renal Dialysis	6	6
Specialist Clinics	155,409	98,118
Total Perinatal Nutrition	141	139
Subacute and Non-Acute Admitted		
Subacute WIES – Rehabilitation Public	278	295
Subacute WIES – Rehabilitation Private	87	84

Funding type	Activity	2020-21 Activity achievement
Mental Health and Drug Services		
Mental Health Ambulatory	40,023	34,723
Mental Health Inpatient - Available bed days	6,209	6,113
Mental Health Service System Capacity	1	1
Primary Health		
Community Health/Primary Care Programs	1,988	1,608
Other		
NFC – Paediatric Heart no VAD	5	5
NFC – Paediatric Heart VAD	10	10
NFC – Paediatric Lung Transplantation	0	0
NFC – Transplants – Paediatric Liver	8	15

Part D: Commonwealth funding contribution (modelled budget)

Table 2: Commonwealth contribution for period: 1 July 2020–30 June 2021

	Service category	Estimated National Weighted Activity Units (NWAU19)	Estimated achievement 20-21
Activity based funding	Acute admitted services	71,742	59,664
	Admitted mental health services	3,128	NA
	Admitted subacute services	1,268	1,340
	Emergency services	9,662	8,183
	Non-admitted services	9,614	8,805

Financial Information

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
OPERATING RESULT*	25	8	(20,121)	2,345	2,950
Total revenue	913,672	873,279	801,581	753,952	699,312
Total expenses	(927,649)	(882,377)	(827,233)	(756,990)	(705,040)
Net result from transactions	(13,977)	(9,097)	(25,651)	(3,038)	(5,728)
Total other economic flows	6,353	(7,873)	(14,656)	4,255	5,212
Net result	(7,624)	(16,971)	(40,307)	1,217	(516)
Total assets	1,600,907	1,606,457	1,625,682	1,413,781	1,323,224
Total liabilities	1,192,469	1,190,395	1,199,871	1,212,175	1,235,180
Net assets/Total equity	408,438	416,062	425,812	201,606	88,044

* The Operating result is the result for which the health service is monitored in its Statement of Priorities

Reconciliation between the Net result from transactions to the Statement of Priorities Operating Result

	2021 $000
Net operating result	**25**
Capital and specific items	
Capital purpose income	91,479
COVID-19 State Supply Arrangement — assets received free of charge under the State Supply agreement	3,701
State supply items consumed up to June 30 2021	(3,701)
Expenditure for capital purpose	(690)
Depreciation and amortisation	(60,478)
Finance costs	(44,313)
Net results from transactions	**(13,977)**

Operational and financial performance 2021

The RCH ended the year with a net deficit from transactions of $14m. Whilst the operating result was break-even the hospital incurs significant depreciation and finance costs from the Public Private Partnership assets, which the RCH records on behalf of the State of Victoria.

The hospital's financial performance was significantly impacted by the COVID-19 pandemic, with both loss of revenue and increased costs having a negative effect. Through increased funding from the Department of Health, the RCH managed to deliver an operating surplus of $25k.

Summary of significant changes in financial position

At the start of the financial year, the RCH was making accelerated payments to suppliers in line with Government policy. The easing of this policy combined with specific COVID-19 related funding received from the Department of Health, has contributed to the RCH holding a cash balance of $68.2m as of June 30 2021, an increase of $44.7m since the previous balance sheet date.

Subsequent events

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

Attestations and declarations

Responsible Bodies Declaration

In accordance with the Financial Management Act 1994, I am pleased to present the report of operations for The Royal Children's Hospital for the year ending 30 June 2021.

The Hon Rob Knowles AO
The Royal Children's Hospital Chairman
August 16 2021

Financial Management Compliance Attestation

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

The Hon Rob Knowles AO
The Royal Children's Hospital Chairman
August 16 2021

Data Integrity Declaration

I, Ed Oakley, certify that The Royal Children's Hospital has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. <Health Service Name> has critically reviewed these controls and processes during the year.

Ed Oakley
Acting Chief Executive Officer
The Royal Children's Hospital
August 16 2021

Conflict of Interest Declaration

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

Ed Oakley
Acting Chief Executive Officer
The Royal Children's Hospital
August 16 2021

Integrity, Fraud and Corruption Declaration

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

Ed Oakley
Acting Chief Executive Officer
The Royal Children's Hospital
August 16 2021

Disclosure Index

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

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Financial Statements

The Royal Children's Hospital

Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of The Royal Children's Hospital and the Consolidated Entity 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 this day.

Hon Rob Knowles AO
Chairman
The Royal Children's Hospital
Melbourne
16 August 2021

Professor Ed Oakley
Acting Chief Executive Officer
The Royal Children's Hospital
Melbourne
16 August 2021

Jon Marcard
Chief Financial Officer
The Royal Children's Hospital
Melbourne
16 August 2021

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of the The Royal Children's Hospital

Opinion

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

- consolidated entity and health service Balance sheets as at 30 June 2021
- consolidated entity and health service Comprehensive operating statements for the year then ended
- consolidated entity and health service Statements of changes in equity for the year then ended
- consolidated entity and health service Cash flow statements for the year then ended
- Notes to the Financial Statements, including significant accounting policies
- Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration.

In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the health service as at 30 June 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.

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

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

Key audit matters

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

Board's responsibilities for the financial report

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

DRyan

MELBOURNE
9 September 2021

Dominika Ryan
as delegate for the Auditor-General of Victoria

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The Royal Children's Hospital Financial statements

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The Royal Children's Hospital
Comprehensive operating statement

For the financial year ended 30 June 2021

	Note	Parent entity 2021 $'000	Parent entity 2020 $'000	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue and income from transactions					
Operating activities	2.1	913,453	872,796	900,004	860,378
Non-operating activities	2.1	219	483	235	550
Total revenue and income from transactions		**913,672**	**873,279**	**900,239**	**860,928**
Expenses from transactions					
Employee expenses	3.1	(587,543)	(551,363)	(590,867)	(554,467)
Supplies and consumables	3.1	(102,543)	(103,654)	(102,543)	(103,654)
Public/private partnership operating expenses	3.1	(59,753)	(53,677)	(59,753)	(53,677)
Finance costs	3.1	(45,534)	(47,586)	(45,524)	(47,574)
Other operating expenses	3.1	(71,798)	(68,681)	(74,535)	(75,975)
Depreciation and amortisation	3.1	(60,478)	(57,416)	(60,886)	(57,616)
Total expenses from transactions		**(927,649)**	**(882,377)**	**(934,109)**	**(892,963)**
NET RESULT FROM TRANSACTIONS		**(13,977)**	**(9,097)**	**(33,870)**	**(32,034)**
Other economic flows included in net result					
Net gain/(loss) on non-financial assets	3.2	(1,401)	(1,281)	(1,401)	(1,281)
Net gain/(loss) on financial instruments	3.2	125	106	17,571	(404)
Other gains/(losses) from other economic flows	3.2	7,629	(6,698)	7,629	(6,698)
Total other economic flows included in net result		**6,353**	**(7,873)**	**23,798**	**(8,383)**
NET RESULT FOR THE YEAR		**(7,624)**	**(16,971)**	**(10,071)**	**(40,417)**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Changes to financial assets at fair value through other comprehensive income revaluation surplus		–	(271)	–	(271)
Revaluation surplus for financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		–	(153)	–	(153)
Items that will not be reclassified to net result					
Changes in property, plant and equipment revaluation surplus	4.2 (f)	–	13,838	–	13,796
Total other comprehensive income		**–**	**13,414**	**–**	**13,372**
COMPREHENSIVE RESULT FOR THE YEAR		**(7,624)**	**(3,557)**	**(10,071)**	**(27,045)**

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

The Royal Children's Hospital
Balance sheet

As at 30 June 2021

	Note	Parent entity 2021 $'000	Parent entity 2020 $'000	Consolidated 2021 $'000	Consolidated 2020 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6.2	68,159	23,421	93,791	47,855
Receivables	5.1	34,641	33,263	30,315	24,179
Other financial assets	4.1	–	–	108,720	105,670
Inventories		2,448	2,854	2,484	2,889
Prepayments		3,833	3,154	3,999	3,314
Total current assets		**109,080**	**62,692**	**239,309**	**183,908**
Non-current assets					
Receivables	5.1	41,028	38,296	41,028	38,296
Investments and other financial assets	4.1	–	–	–	2
Property, plant and equipment	4.2	1,395,769	1,442,364	1,400,646	1,447,474
Intangible assets	4.3	47,251	55,325	47,749	55,929
Investment properties	4.5	7,780	7,780	9,617	9,617
Total non-current assets		**1,491,827**	**1,543,765**	**1,499,040**	**1,551,318**
TOTAL ASSETS		**1,600,907**	**1,606,457**	**1,738,350**	**1,735,226**
LIABILITIES					
Current liabilities					
Payables and contract liabilities	5.2	73,764	35,668	91,067	41,605
Employee benefits	3.3	152,314	139,577	152,348	139,609
Borrowings	6.1	40,734	50,558	40,734	50,558
Other current liabilities	5.3	21,972	14,586	12,860	5,860
Total current liabilities		**288,784**	**240,390**	**297,010**	**237,632**
Non-current liabilities					
Employee benefits	3.3	26,693	28,342	26,702	28,352
Borrowings	6.1	876,032	920,355	875,666	919,850
Other non-current liabilities	5.3	959	1,308	959	1,308
Total non-current liabilities		**903,685**	**950,005**	**903,328**	**949,511**
TOTAL LIABILITIES		**1,192,469**	**1,190,395**	**1,200,337**	**1,187,142**
NET ASSETS		**408,438**	**416,062**	**538,012**	**548,083**
EQUITY					
Property, plant and equipment revaluation surplus	4.2 (f)	573,786	573,786	578,245	578,245
Restricted specific purpose surplus		25,066	22,075	67,039	108,562
Contributed capital		91,314	91,314	91,314	91,314
Accumulated deficit		(281,729)	(271,114)	(198,586)	(230,038)
TOTAL EQUITY		**408,438**	**416,062**	**538,012**	**548,083**

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

The Royal Children's Hospital
Statement of changes in equity

For the year ended 30 June 2021

Consolidated	Property, plant and equipment revaluation surplus	Financial assets at fair value through other comprehensive income revaluation surplus	Restricted specific purpose surplus	Contributed capital	Accumulated surpluses/ (deficits)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**564,448**	**424**	**110,663**	**91,314**	**(191,721)**	**575,129**
Net result for the year	–	–	–	–	(40,417)	(40,417)
Other comprehensive income for the year	13,796	(424)	–	–	–	13,372
Transfer to accumulated surplus/(deficit)	–	–	(2,101)	–	2,101	–
Balance at 30 June 2020	**578,245**	**–**	**108,562**	**91,314**	**(230,038)**	**548,083**
Net result for the year	–	–	–	–	(10,071)	(10,071)
Transfer to accumulated surplus/(deficit)	–	–	(41,523)	–	41,523	–
Balance at 30 June 2021	**578,245**	**–**	**67,039**	**91,314**	**(198,586)**	**538,012**

Parent	Property, plant and equipment revaluation surplus	Financial assets at fair value through other comprehensive income revaluation surplus	Restricted specific purpose surplus	Contributed capital	Accumulated surpluses/ (deficits)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**559,948**	**424**	**19,669**	**91,314**	**(251,737)**	**419,619**
Net result for the year	–	–	–	–	(16,971)	(16,971)
Other comprehensive income for the year	13,838	(424)	–	–	–	13,414
Transfer to accumulated surplus/(deficit)	–	–	2,406	–	(2,406)	–
Balance at 30 June 2020	**573,786**	**–**	**22,075**	**91,314**	**(271,114)**	**416,062**
Net result for the year	–	–	–	–	(7,624)	(7,624)
Transfer to accumulated surplus/(deficit)	–	–	2,991	–	(2,991)	–
Balance at 30 June 2021	**573,786**	**-**	**25,066**	**91,314**	**(281,729)**	**408,438**

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

The Royal Children's Hospital
Cash flow statement

For the financial year ended 30 June 2021

	Note	Parent entity 2021 $'000	Parent entity 2020 $'000	Consolidated 2021 $'000	Consolidated 2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating grants from government		632,078	571,495	632,633	572,367
Capital grants from government		4,478	1,844	4,478	1,844
Patient fees received		22,774	26,173	22,774	26,173
Private practice fees received		26,377	27,576	26,377	27,576
Donations and bequests received		32,706	33,349	33,065	35,524
GST received from ATO		8,031	6,699	8,039	6,753
Interest and dividends received		219	883	2,350	4,224
Salaries and wages recovered from external parties		13,820	10,601	13,820	10,601
Non-salary expenses recovered from external parties		19,194	20,988	19,194	20,988
Car park receipts		8,370	9,744	8,370	9,744
Other receipts		24,866	29,840	19,499	16,281
Total receipts		**792,912**	**739,192**	**790,598**	**732,075**
Employee expenses paid		(559,679)	(542,695)	(562,738)	(545,635)
Fee for service medical officers		(2,511)	(2,159)	(2,511)	(2,159)
Payments for supplies and consumables		(90,781)	(117,023)	(90,815)	(113,876)
Finance cost		(1,221)	(1,270)	(1,221)	(1,270)
GST paid to ATO		(3,240)	(2,099)	(3,240)	(2,099)
Cash outflow for leases		(1,509)	(1,324)	(1,509)	(1,324)
Payments for gas and electricity		(5,874)	(6,147)	(5,888)	(6,162)
Payment for medical indemnity insurance		(7,296)	(6,700)	(7,296)	(6,700)
Other payments		(57,779)	(57,660)	(60,992)	(62,783)
Total payments		**(729,891)**	**(737,077)**	**(736,211)**	**(742,008)**
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.1	**63,021**	**2,114**	**54,388**	**(9,933)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(10,392)	(19,997)	(10,153)	(20,600)
Capital donations and bequests received		4,865	3,602	60	–
Proceeds from disposal of investments		–	10,618	14,398	32,318
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		**(5,527)**	**(5,776)**	**4,304**	**11,718**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		–	11,740	–	11,740
Repayment of borrowings		(12,756)	(1,046)	(12,756)	(1,046)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**(12,756)**	**10,694**	**(12,756)**	**10,694**
Net increase/(decrease) in cash and cash equivalents held		44,738	7,032	45,936	12,479
Cash and cash equivalents at the beginning of financial year		23,421	16,388	47,855	35,375
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	6.2	**68,159**	**23,421**	**93,791**	**47,855**

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

Notes to the Financial Statements

30 June 2021

Note 1: Basis of preparation

Structure

These annual financial statements represent the audited general purpose financial statements for The Royal Children's Hospital and its controlled entity for the financial year ended 30 June 2021. The purpose of the report is to provide users with information about the RCH's stewardship of resources entrusted to it.

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

Note 1.1: Basis of preparation of the financial statements

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

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

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

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

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

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

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

The financial statements were authorised for issue by the Board of the RCH on 16 August 2021.

Note 1.2: Impact of COVID-19 pandemic

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

The RCH introduced a range of measures in both the previous and current financial year, including:

- restrictions on non-essential visitors and reduced visitor hours
- greater utilisation of telehealth services
- deferring elective surgery and reducing activity
- performing COVID-19 testing
- administering COVID-19 vaccinations to staff
- implementing work from home arrangements where appropriate

As some restrictions have eased through the second half of the financial year the RCH has been able to revise some measures where appropriate.

The financial impacts of the pandemic are disclosed in:

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

Note 1.3: Abbreviations and terminology used in the financial statements

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

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

Note 1.4: Reporting entity

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

Its principal address is:

50 Flemington Road
Parkville
Victoria 3052

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

Note 1.5: Principles of consolidation

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

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

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

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

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

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

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

Note 1.6: Investments in joint operations

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

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

Details of joint operations are set out in note 8.7.

Note 1.7: Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

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

Note 1.8: Goods and Services Tax (GST)

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

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

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

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

Note 2: Funding delivery of our services

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

Structure

COVID-19 impact

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

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

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

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

Key judgements and estimates

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

Note 2.1: Income from transactions

(a) Income from transactions

	Consolidated 2021 $'000	Consolidated 2020 $'000
Operating activities		
Revenue from contracts with customers		
Government grants (State) – operating	273,209	304,219
Government grants (Commonwealth) – operating	38,378	38,356
Patient fees	20,924	21,478
Private practice fees	14,593	15,549
Pathology – recoveries for shared services	7,279	7,807
Commercial activities	57,428	59,993
Total revenue from contracts with customers	**411,810**	**447,403**
Other sources of income		
Government grants (State) – operating	359,485	286,435
Government grants (State) – capital	84,659	85,426
Donations and bequests	9,767	14,271
Capital donations	60	–
Assets received free of charge	3,701	496
Other revenue from operating activities	30,522	26,347
Total other sources of income	**488,193**	**412,976**
Total revenue and income from operating activities	**900,004**	**860,378**
Interest received	235	550
Total income from non-operating activities	**235**	**550**
Total revenue and income from transactions	**900,239**	**860,928**

Revenue recognition

Government operating grants

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

When both these conditions are satisfied, the health service:

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

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

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

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

Government grant	Performance obligation
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities. Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed. WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group.
Funding as Nationally Funded Centre (NFC)	The RCH is funded for the following procedures: • paediatric heart transplants • paediatric liver transplants (in collaboration with Austin Health) • paediatric lung transplants (in collaboration with Alfred Health) Revenue is recognised at a point in time when a qualifying procedure has been completed.

Capital grants

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

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

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

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

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the DH.
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the LSL funding arrangements set out in the relevant DH Hospital Circular.
- Public Private Partnership (PPP) lease and service payments are paid directly from the DH to the PPP consortium. Revenue and the matching expense are recognised in accordance with the nature and timing of the monthly or quarterly service payments made by the DH.
- Fair value of assets and services provided to the RCH free of charge or for nominal consideration. Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another health service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined, and the service would have been purchased if not received as a donation.

Patient fees

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

Private practice fees

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

Revenue from commercial activities

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

Dividend revenue

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

Sale of investments

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

Note 2.1: Income from transactions (continued)

(b) Other income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Interest received	235	550
Total other income	**235**	**550**

Interest revenue

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

Note 2.2: Fair value of assets received free of charge

	Consolidated 2021 $'000	Consolidated 2020 $'000
Consumables at fair value (State of Victoria supply arrangement)	3,701	496
Total fair value of assets and services received free of charge or for nominal consideration	**3,701**	**496**

Donations and other bequests

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

Personal protective equipment

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

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

Note 3: Cost of delivering our services

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

Structure

COVID-19 impact

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

Additional costs were incurred to deliver the following additional services:

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

Key judgements and estimates

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

Note 3.1: Expenses from transactions

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Salaries and wages		529,779	492,822
On-costs		44,199	41,850
Agency expenses		12,210	14,664
Fee for service medical officers expenses		2,511	2,159
Workcover premium		2,168	2,971
Total employee expenses		**590,867**	**554,467**
Drug supplies		54,744	55,779
Medical and surgical supplies		32,505	32,760
Diagnostic and radiology supplies		13,153	12,609
Other supplies and consumables		2,141	2,505
Total supplies and consumables		**102,543**	**103,654**
PPP operating expenses		59,753	53,677
Total public/private partneship operating expenses		**59,753**	**53,677**
Finance costs		1,279	1,430
Finance costs – PPP arrangements		44,245	46,143
Total finance costs		**45,524**	**47,574**
Fuel, light, power and water		6,368	6,783
Repairs and maintenance		2,060	2,587
Maintenance contracts		13,059	10,891
Medical indemnity insurance		7,893	6,890
Distributions to MCRI		17,671	15,942
Other administrative expenses		24,132	27,799
Expenditure for capital purposes		3,350	5,083
Total other operating expenses		**74,535**	**75,975**
Depreciation and amortisation	4.4	60,886	57,616
Total non-operating expenses		**60,886**	**57,616**
Total expenses from transactions		**934,109**	**892,963**

Expense recognition

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

Employee expenses

Employee expenses include:

- wages and salaries;
- fringe benefit tax;
- leave entitlements;
- termination payments;
- workcover premiums; and
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Supplies and consumables

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

Finance costs

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

Finance costs include:

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

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

Other operating expenses

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

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

Foreign currencies

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

Borrowing costs of qualifying assets

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

Expenditure for capital purposes

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

Non-operating expenses

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

Note 3.2: Other economic flows

	Consolidated 2021 $'000	Consolidated 2020 $'000
Gain/(loss) on disposal of non-financial assets	(129)	(181)
Amortisation of non-produced intangible assets	(1,272)	(1,272)
Impairment of intangible assets	–	172
Total net gain/(loss) from non-financial assets	**(1,401)**	**(1,281)**
Revaluation of financial instruments at fair value through profit or loss	17,445	(510)
Realised gain/(loss) on financial instruments transferred from reserves	–	153
Allowance for impairment losses on contractual receivables	125	(47)
Total net gain/(loss) on financial instruments	**17,571**	**(404)**
Gain/(loss) from revaluation of long service leave liability	7,629	(6,698)
Total other gains/(losses) from other economic flows	**7,629**	**(6,698)**
Total other economic flows included in net result	**23,798**	**(8,383)**

Other economic flows

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

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

- realised and unrealised gains/losses from revaluations of financial instruments at fair value
- revaluations of investment properties
- impairments of non-financial assets
- gains/losses from revaluation of long service leave[(i)]
- movement in allowance for impairment losses on contractual receivables
- amortisation of non-produced intangible assets[(ii)]
- gains/losses on disposal of non-financial assets

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

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

Note 3.3: Employee benefits in the balance sheet

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current provisions		
Employee benefits		
Accrued days off		
– Unconditional and expected to be settled within 12 months (nominal value)	1,081	1,009
Annual leave		
– Unconditional and expected to be settled within 12 months (nominal value)	43,728	37,799
– Unconditional and expected to be settled after 12 months (present value)	7,441	6,245
Long service leave		
– Unconditional and expected to be settled within 12 months (nominal value)	8,826	8,340
– Unconditional and expected to be settled after 12 months (present value)	75,767	73,473
	136,843	**126,865**
Provisions related to employee benefit on-costs		
– Unconditional and expected to be settled within 12 months (nominal value)	5,596	4,734
– Unconditional and expected to be settled after 12 months (present value)	9,909	8,010
	15,505	**12,744**
Total current provisions	**152,348**	**139,609**
Non-current provisions		
Employee benefits	23,771	25,764
Provisions related to employee benefit on-costs	2,931	2,588
Total non-current provisions	**26,702**	**28,352**
Total provisions	**179,050**	**167,961**

(a) Employee benefits and related on-costs

Current employee benefits and related on-costs		
Unconditional long service leave entitlements	94,647	90,033
Annual leave entitlements	56,508	48,466
Accrued days off	1,193	1,110
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements (present value)	26,702	28,352
Total provisions	**179,050**	**167,961**

(b) Movements in provisions

Movement in long service leave		
Balance at the beginning of financial year	**118,385**	**104,017**
Provision made during the year		
– Revaluation increments/(decrements)	(7,629)	6,698
– Expense recognising employee service	17,647	14,620
Settlement made during the year	(7,055)	(6,950)
Balance at the end of financial year	**121,348**	**118,385**

Note 3.3: Employee benefits in the balance sheet (continued)

Provisions

Provisions are recognised when the RCH 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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

Actuarial assumptions for employee benefit provisions are made for likely tenure of existing staff, patterns of leave taken, future salary movements and discount rates.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Annual leave and accrued days off

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

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

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

Long Service Leave (LSL)

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

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

The components of this current LSL liability are measured at:

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

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

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

Termination benefits

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

On-costs related to employee expenses

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

Note 3.4: Superannuation

	Paid contributions for the year		Contribution outstanding at year end	
	Consolidated 2021 $'000	Consolidated 2020 $'000	Consolidated 2021 $'000	Consolidated 2020 $'000
Defined benefit plans[(i)]				
Aware Super Scheme	555	575	38	43
Defined contribution plans				
Aware Super Scheme	26,863	26,116	2,274	1,994
Hesta	12,265	11,608	1,063	931
Other	4,711	3,598	462	282
Total	**44,393**	**41,897**	**3,838**	**3,250**

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

Accrued superannuation

The outstanding superannuation accrual between the last pay run and year end is estimated at $898k. This becomes payable once the full pay run is processed and paid in July 2021.

Defined contribution superannuation plans

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

Defined benefit superannuation plans

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

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

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

Superannuation liabilities

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

Note 4: Key assets to support service delivery

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

Structure

COVID-19 impact

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

Key judgements and estimates

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

Note 4.1: Investments and other financial assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
CURRENT		
Financial assets – at fair value through profit or loss		
Managed funds[(i)]	108,720	105,670
Total current	**108,720**	**105,670**
NON-CURRENT		
Investments in other entities – at fair value through profit or loss		
Shares in other entities	–	2
	–	**2**
	108,720	**105,672**
Represented by:		
Investments held by The Royal Children's Hospital Foundation	108,720	105,670
Share of investments held by Victorian Comprehensive Cancer Centre	–	2
	108,720	**105,672**

(i) The managed funds consisted of investments held by the RCH Foundation Trust Fund (the Trust) in 2021. The Trust is consolidated into the RCH for reporting purposes as the RCH is the ultimate beneficiary of the Trust. The Trust is registered under the Australian Charities and Not-for-profits Commission and is not subject to reporting requirements under the *Financial Management Act 1994* or Standing Directions from the Assistant Treasurer or the directions from the Minister for Health under the *Health Services Act 1988*.

Investments and other financial assets

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

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

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

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

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

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

Note 4.2: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Consolidated 2021 $'000	Consolidated 2020 $'000
Land		
Crown land for hospital use at fair value	128,886	128,886
Freehold	17,286	17,286
Total land	**146,172**	**146,172**
Leased buildings		
Buildings – right of use	974	3,463
Less accumulated depreciation	(586)	(293)
Total leased buildings	**388**	**3,171**
Buildings		
Buildings at fair value	20,592	20,592
Less accumulated depreciation	(839)	(486)
Total buildings	**19,754**	**20,106**
Leasehold improvements		
Leasehold improvements at cost	1,311	1,304
Less accumulated depreciation	(622)	(381)
Total leasehold improvements	**689**	**923**
Plant and equipment		
Plant and equipment at fair value	1,910	1,858
Less accumulated depreciation	(1,216)	(1,226)
Total plant and equipment	**694**	**632**
Medical equipment		
Medical equipment at fair value	87,584	84,867
Less accumulated depreciation	(66,166)	(65,663)
Total medical equipment	**21,417**	**19,204**
Computers and communication		
Plant and equipment at fair value	16,796	17,108
Less accumulated depreciation	(10,895)	(11,485)
Total computers and communication	**5,900**	**5,623**
Furniture and fittings		
Plant and equipment at fair value	3,942	3,384
Less accumulated depreciation	(854)	(627)
Total furniture and fittings	**3,088**	**2,757**
Motor vehicles		
Plant and equipment at fair value	362	362
Less accumulated depreciation	(307)	(294)
Total motor vehicles	**54**	**67**
Artwork		
Artwork at fair value	604	604
Total artwork	**604**	**604**
Right of use – plant, equipment, furniture and fittings and vehicles		
Right of use – plant, equipment, furniture and fittings and vehicles	4,065	3,602
Less accumulated depreciation	(1,933)	(807)
Total right of use – plant, equipment, furniture and fittings and vehicles	**2,132**	**2,796**
PPP assets		
PPP – leased buildings at fair value	1,232,352	1,232,352
Less accumulated depreciation	(86,086)	(43,043)
Total PPP – buildings	**1,146,266**	**1,189,309**
PPP – fittings at fair value	44,175	44,175
Less accumulated depreciation	(13,838)	(12,359)
Total PPP – fittings	**30,337**	**31,816**
PPP – equipment	33,413	33,413
Less accumulated depreciation	(10,261)	(9,119)
Total PPP - plant and equipment	**23,151**	**24,293**
Total right of use PPP assets	**1,199,754**	**1,245,419**
Total property, plant and equipment	**1,400,646**	**1,447,474**

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

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

	Land	Right of use - buildings	Buildings	Plant and equip.	Medical equip.	Computers and communic.	Furniture and fittings	Motor vehicles	Artwork	Right of use – PP&E, F and V	PPP assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**132,334**	**3,463**	**21,924**	**529**	**14,486**	**3,764**	**1,196**	**105**	**604**	**3,033**	**1,291,112**	**1,472,492**
Additions	–	–	27	105	7,851	2,780	1,467	–	–	569	–	12,800
Disposals	–	–	(75)	(2)	(100)	(4)	–	–	–	–	–	(181)
Revaluation increments/ (decrements)	13,838	–	(41)	–	–	–	–	–	–	–	–	13,797
Net transfers between classes	–	–	(194)	24	1	2	254	–	–	-	(28)	59
Depreciation and amortisation (note 4.4)	–	(293)	(551)	(24)	(3,035)	(919)	(160)	(38)	–	(807)	(45,665)	(51,491)
Balance at 1 July 2020	**146,172**	**3,171**	**21,088**	**632**	**19,204**	**5,623**	**2,757**	**67**	**604**	**2,796**	**1,245,419**	**1,447,474**
Additions	–	–	7	183	5,964	1,931	587	–	–	292	–	8,964
Disposals	–	–	–	(24)	(49)	(55)	(1)	–	–	-	–	(129)
Lease option adjustments		(2,489)	–	–	–	–	–	–		170	–	(2,319)
Depreciation and amortisation (note 4.4)	–	(293)	(653)	(97)	(3,701)	(1,599)	(255)	(13)	-	(1,127)	(45,665)	(53,402)
Balance at 30 June 2021	**146,172**	**388**	**20,443**	**694**	**21,417**	**5,900**	**3,088**	**54**	**604**	**2,132**	**1,199,754**	**1,400,646**

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

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

Property, plant and equipment

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

Initial recognition

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

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

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

Subsequent measurement

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

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

Further information regarding fair value measurement is disclosed below.

Note 4.2: Property, plant and equipment (continued)

Revaluation

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

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

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

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

- Increase/decrease in fair value of land of 6.0%
- Increase/decrease in fair value of buildings of 3.7%

As the cumulative movement was less than 10% for land and buildings since the last managerial 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. Increments and decrements relating to individual assets within an asset class are offset against one another within that class, but are not offset in respect of assets in different classes.

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

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

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

Impairment

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

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

Right of use assets

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

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

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

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

Presentation of right-of-use assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Initial recognition

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

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

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

Subsequent measurement

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

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

Impairment

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

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

Note 4.2: Property, plant and equipment (continued)

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

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

Consolidated	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]
	$'000	$'000	$'000	$'000
Land at fair value				
Non-specialised land	17,286		17,286	
Specialised land	128,886			128,886
Total land at fair value	**146,172**	**–**	**17,286**	**128,886**
Buildings at fair value				
Non-specialised buildings	21,486		21,486	
Specialised buildings	2,714			2,714
Total buildings at fair value	**24,200**	**–**	**21,486**	**2,714**
Other plant and equipment at fair value				
Plant and equipment at fair value	632			632
Motor vehicles at fair value	67			67
Medical equipment at fair value	19,204			19,204
Computers and communication equipment at fair value	5,623			5,623
Furniture and fittings at fair value	2,757			2,757
Artwork at fair value	604		604	
Right of use – PP&E, furniture & fittings and vehicles	2,796		2,796	
Total other plant and equipment at fair value	**31,683**	**–**	**3,400**	**28,284**
PPP assets at fair value				
PPP – specialised leased buildings at fair value[ii]	1,189,309			1,189,309
PPP – other leased assets at fair value[ii]	56,110			56,110
Total right of use PPP assets at fair value	**1,245,419**	**–**	**–**	**1,245,419**
Total	**1,447,474**	**–**	**42,172**	**1,405,302**

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

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

	Land	Buildings	Plant and equipment	Medical equipment	Computers and comm.	Furniture and fittings	Motor vehicles	PPP assets[ii]
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**116,394**	**2,776**	**528**	**14,487**	**3,766**	**1,196**	**105**	**1,291,109**
Additions/(disposals)	–	–	103	7,752	2,776	1,467	–	–
Net transfers between classes	–	–	25	–	–	254	–	(25)
Gains/(losses) recognised in net result								
– Depreciation and amortisation		(62)	(24)	(3,035)	(919)	(160)	(38)	(45,665)
Items recognised in other comprehensive income								
– Revaluation	12,492	–	–	–	–	–	–	–
Balance at 1 July 2020	**128,886**	**2,714**	**632**	**19,204**	**5,623**	**2,757**	**67**	**1,245,419**
Additions/(disposals)	–	–	159	5,914	1,876	586	–	–
Gains/(losses) recognised in net result								–
– Depreciation and amortisation		(62)	(97)	(3,701)	(1,599)	(255)	(13)	(45,665)
Balance at 30 June 2021	**128,886**	**2,653**	**694**	**21,417**	**5,900**	**3,088**	**54**	**1,199,754**

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

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

Asset class	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community service obligations adjustments[i]
Specialised buildings	Depreciated replacement cost approach	Direct cost per square meter Usefil life of specialised buildings
Plant and equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Motor vehicles	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Medical equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Computers and communication equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Furniture and fittings	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
PPP assets	Depreciated replacement cost approach	Building cost per square meter Useful life

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

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

Fair value measurement

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

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

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

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

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

Note 4.2: Property, plant and equipment (continued)

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

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

Non-specialised land, non-specialised buildings and artwork

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

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

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

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

Specialised land and specialised buildings

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

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

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

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

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

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

Vehicles

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

Furniture, fittings, plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2021.

(f) Property, plant and equipment revaluation surplus

	Consolidated 2021 $'000	Consolidated 2020 $'000
Property, plant and equipment revaluation surplus[(i)]		
Balance at the beginning of the reporting period	578,245	564,448
Revaluation increment/(decrement)[(i)]		
- Land	–	13,838
- Buildings	–	(41)
Balance at the end of the reporting period	**578,245**	**578,245**
Represented by		
- Land	94,669	94,669
- Buildings	10,467	10,467
- Leased building	473,106	473,106
- Artwork	2	2
	578,245	**578,245**

(i) The property, plant and equipment revaluation for 2020 is a result of a managerial revaluation. The latest scheduled revaluation in accordance with FRD 103I was in 2019. Revaluations include assets contracted under the PPP arrangement, reported on behalf of the State of Victoria.

Note 4.3: Intangible assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Software	64,736	63,248
Less accumulated amortisation	(37,355)	(29,999)
Less accumulated impairment	–	–
	27,381	**33,249**
Car park revenue rights [(i)]	30,000	30,000
Less accumulated amortisation	(10,281)	(9,009)
	19,719	**20,991**
Intangible work in progress	649	1,689
Total intangible assets	**47,749**	**55,929**

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

	Software $'000	Car park revenue rights $'000	Intangible WIP $'000
Balance at 1 July 2019	**33,923**	**22,263**	**976**
Additions	5,279	–	713
Impairment (recognised)/reversed	172	–	–
Amortisation	(6,125)	(1,272)	–
Balance at 1 July 2020	**33,249**	**20,991**	**1,689**
Additions	1,616	–	(1,040)
Amortisation	(7,484)	–	–
Other economic flows	-	(1,272)	–
Balance 30 June 2021	**27,381**	**19,719**	**649**

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

Intangible assets

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

Initial recognition

Purchased intangible assets are initially recognised at cost.

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

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

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

Subsequent measurement

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

Impairment

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

Note 4.4: Depreciation and amortisation

	Consolidated 2021 $'000	Consolidated 2020 $'000
Depreciation		
Buildings	653	551
Plant and equipment	97	24
Motor vehicles	13	38
Medical equipment	3,701	3,035
Computers and communication equipment	1,599	919
Furniture and fittings	255	160
Leased buildings	43,043	43,043
Leased fittings	1,480	1,480
Leased equipment	1,142	1,142
Right of use assets		
– Right of use buildings	293	293
– Right of use plant, equipment and vehicles	1,127	807
Total depreciation	**53,402**	**51,491**
Amortisation		
Software	7,484	6,125
Total depreciation and amortisation	**60,886**	**57,616**

Depreciation

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

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

Amortisation

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

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

Note 4.4: Depreciation and amortisation (continued)

Useful life

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

	2021	2020
Non PPP assets		
Buildings		
– Structure shell building fabric	50 years	50 years
Plant and equipment (non-medical)	3 to 25 years	3 to 25 years
Medical equipment	5 to 15 years	5 to 15 years
Computers and communication equipment	3 to 10 years	3 to 10 years
Network and infrastructure	7 years	7 years
Furniture and fittings	10 to 50 years	10 to 50 years
Motor vehicles	7 to 10 years	7 to 10 years
Intangible assets	3 to 25 years	3 to 25 years
PPP assets		
Buildings		
– Structure shell building fabric	60 years	60 years
– Site engineering services and central plant	40 years	40 years
Central plant		
– Fit out	25 years	25 years
– Trunk reticulated building system	30 years	30 years
Plant and equipment (non-medical)	30 years	30 years
Medical equipment	30 years	30 years
Computers and communication equipment	30 years	30 years
Network and infrastructure	30 years	30 years
Furniture and fittings	30 years	30 years

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

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

Note 4.5: Investment properties

(a) Movements in carrying value for investment properties

	Consolidated 2021 $'000	Consolidated 2020 $'000
Balance at the beginning of the reporting period	9,617	9,617
Balance at end of period	**9,617**	**9,617**

(b) Fair value measurement hierarchy for investment properties

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

	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
Investment properties	9,617	–	9,617	–
Total	**9,617**	**–**	**9,617**	**–**

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

Investment properties

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

Initial recognition

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

Subsequent measurement

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

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

The fair value of the RCH's investment properties as at 30 June 2019 has been arrived at on the basis of an independent valuation carried out by the Valuer-General Victoria. As there are no indications of significant movements in market value since the most recent valuation, the RCH's assessment is that the valuation gives a fair view of the value of the investment properties as at 30 June 2021.

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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2021.

Inventories

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

Note 5: Other assets and liabilities

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

Structure

COVID-19 impact

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

Key judgements and estimates

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

Note 5.1: Receivables

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
CURRENT			
Contractual			
Inter hospital debtors		5,559	2,184
Trade debtors		4,329	1,969
Patient fees		7,271	6,416
Accrued investment income		1,504	932
Diagnostic debtors		1,577	1,523
Sundry debtors		8,054	5,418
Accrued revenue Department of Health		1,776	4,793
Less allowance for doubtful debts			
Trade debtors		(207)	(67)
Patient fees		(443)	(710)
Diagnostic debtors		(99)	(97)
	7.1 (a)	**29,322**	**22,361**
Statutory			
GST receivable		993	1,818
Total current receivables		**30,315**	**24,179**
NON-CURRENT			
Statutory			
Accrued LSL revenue Department of Health		41,028	38,296
Total non-current receivables		**41,028**	**38,296**

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Balance at the beginning of the reporting period	874	827
Amounts written off during the year	(234)	(13)
Increase/(decrease) in allowance recognised in net result	109	60
Balance at the end of the reporting period	**749**	**874**

Receivables

Receivables consist of:

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

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

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

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

Impairment losses of contractual receivables

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

Note 5.2: Payables and contract liabilities

(a) Payables and contract liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
CURRENT		
Contractual		
Trade creditors	31,638	10,631
Accrued salaries and wages	13,287	9,487
Accrued expenses	9,814	8,926
Deposits	25	26
Department of Health - deferred grant income[(i)]	16,345	7,797
Payable to the Department of Health	11,955	–
Department of Education and Training – income received in advance	–	387
Superannuation and workcover	4,746	4,214
Sundry creditors	3,210	137
	91,021	**41,605**
Statutory		
GST payable	46	–
	46	**–**
Total current payables and contract liabilities	**91,067**	**41,605**
Payables and contract liabilities classified as financial liabilities in note 7.2 (b)		
Total payables and contract liabilities	91,067	41,605
Deferred grant income	(16,345)	(7,797)
Statutory payables	(46)	–
Total financial liabilities	**74,675**	**33,808**

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

Payables consist of:

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

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

(b) Deferred capital grant revenue

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance of deferred grants for capital acquisitions	4,659	6,193
Grants for capital acquisitions received during the year	4,493	1,847
Grant revenue for capital acquisitions recognised for assets acquired during the year	(2,626)	(3,382)
Closing balance of deferred grants for capital acquisitions	**6,526**	**4,659**

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

Note 5.3: Other liabilities

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
CURRENT			
Monies held in trust			
– Patient monies held in trust		–	11
– Monies held in trust (Children's Health Partnership)		1,439	1,126
Income in advance			
– Rental		349	349
– Other		9,412	2,060
Other			
– Salary packaging deposit (held on behalf of employees)		1,661	2,314
Total current		**12,861**	**5,860**
NON-CURRENT			
Income in advance			
– Rental		959	1,308
Total non-current		**959**	**1,308**
Total other liabilities		**13,820**	**7,168**
Total monies held in trust represented by the following assets			
Cash assets		–	11
Cash assets held on behalf of Children's Health Partnership		1,439	1,126
Total	6.2	**1,438**	**1,136**

Note 6: How we finance our operations

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

Structure

COVID-19 impact

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

Key judgements and estimates

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

Note 6.1: Borrowings

(a) Loans and lease liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
CURRENT		
TCV loan(i)	1,067	1,016
Finance lease liability(ii)	39,667	37,802
Advances from the Department of Health	–	11,740
Total current	**40,734**	**50,558**
NON-CURRENT		
TCV loan(i)	23,140	24,207
Finance lease liability(ii)	852,526	895,643
Total non-current	**875,666**	**919,850**
Total borrowings	**916,400**	**970,409**

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

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

Borrowings

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

Initial recognition

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

Subsequent measurement

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

(b) Lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Lease liabilities				
Not longer than one year	83,032	83,223	40,606	38,833
Longer than 1 year and not later than 5 years	329,879	331,467	180,744	173,587
Longer than 5 years	859,539	944,026	670,842	721,025
Minimum future lease payments	1,272,450	1,358,715	892,192	933,445
– Less future finance charges	(380,258)	(425,270)		
Present value of minimum lease payments	**892,192**	**933,445**	**892,192**	**933,445**
Included in the financial statements as				
Current borrowings			39,667	37,802
Non-current borrowings			852,525	895,643
			892,192	**933,445**

Note 6.1: Borrowings (continued)

Leases

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

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

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

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

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

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

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

Separation of lease and non-lease components

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

Lease liability — initial measurement

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

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

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

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

- Motor Vehicles
- Medical Equipment
- Buildings

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

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

Potential future cash outflows of $2,774k have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of $2,319k.

Lease liability — subsequent measurement

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

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

Short-term leases and leases of low value assets

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

Below market/peppercorn lease

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

(c) Commissioned PPP related lease liabilities

PPP finance lease liability

	Minimum future lease payments[(i)]		Present value of minimum future lease payments[(ii)]	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	82,048	82,048	39,667	37,802
Longer than 1 year and not later than 5 years	328,191	328,191	179,105	170,686
Longer than 5 years	859,495	941,543	670,805	718,890
Minimum future lease payments	1,269,734	1,351,782	889,576	927,379
– Less future finance charges	(380,158)	(424,403)		
Present value of minimum lease payments	**889,576**	**927,379**	**889,576**	**927,379**
Included in the financial statements as				
Current borrowings			39,667	37,802
Non-current borrowings			849,910	889,576
			889,576	**927,379**

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

(ii) The weighted average interest rate implicit in the finance lease is 4.84% (2019-20: 4.84%)

Source information provided by the DH.

Public private partnerships (PPP)

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

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

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

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

Initial measurement

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

Note 6.1: Borrowings (continued)

Subsequent measurement

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

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

Note 6.2: Cash and cash equivalents

For the purposes of the cash flow statement, cash assets includes cash on hand and in banks, investments in money market instruments, and short term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash on hand	–	2
Deposit held on behalf of employees (salary packaging)	1,661	2,314
Cash at bank	6,551	4,819
Cash at bank – CBS (excluding monies held in trust)	62,730	18,435
Cash at bank – CBS (monies held in trust)	1,438	1,136
Fixed deposits	21,410	21,148
	93,791	**47,855**
Represented by:		
Monies held in trust	1,438	1,136
Cash for health service operations[(i)]	92,352	46,718
	93,791	**47,855**

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

Cash and cash equivalents

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

Note 6.3: Commitments for expenditure

(a) Commitments payable

	Consolidated 2021 $'000	Consolidated 2020 $'000
Capital expenditure commitments payable		
Less than 1 year	4,615	4,200
Total capital expenditure commitments	**4,615**	**4,200**
Non-cancellable low value lease commitments		
Less than 1 year	1,000	1,000
More than 1 year but no more than 5 years	2,000	3,000
Total lease commitments	**3,000**	**4,000**
Operating commitments		
Less than 1 year	3,074	1,780
More than 1 year but no more than 5 years	3,885	2,250
More than 5 years	67	84
Total operating commitments	**7,026**	**4,114**
Public private partnership commitments		
Less than 1 year	74,720	68,861
More than 1 year but no more than 5 years	289,685	294,298
More than 5 years	1,142,838	1,259,625
Total commitments for public private partnerships	**1,507,243**	**1,622,784**
Total commitments (inclusive of GST)	**1,521,885**	**1,635,098**
Less GST recoverable from the Australian Taxation Office	(138,353)	(148,645)
Total commitments (exclusive of GST)	**1,383,531**	**1,486,453**

Expenditure commitments

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

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

Short term and low value leases

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

Commissioned public private partnerships (PPP)

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

Note 7: Risks, contingencies and valuation uncertainties

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

Structure

Note 7.1: Financial instruments

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

(a) Categorisation of financial instruments

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

Consolidated 2020	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
Contractual financial assets					
Cash and cash equivalents	6.2	47,855	–	–	47,855
Receivables	5.1	22,361	–	–	22,361
Other financial assets					
– Managed funds	4.1	–	105,670	–	105,670
– Shares in other entities	4.1	–	2	–	2
Total financial assets[(i)]		**70,215**	**105,672**	**–**	**175,888**
Financial liabilities					
Payables	5.2	–	–	33,808	33,808
TCV loan	6.1	–	–	25,223	25,223
Lease liability	6.1	–	–	933,445	933,445
Advances from Department of Health and Human Services	6.1			11,740	11,740
Monies held in trust	6.2	–	–	1,136	1,136
Total financial liabilities[(ii)]		**–**	**–**	**1,005,353**	**1,005,353**

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

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

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

Note 7.1: Financial instruments (continued)

Categories of financial assets

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

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

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

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

Financial assets at amortised cost

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

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

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

The RCH recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Financial assets at fair value through other comprehensive income

Debt investments are measured at fair value through other comprehensive income if both of the following criteria are met and the assets are not designated as fair value through profit or loss:

- the assets are held by the RCH 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 interests.

Equity investments are measured at fair value through other comprehensive income if they are not held for trading and the RCH has irrevocably elected at initial recognition to measure the investments at fair value through other comprehensive income.

These assets are initially recognised at fair value with subsequent changes in fair value recognised in other comprehensive income.

Upon disposal of the investments, any related balance in the fair value reserve is reclassified to profit or loss as other economic flows.

Financial assets at fair value through profit or loss

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

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

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

Categories of financial liabilities

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

Financial liabilities at fair value through net result

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

- held for trading; or
- initially designated as at fair value through net result

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

Financial liabilities at amortised cost

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

The RCH recognises the following liabilities in this category:

- payables (excluding statutory payables);
- borrowings (including finance lease liabilities); and
- monies held in trust.

Derecognition and impairments

Derecognition of financial assets

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

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

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

Derecognition of financial liabilities

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

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

Offsetting financial instruments

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

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

Reclassification of financial instruments

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

Financial liabilities do not get reclassified.

Note 7.2: Financial risk management objectives and policies

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

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

Impairment of financial assets under AASB 9

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

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

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

Contractual receivables at amortised cost

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

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

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

Consolidated 2020	Less than 1 month	1–3 months	3–12 months	1–5 years	Total
Expected loss rate	0.1%	1.0%	13.0%	31.3%	4.7%
Gross carrying amount of contractual receivables ($'000)	13,885	1,405	727	2,425	18,442
Loss allowance ($'000)	(7)	(14)	(95)	(758)	(874)

Statutory receivables and debt investments at amortised cost

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

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

(b) Liquidity risk

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

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

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

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

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

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

Consolidated	Note	Carrying amount as at 30 June 2020	Nominal amount as at 30 June 2020	Maturity dates				
				Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	5.2	33,808	33,808	31,612	2,008	188	–	–
TCV loan	6.1	25,223	25,223	83	167	767	4,603	19,604
Lease liability	6.1	933,445	933,445	169	9,527	30,129	174,731	718,890
Cash advance from the DHHS	6.1	11,740	11,740	–	–	11,740	–	–
Monies held in trust	5.3	1,136	1,136	51	113	463	509	–
		1,005,353	**1,005,353**	**31,914**	**11,815**	**43,286**	**179,842**	**738,495**

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

(c) Market risk

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

Sensitivity disclosure analysis and assumptions

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

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

Interest rate risk

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

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

Foreign currency risk

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

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

Equity risk

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

Note 7.3: Contingent assets and contingent liabilities

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

As of 30 June 2021, the Board are not aware of any contingent assets or liabilities.

Note 8: Other disclosures

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

Structure

COVID-19 impact

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

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

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Net result for the year		**(10,071)**	**(40,417)**
Non-cash movements			
Depreciation and amortisation	4.4	60,886	57,616
Amortisation of non-produced intangible assets	3.2	1,272	1,272
DH – indirect contribution on repayment of finance lease liabilities		(82,048)	(82,048)
PPP non-cash finance lease interest expense		44,245	46,143
Revaluation of financial instruments through profit or loss	3.2	(17,445)	(153)
(Impairments reversed)/impairment of non-financial assets		–	(172)
Written down value of assets disposed		129	181
Non-cash accounting adjustments in accordance with AASB 16		(1,190)	–
Lease incentive extinguished on implementation of AASB 16		–	1,603
Non-cash asset adjustment on implementation of AASB 16		–	2,885
Capital income in advance taken up on implementation of AASB 1058		–	(6,193)
Movements included in investing and financing activities			
Increase/(decrease) in payables for capital items		(316)	678
GST paid for capital items		929	700
Capital donations received		(60)	–
Movements in assets and liabilities			
Change in operating assets and liabilities			
– (increase)/decrease in receivables		(8,868)	2,534
– (increase)/decrease in inventories		405	(484)
– (increase)/decrease in prepayments		(685)	(1,838)
– increase/(decrease) in payables		49,463	(7,988)
– increase/(decrease) in employee entitlements		11,089	17,557
– increase/(decrease) in other liabilities		6,652	(1,809)
Net cash inflow/(outflow) from operating activities		**54,388**	**(9,933)**

Note 8.2: Responsible persons disclosures

Responsible persons

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

	Period	
Responsible Ministers		
The Honourable Martin Foley:		
Minister for Mental Health	1 July 2020	29 September 2020
Minister for Health	26 September 2020	30 June 2021
Minister for Ambulance Services	26 September 2020	30 June 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 September 2020	9 November 2020
The Honourable Jenny Mikakos:		
Minister for Health	1 July 2020	26 September 2020
Minister for Ambulance Services	1 July 2020	26 September 2020
Minister for the Coordination of Health and Human Services: COVID-19	1 July 2020	26 September 2020
The Honourable Luke Donnellan:		
Minister for Child Protection	1 July 2020	30 June 2021
Minister for Disability, Ageing and Carers	1 July 2020	30 June 2021
The Honourable James Merlino:		
Minister for Mental Health	29 September 2020	30 June 2021
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2020	30 June 2021
Ms Elleni Bereded-Samuel AM	1 July 2020	30 June 2021
Dr Rowena Coutts	1 July 2020	30 June 2021
Dr Christine Cunningham	1 July 2020	30 June 2021
Prof Richard Doherty	1 July 2020	30 June 2021
Ms Petrina Dorrington	1 July 2020	30 June 2021
Ms Pallavi Khanna	1 July 2020	30 June 2021
Mr Sammy Kumar	1 July 2020	30 June 2021
Dr Linden Smibert	1 July 2020	30 June 2021
Accountable Officer		
Mr John Stanway (Chief Executive Officer)	1 July 2020	30 June 2021

Mr John Stanway has since retired, on 9 July 2021.

Ms Petrina Dorrington has resigned effective 30 June 2021.

Note 8.2: Responsible persons disclosures (continued)

Remuneration of responsible persons

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

Income band	2021 No.	2020 No.
$10,000 – $19,999	–	1
$30,000 – $39,999	3	–
$40,000 – $49,999	5	7
$80,000 – $89,999	1	1
$480,000 – $489,999	–	1
$520,000 – $529,999	1	–
Total	**10**	**10**

	Total remuneration	
	2021 $'000	2020 $'000
Remuneration received or due and receivable by responsible persons from the reporting entity	923	883
Total remuneration	**923**	**883**

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' financial report.

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

Note 8.3: Executive officers disclosures

Remuneration of executives

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

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

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

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

Other long-term benefits include long service leave.

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

Remuneration of executive officers

	Total remuneration	
	2021 $	2020 $
Short term employee benefits	2,010,170	2,151,393
Post employment benefits	178,234	160,759
Other long term benefits	83,335	98,628
Total remuneration	**2,271,738**	**2,410,780**
Total number of executives	**7**	**8**
Total annualised employee equivalent (AEE)	**6.12**	**7.00**

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under *AASB 124 Related Party Disclosures* and are also reported within the related parties note disclosure (note 8.4).

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

Note 8.4: Related parties

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

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

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

Key management personnel of the RCH:

	Period	
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2020	30 June 2021
Ms Elleni Bereded-Samuel AM	1 July 2020	30 June 2021
Dr Rowena Coutts	1 July 2020	30 June 2021
Dr Christine Cunningham	1 July 2020	30 June 2021
Prof Richard Doherty	1 July 2020	30 June 2021
Ms Petrina Dorrington	1 July 2020	30 June 2021
Ms Pallavi Khanna	1 July 2020	30 June 2021
Mr Sammy Kumar	1 July 2020	30 June 2021
Dr Linden Smibert	1 July 2020	30 June 2021
Accountable Officer		
Mr John Stanway (Chief Executive Officer)	1 July 2020	30 June 2021

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

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

	Total compensation	
	2021 $'000	2020 $'000
Short term employee benefits	839	803
Post employment benefits	62	60
Other long term benefits	23	20
Total compensation	**923**	**883**

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

Transactions with key management personnel and other related parties

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

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

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

The Royal Children's Hospital Foundation

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

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

	Parent entity 2021 $	Parent entity 2020 $
Distributions and reimbursements by The Royal Children's Hospital Foundation	44,617,382	45,768,930
Payments to The Royal Children's Hospital Foundation	250,000	251,178
Receivable from The Royal Children's Hospital Foundation	5,901,346	10,633,528
Payable to The Royal Children's Hospital Foundation	540	82,500

Murdoch Children's Research Institute

The CEO and Board Chairman of the RCH were also Directors of Murdoch Children's Research Institute (MCRI) during 2020–21 financial year.

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

	Parent entity 2021 $	Parent entity 2020 $
Reimbursements by Murdoch Children's Research Institute	8,500,967	10,278,134
Payments to Murdoch Children's Research Institute	20,945,299	18,786,852
Receivable from Murdoch Children's Research Institute	601,833	703,707

Victorian Clinical Genetics Services

Victorian Clinical Genetics Services (VCGS) is a wholly owned subsidiary of MCRI which the CEO and Board Chairman of the RCH were Directors of during 2020–21 financial year.

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

	Parent entity 2021 $	Parent entity 2020 $
Reimbursements by Victorian Clinical Genetics Services	608,672	1,089,769
Payments to Victorian Clinical Genetics Services	869,505	1,016,939
Receivable from Victorian Clinical Genetics Services	182,433	–
Payable to Victorian Clinical Genetics Services	5,918	–

Victorian Comprehensive Cancer Centre

The CEO of the RCH was a Director of Victorian Comprehensive Cancer Centre during the 2020–21 financial year.

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

	Parent entity 2021 $	Parent entity 2020 $
Reimbursements by Victorian Comprehensive Cancer Centre	5,317	107,185
Payments by The Royal Children's Hospital for membership fees	192,182	113,942
Receivable from Victorian Comprehensive Cancer Centre	–	4,431
Payable to Victorian Comprehensive Cancer Centre	–	37,981

Note 8.4: Related parties (continued)

Monash Health

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

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

	Parent entity 2021 $	Parent entity 2020 $
Reimbursements by Monash Health	3,072,247	N/A
Payments to Monash Health	991,585	N/A
Receivable from Monash Health	166,496	N/A
Payable to Monash Health	110,194	N/A

Australian Unity

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

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

	Parent entity 2021 $	Parent entity 2020 $
Pay-out of rent obligation	407,042	N/A

EBOS Group Ltd

A former Director of the RCH was an employee of EBOS Group Ltd. EBOS Group Ltd or its subsidiaries (EBOS) provided equipment and consumables to the RCH during the financial year ended 30 June 2020. Mr Lau was not involved in the procurement or provision of services rendered by EBOS and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent entity 2021 $	Parent entity 2020 $
Payments for medical equipment and consumables	N/A	15,050,130
Payable to EBOS	N/A	7,514

PricewaterhouseCoopers

A Director of the RCH and the RCH Foundation, Mr Kumar is a former Managing Partner for Firm Strategy at PricewaterhouseCoopers (PwC). PwC provided IT services to the RCH Foundation Trust Fund, a controlled entity of the RCH. All dealings between the RCH Foundation and PwC were on normal commercial terms and conditions and in the ordinary course of business. There were no related party transactions associated with PwC for the year ended 30 June 2021.

	The Royal Children's Hospital Foundation 2021 $	The Royal Children's Hospital Foundation 2020 $
Payments to PricewaterhouseCoopers for IT services	–	597,184

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Royal Children's Hospital Foundation No. 2 Trust

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

	The Royal Children's Hospital Foundation 2021 $	The Royal Children's Hospital Foundation 2020 $
Payable to The Royal Children's Hospital Foundation No. 2 Trust	16,625,698	5,072,406

Significant transactions with government-related parties

The RCH received funding from the Department of Health of $581 million (2020: $537 million) and indirect contributions of $145million (2020: $138 million).

The RCH received funding from the Department of Education and Training of $2.9 million (2020: $3.7 million).

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

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

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

Note 8.5: Remuneration of auditors

	Consolidated 2021 $'000	Consolidated 2020 $'000
Victorian Auditor-General's Office		
Audit of financial statements	207	204
Other service providers		
Audit of financial statements	63	83
Compilation of financial statements and financial reporting advice	8	16
	279	**302**

Note 8.6: Controlled entity

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

Controlled entity contribution to the consolidated results

	2021 $'000	2020 $'000
Net result for the year		
The Royal Children's Hospital Foundation Trust Fund	(1,926)	(25,326)
	(1,926)	**(25,326)**

Note 8.7: Jointly controlled operations and assets

Name of entity	Principal activity	Ownership interest 2021	Ownership interest 2020
Victorian Comprehensive Cancer Centre	The member entities have committed to the establishment of a world leading comprehensive cancer centre in Parkville, Victoria, through the joint venture, with a view to saving lives through the integration of cancer research, education, training and patient care. The RCH joined the Victorian Comprehensive Cancer Centre on 1 July 2010.	10.0%	10.0%

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

	2021 $'000	2020 $'000
ASSETS		
Current assets		
Cash and cash equivalents	559	1,057
Receivables	13	24
GST receivable	(0)	7
Prepayments	8	34
Total current assets	**580**	**1,122**
Non-current assets		
Investments and other financial assets	–	2
Property, plant and equipment	12	10
Intangible assets	5	7
Total non-current assets	**17**	**19**
TOTAL ASSETS	**597**	**1,141**
LIABILITIES		
Current liabilities		
Accrued expenses	18	54
Payables	24	67
GST payable	1	–
Provisions	34	41
Other current liabilities	15	21
Total current liabilities	**92**	**183**
Non-current liabilities		
Provisions	9	10
Total non-current liabilities	**9**	**10**
TOTAL LIABILITIES	**100**	**193**
NET ASSETS	**496**	**948**
EQUITY		
Accumulated surpluses	496	948
TOTAL EQUITY	**496**	**948**

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

	2021 $'000	2020 $'000
Revenue		
Grants and other revenue	687	965
Interest	2	14
Total current assets	**688**	**979**
Expenses		
Employee benefits	435	502
Other expenses from continuing operations	699	977
Depreciation and amortisation	6	7
Total expenses	**1,139**	**1,486**
NET RESULT	**(451)**	**(507)**

Note 8.8: Ex-gratia payments

There were no ex-gratia payments made in 2020–21 financial year (nil in 2019–20).

Note 8.9: Events occurring after the balance sheet date

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

Note 8.10: Economic dependency

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

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

Note 8.11: Equity

Contributed capital

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

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

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

Specific restricted purpose reserves

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

Note 8.12: AASBs issued that are not yet effective

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

Standard	Adoption date	Impact on public sector entity financial statements
AASB 17 *Insurance Contracts*	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	Reporting periods on or after 1 January 2022	Adoption of this standard is not expected to have a material impact.
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other amendments*	Reporting periods on or after 1 January 2022	Adoption of this standard is not expected to have a material impact.
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	Reporting periods on or after 1 January 2021	Adoption of this standard is not expected to have a material impact.

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

RCH 210135

The Royal Children's Hospital Melbourne
50 Flemington Road Parkville
Victoria Australia 3052
www.rch.org.au
ABN 35655720546