2018/19 Annual Report

First in Care,
Research
and Learning

MELBOURNE HEALTH

Our Vision

Our vision is to be First in Care, Research and Learning to improve outcomes for our community and Victorians.

Care: First in delivering safe and high quality care
Research: First in evidence-based research integrated into practice
Learning: First in developing our workforce and community

Our Values

Our values and behaviours guide the way we work together to achieve our vision.

Caring: We treat everyone with kindness and compassion
Excellence: We are committed to learning and innovation
Integrity: We are open, honest and fair
Respect: We treat everyone with respect and dignity at all times
Unity: We work together for the benefit of all

Our Priorities

We aim to achieve our vision by focusing on six strategic priorities.

1. **Care and outcomes**
   We deliver outstanding care and outcomes
2. **Patient and consumer experience**
   We partner with and empower our patients and consumers
3. **Innovation and transformation**
   We embrace innovative thinking in everything we do
4. **Workforce and culture**
   We enable our people to be the best they can be
5. **Collaborations**
   We maximise the potential of our partnerships
6. **Sustainability**
   We are a recognised, respected and sustainable health service

Melbourne Health acknowledges the Kulin nations as the traditional custodians of the land on which our services are located. We are committed to improving the health and wellbeing of Aboriginal and Torres Strait Islander people.

Front cover image: Intensive Care Clinical Nurse Educator, Joanne Reading. Image: Medical Illustration, Melbourne Health

Table of contents

About this report

This annual report outlines the operational and financial performance for Melbourne Health from 1 July 2018 to 30 June 2019.

The relevant Ministers for the reporting period were:

- The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services, 01/07/2018 – 29/11/2018
- Jenny Mikakos, Minister for Health and Minister for Ambulance Services, 29/11/2018 – 30/06/2019
- The Honourable Martin Foley MP, Minister for Mental Health

Melbourne Health is a health service established in July 2000 under the Health Services Act 1988 (Victoria). This report is also available online at **thermh.org.au**

Chair's Report

Linda Bardo Nicholls AO

Every board meeting begins with a patient or consumer story.

First in Care

On behalf of the Melbourne Health Board Directors, I am pleased to present our 2018/19 Annual Report.

This year Melbourne Health launched a new Clinical Governance Framework, focused on Safe, Timely, Effective and Person-Centred Care (STEP). The new framework has at its core, the delivery of person-centered, effective and safe care. STEP is designed to improve our ability to monitor performance; evaluate care pathways and ensure timely care delivery.

At Melbourne Health, we monitor timely care using the metrics we know are important to patients, consumers, families and clinicians. Such as, the time it takes for a patient or consumer to be given an appointment, time to be seen by a clinician at the health service, time taken to receive care in the emergency department, and length of time on an elective surgery waiting list.

The results from this new approach are already evident. In 2018/19, we streamlined our outpatient services, and in the third quarter of the year to 30 June 2019, 100 per cent of our urgent patients were seen within 30 days. Despite emergency surgeries increasing by 26 per cent during the year, we also managed a record number of admissions from the elective surgery waiting list, achieving our target for the year. These are positive outcomes for our patients, and clearly demonstrate that incorporating STEP in our system thinking is making a difference.

This year, we appointed a joint Chief Information Officer with the Royal Women's Hospital, to explore opportunities for collaboration and strategy integration. This role is vital in the delivery of the Parkville Precinct-wide $124 million Electronic Medical Record (EMR). As part of our ongoing work to be a digital health service, on 30 June 2019 stage 1 of the EMR was successfully implemented in the Royal Melbourne Hospital's Emergency Department on time and on budget. EMR is scheduled to go live across all Parkville health services including Melbourne Health in May 2020.

First in Research

Cultivating a culture of research and maintaining our leadership position in research is inherently linked to how we make Melbourne Health a great place to work and a great place to receive care. This year we released the Melbourne Health Research Strategy: **Enhancing Today, Embracing Tomorrow.** The strategy acknowledges our strong reputation as a centre for research excellence but it also looks towards our future goal of becoming a research driven organisation.

> **A recent benchmarking exercise conducted by Melbourne Health's Office for Research showed that Melbourne Health ranked alongside some of the world's best medical research organisations, including Cambridge and Oxford University Hospitals NHS Foundation Trusts, and one of Australia's leading medical research organisations.**

This year our medical researchers had more than 1,400 publications; and at any one time, we have 900 active research projects across our organisation. Over the past five years, our researchers have published more than 4,500 journal articles and have been Chief Investigators on NHMRC grants of more than $295 million.

First in Learning

The care and services Melbourne Health provides the community are about more than just raw numbers. Yes, health services are complex organisations and that makes it even more important that we put our patients and consumers at the heart of everything we do. We seek to learn and understand the human stories behind the data. Every board meeting begins with a patient or consumer story. Each story recalls an experience the consumer or patient had across the organisation. It is retold in their words or that of a relative or friend. Every story focuses on if the care was safe, timely and effective, and based on individual needs. Each story reveals individual triumphs, challenges and opportunities for Melbourne Health to improve.

> **A strong culture is also a critical component of STEP because the care and services provided to our patients and consumers are heavily influenced by the culture of our organisation.**

Our Safety Culture Program, an Australian-first in a healthcare setting, is now in its third year, has trained 86 per cent of staff and volunteers in the program. This year we also embarked on the creation of a Reconciliation Action Plan and Aboriginal Employment Plan, which will help to make Melbourne Health a great place to work and receive care for Aboriginal and Torres Strait Islander peoples.

Realising Melbourne Health's vision of First in Care, Research and Learning takes many dedicated people. Thank you to each of our 10,400 employees and volunteers who work so hard to make Melbourne Health a great place to work and a great place to receive care.

Linda Bardo Nicholls AO

Board Chair

Melbourne Health

Chief Executive Report

Professor Christine Kilpatrick AO

Our reputation for caring for all Melburnians is as essential to who we are as any scientific breakthrough we make.

The past 12 months saw us pay tribute to our past, marking our rich, proud history of being Victoria's first public hospital established 170 years ago; and celebrating the future of healthcare in the digital era with the successful implementation of stage one of the Parkville Electronic Medical Record (EMR) in our emergency department on June 30, 2019.

We are now one step closer to implementing the full Parkville EMR, a $124 million Victorian Government commitment that will see the Royal Children's Hospital EMR extended to Melbourne Health, Peter MacCallum Cancer Centre and the Royal Women's Hospital, in May 2020. This new system will transform the way we provide care to our patients, providing integrated, person-centred care across the precinct.

I am pleased to report that in 2018/19, we achieved a balanced budget and provided a record number of clinical services to our community.

In the past 12 months, we delivered more than 105,000 inpatient separations, an increase of 5 per cent on the previous year. Our emergency department team provided more than 79,000 people with urgent medical treatment, an increase of 4.5 per cent. We provided 207,000 outpatient appointments, an increase of more than 9,000; and there were more than 5,700 mental health inpatient admissions across our adult, youth and specialist, an increase of 24 per cent, and 556,151 mental health service contacts in the community.

During the year we made great strides in the development of an organisational Reconciliation Action Plan; we rolled-out cultural awareness training across the organisation and extended our Aboriginal Employment Plan to a precinct-wide Aboriginal employment framework with The Royal Women's, The Royal Children's Hospital and Peter MacCallum Cancer Institute.

Our commitment to become a more inclusive place to work and receive care has continued with the development of new diversity and inclusion policies and practices. To date, we have developed and implemented a LGBTQI+ action plan, which has created new partnerships, built staff capacity and integrated LGBTQI+ language into co-designed resources and protocols. Work is also underway to embed inclusive language into digital data collection systems and create inclusive toilet facilities across the organisation.

We were excited to have seven finalists in the 2018 Victorian Public Healthcare Awards winning three categories and receiving one highly commended award.

Our Bone Marrow Transplantation Unit was recognised in a study by the US Centre for International Blood and Marrow Transplant Research. Based on our outcomes, the RMH benchmarked second compared with eight other international health services. In October 2018, our trauma service undertook a Trauma Verification Visit from the Royal Australasian College of Surgeons. We again met the requirements of a Level 1 Trauma Service.

Our mental health services showcased the importance of innovation in providing the most appropriate care in the least intrusive setting. Launched in April 2019, our Younger-Onset Dementia (YOD) program uses telehealth to diagnose and provide ongoing care for patients in remote and regional areas. The program allows patients to have video appointments with specialists using their smartphone, tablet or computer. Since the program started, 21 people have been seen over 37 appointments, saving over 16,000 km for patients and families and more than 4.5 tonnes of carbon emissions.

And, thanks to our dedicated people responsible for working with families in times of tragedy, we saw a significant increase in organ and tissue donation from 37 patients becoming organ donors in 2017 to 59 patients in 2018 – transforming the lives of 197 Australians awaiting organ transplants. This was a national record for the number of donors from a single hospital in Australia – 1 in every 3 donors in Victoria in 2018 was a patient from the RMH.

Our reputation for caring for all Melburnians, is as essential to who we are as any scientific breakthrough we make. And, our journey to providing our community with a sustainable, well managed and efficient health service is as important to us as the lifesaving care we provide.

On behalf of the Melbourne Health Executive, I would like to take this opportunity to thank our people for their tireless contribution to our patients, consumers and our community, and importantly to each other. Their work is often undertaken in a complex and challenging environment.

Professor Christine Kilpatrick AO

Chief Executive

Melbourne Health

Declaration on the report of operations

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for Melbourne Health for the year ending 30 June 2019.

Linda Bardo Nicholls AO

Board Chair

Melbourne Health

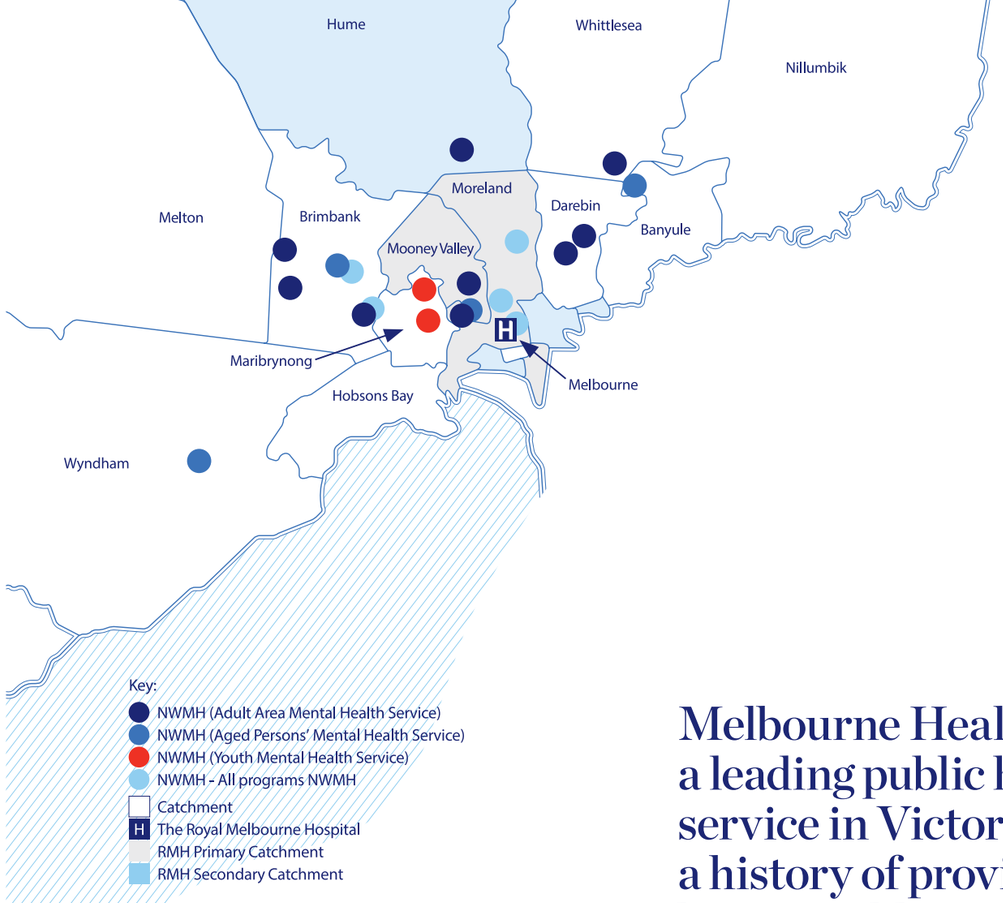
22 August 2019

About Melbourne Health

Melbourne Health is a leading public health service in Victoria with a history of providing the best possible care to our patients and consumers.

We are committed to applying evidence-based research to drive improvements in clinical outcomes and patient and consumer experience. With a strong focus on teaching and education, we encourage lifelong learning to enable our people to realise their potential.

Serving a population base of more than one million, our world-class reputation had its beginnings at The Royal Melbourne Hospital – Victoria's first public hospital – established in 1848 to answer the need for a public health service for a rapidly growing town. For 171 years, we have proudly provided a comprehensive range of acute, sub-acute and community public health services to our local community within Melbourne's west and north, as well as regional and rural Victorians and interstate patients and consumers.



Melbourne Health is a leading public health service in Victoria with a history of providing the best possible care to our patients and consumers.

We provide care through three key services:

The Royal Melbourne Hospital

As one of the largest hospitals in Victoria, The Royal Melbourne Hospital (RMH) provides a comprehensive range of health services across two campuses. Our City Campus provides general and specialist medical and surgical acute services. Sub-acute services, including rehabilitation and aged care, outpatient and community programs are provided from our Royal Park Campus. The RMH plays a key role within the broader Victorian health sector as a major Victorian referral service for specialist and complex care, and is a designated state-wide provider for services including adult trauma. It also contains centres of excellence for tertiary services in several key specialties, including neurosciences, nephrology, surgical oncology, cardiology and genomics.

NorthWestern Mental Health

As the largest provider of mental health services in Victoria, NorthWestern Mental Health (NWMH) works in partnership with consumers and carers to provide a comprehensive suite of general and specialist mental health services to youth, adult and aged people within the community, residential and health services. Services are delivered through six programs spanning 32 sites across the northern and western suburbs of Melbourne, reaching communities based in Mill Park to the north, Preston to the east and Sunshine to the west. It also delivers a number of statewide services, including the neuropsychiatry service and the eating disorders service.

The Peter Doherty Institute for Infection and Immunity

The Doherty Institute, our partnership with the University of Melbourne, aims to be a world class institute that combines research into infectious diseases and immunity with teaching excellence, reference laboratory diagnostic services, epidemiology and clinical services. Our services based at the Doherty Institute include:

- The Victorian Infectious Diseases Reference Laboratory
- VICNISS Healthcare Associated Infection Surveillance System
- The Victorian Infectious Diseases Service
- The Victorian Tuberculosis Program
- National Centre for Antimicrobial Stewardship
- World Health Organisation Collaborating Centre for Reference and Research on Influenza
- World Health Organisation Collaborating Centre for Viral Hepatitis

Our care at a glance

Emergency department presentations

79,799

Inpatient admissions across our services

105,493

Trauma patients treated

4,811

Outpatient appointments

207,500

Helicopter landings

576

Elective surgeries

24,770

Emergency surgeries

7,584

Kidney transplants

152

Mental health inpatient admissions across our adult, youth and specialist services

5,700

Mental health service contacts in the community

556,151

Awards, recognition and accolades

Our people continue to go above and beyond to achieve excellence. In 2018/19, a number of staff were recognised for their dedication and commitment to patient care.

The RMH Clinical Engineering Department

has been named the winner of this year's best celebration contest for Healthcare Technology Management (HTM) Week (20–26 May) by the Association for the Advancement of Medical Instrumentation (AAMI).

Dr Catherine Granger, Physiotherapy Research Lead

was announced as one of the ABC's Top 5 scientists for 2018 for her research into the role of physical activity for people diagnosed with cancer.

Professor Fary Khan, Director Rehabilitation Medicine

was awarded the Sidney Licht Lectureship Award by the International Society of Physical & Rehabilitation Medicine (ISPRM).

Associate Professor Ruth Vine, Executive Director NorthWestern Mental Health, and Professor Christine Kilpatrick AO, Melbourne Health Chief Executive

were recognised in 2018's Top 50 Public Sector Women in Victoria.

Dr Henry Zhao, RMH Stroke Neurologist and medical coordinator of the Mobile Stroke Unit,

accepted two awards at the Council for Ambulance Administrators Awards for Excellence in New Zealand.

Professor Frank Vajda AO, Neurologist

awarded prestigious 2018 Bethlehem Griffiths Research Foundation Medal.

Professor Jonathan Kalman AO, Director Cardiac Electrophysiology

was elected a Fellow of the Australian Academy of Health and Medical Sciences.

Dr Christina Kozul, Surgical Registrar

awarded the Young Scientist Award at the Melbourne International Breast Congress.

Professor Andrew Roberts and Professor John Seymour, Haematologists

awarded Victorian Prize for Life Sciences.

Dr Jenepher Dakis, Head Consultant Psychiatrist

was awarded The Melbourne Award for her service to Melbourne Health over the past twenty years. Dr Dakis was one of 33 individuals and 36 teams across Melbourne Health to be recognised for their contributions and their efforts in upholding the Melbourne Health values.

The RMH Music Therapy

team was awarded the Contribution to Community by a Corporation award by the City of Melbourne. The team has provided music therapy for over twenty years to patients, visitors and staff.

Professor Steve Davis AM, Director Melbourne Brain Centre at The RMH

received the International Cooperation Award at the fifth Annual Scientific Session of Chinese Stroke Association & TISC 2019.

Professor George Braitberg AM

awarded the Australian College of Emergency Medicine's Service Award in recognition of his significant service to the college.

Australia Day honours

Associate Professor Kate Drummond AM and Professor Mary Galea AM were both recognised in the 2019 Australia Day Honours.

Queen's Birthday honours

Professor Christine Kilpatrick AO was recognised for her distinguished service to medicine through senior administrative roles, to the promotion of quality in health care, and to neurology.

Year in review

2018/19 highlights

2018

July

Opened new ward to support RMH through busy winter season

The RMH's new $1.2 million winter flex ward 2 West opened, taking the pressure off the Emergency Department and the wider hospital during the busy winter season.

August

Clinical Trials Centre marks first anniversary

The centre was established to bring together clinicians and patients across all specialties to provide and receive care in a purpose-built centre, instead of throughout the hospital.

September

The Royal Melbourne Hospital Guidance Group

was awarded Quality Management System Certification to the ISO 9001:2015 standard. The standard is internationally recognised as the world's leading quality management system standard.

October

$1.6 million grant for liver cancer

The RMH's A/Prof Ben Cowie, Director of the WHO Collaborating Centre for Viral Hepatitis at the Doherty Institute and his team were awarded a $1.6 million Victorian Government to prevent liver cancer in people with hepatitis.

November

The new Orygen facility opened

Funded by the Victorian Government, the Colonial Foundation and the Ian Potter Foundation, the building was awarded the top prize for Best Mental Health Design at the 2019 European Healthcare Design Awards in London. Orygen provides care, services and research to young people aged 15–25 years.

December

New drug breakthrough

Breast cancer researchers from the RMH and Peter Mac successfully combined Venetoclax and Tamoxifen, resulting in a possible and promising for metastatic breast cancer.

2019

January

Welcome to our new graduates

Melbourne Health welcomed 80 new medical interns and 125 graduate nurses to the organisation over January and February 2019.

February

New stroke ward opens

The Acute Stroke and Neurology Ward on level 8B, welcomed its first patient, Kelton Young. The new ward features 31 beds, including 8 high acuity beds.

March

Governor General visit

The Governor General of Australia, Sir Peter Cosgrove, and Lady Cosgrove visited staff and patients in the Emergency Department, the Clinical Trial Centre, Cardiology and the Acute Stroke and Neurology Ward.

April

New centre for health and ageing

Colonial Foundation funded $15 million to early detection of dementia research between Royal Melbourne Hospital and the Walter and Eliza Hall Institute. The centre will focus on the collaborative efforts of the hospital and institute in developing diagnostic tests for the early detection of neurodegenerative conditions.

May

Stroke breakthrough

Stroke specialists from the Royal Melbourne Hospital, University of Melbourne and Monash Health found the time to treat ischemic stroke patients can be doubled. The EXTEND randomised clinical trial found the initial window of 4.5 hours from symptom onset could now be pushed to 9 hours given solid evidence of 'brain to save' on advanced brain imaging.

June

EMR in ED goes live

On 30 June, Stage 1 of the Connecting Care Parkville Precinct Electronic Medical Record went live in the RMH Emergency Department. The full EMR at The Royal Women's Hospital, Peter MacCallum Cancer Centre and Melbourne Health will be in operation on 2 May 2020.

Board of Directors

The Board comprises up to nine independent non-executive directors.

The Directors are elected for a term of up to three years, and may be re-elected to serve for up to nine years.

The Board is accountable to the Minister for Health.

The Directors for 2018/19 (as at 30 June 2019) were:

Mrs Linda Bardo Nicholls AO – Chair
Appointed to the Melbourne Health Board in May 2018

Mr Eugene Arocca
Appointed to the Melbourne Health Board in July 2016

Ms Philippa Connolly
Appointed to the Melbourne Health Board in July 2018

Ms Penelope Hutchinson
Appointed to the Melbourne Health Board in November 2015

Ms Angela Jackson
Appointed to the Melbourne Health Board in September 2015

Professor Shitij Kapur
Appointed to the Melbourne Health Board in December 2016

Professor Harvey Newnham
Appointed to the Melbourne Health Board in August 2017

Mr Gregory Tweedly
Appointed to the Melbourne Health Board in July 2016

Melbourne Health Board Committees

The board has established a number of sub-committees and advisory committees, which are also attended by members of the Melbourne Health Executive. The Melbourne Health Chair is an ex-officio of each committee.

People, Culture & Remuneration Committee

Current board membership:
Eugene Arocca (Chair)
Penelope Hutchinson
Philippa Connolly

Frequency of Meetings:
Quarterly

Community Advisory Committee

Current board membership:
Professor Harvey Newnham (Chair)

Frequency of Meetings:
Bimonthly half the year/Monthly half the year

Quality and Population Health Committee

Current board membership:
Greg Tweedly (Chair)
Angela Jackson
Professor Shiitij Kapur
Professor Harvey Newnham

Frequency of Meetings:
Bimonthly

Finance Committee:

Current board membership:
Angela Jackson (Chair)
Philippa Connolly
Eugene Arocca
Peter Funder – Expert Content – Observer Status
Sam Lobley – Expert Content – Observer Status

Frequency of Meetings:
Bimonthly

Audit Committee

Current board membership:
Penelope Hutchinson (Chair)
Professor Harvey Newnham
Greg Tweedly
Sam Lobley – Expert Content – Observer Status

Frequency of Meetings:
Bimonthly

RMH Foundation Committee

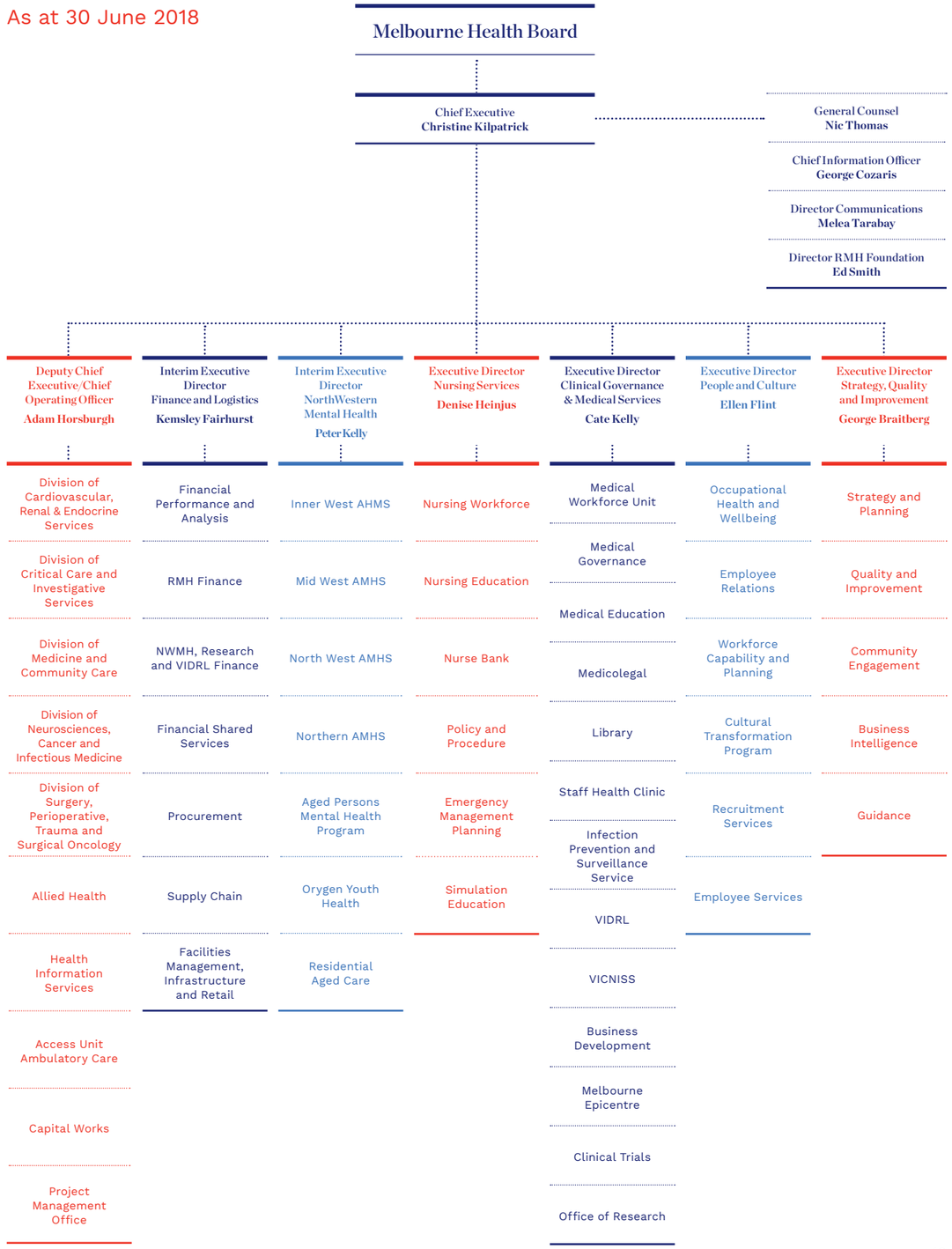
Current board membership:
Linda Bardo Nicholls AO (Chair)
Eugene Arocca

External representatives:
Andrew Brookes
Mark Kagan
Professor Phillip Antippa
Professor Peter Morley

Frequency of Meetings:
Quarterly

Melbourne Health Organisation Structure

As at 30 June 2018



Significant supporters

Melbourne Health recognises and is deeply appreciative of the generous support received from individuals, including every Melbourne Health Board Director, families, businesses, trusts, foundations, community groups and organisations. It gives us great pleasure to acknowledge these contributions below:

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Estate of Mardith Eleanor Melick
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Mr Red Symons
Renegade Pub Football League
RMH Dialysis Support Group
Rotary Club of Campberwell
Mrs Sara Taji
See Yup Society
The Rangers Inc
Mr Timothy Barrett
Treasure Chest Inc.

Friends of RMH

Mrs Barbara Haynes OAM
Mrs Diana Frew
Miss Joan Montgomery AM, OBE
Mrs Marian Lawrence
Mrs Patricia Weickhardt
Mrs Susan Sherson

Occupational health, safety & wellbeing

During 2018/19 Melbourne Health continued to progress projects from previous years, as well as implementing a number of new initiatives to ensure a safe working environment for our staff and improve staff health and wellbeing.

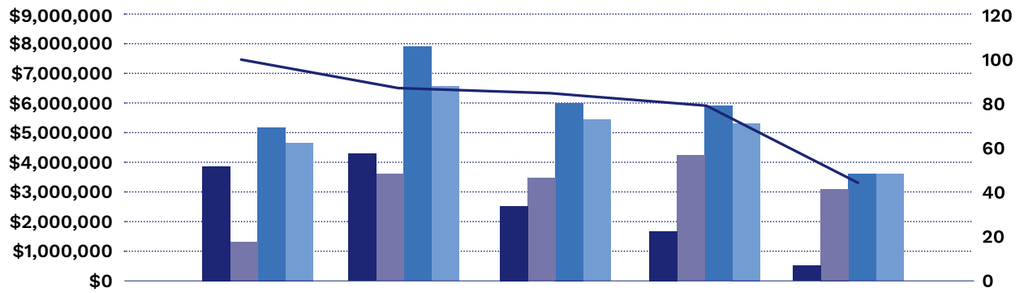
Manual handling remains a focus for the organisation with nearly half of the WorkCover claims from manual handling injuries. Training of staff, purchase of equipment and a Manual Handling Committee with a refreshed action plan continued to be actioned.

Our Health, Safety and Wellbeing team have supported staff that have been exposed to emotionally traumatic events, providing psychological first aid and referral to ongoing debriefing and support through avenues such as our Melbourne Health Peer Support Program and the Employee Assistance Program.

Occupational violence and aggression (OVA) continues to be a significant issue across the healthcare sector and managing and preventing this issue remain a major focus for Melbourne Health. The Melbourne Health OVA committee continues to monitor the OVA strategy through a range of initiatives, including staff training, workplace re-design and systems for managing aggressive patients. This work has led to increased reporting of instances of occupational violence and aggression through our internal reporting system.

Our Health, Safety and Wellbeing unit has also been consulting and implementing local OHS action plans and continuing to train managers to improve knowledge of health and safety across the organisation. This training will now be continuing with an emphasis on new managers.

Claims and costs by premium period



	2014/15	2015/16	2016/17	2017/18	2018/19
Paid	$3,855,632	$4,287,651	$2,523,978	$1,676,048	$513,667
Estimates	$1,315,133	$3,597,109	$3,464,086	$4,226,581	$3,089,533
Incurred	$5,170,765	$7,884,760	$5,988,064	$5,902,629	$3,603,200
Premium Cost	$4,650,424	$6,549,142	$5,438,853	$5,313,265	$3,603,200
Standard Claims	96	85	86	78	86

Average claim costs 2017/18

Overall	
Total Paid	$1,715,731
Total Estimate (SCE)	$4,203,966
Total Incurred	$5,919,697
Total Premium Cost	$5,324,256
Total Standard Claims	**78**

Average claim costs 2018/19

Overall	
Total Paid	$587,164
Total Estimate (SCE)	$3,081,622
Total Incurred	$3,668,786
Total Premium Cost	$3,668,786
Total Standard Claims	**44**

Occupational Violence Statistics 2018/19*

Occupational violence statistics	2018/19
WorkCover accepted claims with an occupational violence cause per 100 FTE	**0.001**
Number of occupational violence incidents reported	**2123**
Number of occupational violence incidents reported per 100 FTE	**30.3**
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	**1.69%**

Workforce information

The following table disclose the full-time equivalent (FTE) of all active employees of Melbourne Health as at June 2019 and year to date (YTD), with 2018 data shown for comparative purposes.

Hospital's labour category	JUNE current month FTE		Average monthly FTE	
	2018	2019	2018	2019
Nursing	2879.83	3030.24	2771.82	2929.19
Administration and Clerical	1124.72	1222.26	1118.01	1168.43
Medical Support	859.34	910.85	848.14	890.32
Hotel and Allied Services	559.46	542.11	556.32	549.64
Medical Officers	149.25	150.91	139.58	150.13
Hospital Medical Officers	573.52	623.32	558.42	576.10
Sessional Clinicians	274.36	299.36	266.96	285.75
Ancillary Staff (Allied Health)	669.69	709.86	644.71	691.21
Total Standard Claims	**7090.16**	**7488.91**	**6903.95**	**7240.78**

*Definitions

For the purposes of these statistics the following definitions apply.

Occupation violence: Any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of, their employment.

Incident: An event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.

Accepted WorkCover claims: Accepted WorkCover claims that were lodged in 2018/19.

Lost time: Is defined as greater than one day.

Injury, illness or condition: This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

General information

Carers Recognition Act 2012

Melbourne Health is committed to partnering with and empowering our patients, consumers and carers. We understand that our patients and consumers, their families and carers need to play an active role in their own healthcare and in helping us improve the quality and safety of our services.

We take all practicable measures to ensure our employees understand the important role carers play as partners in providing support and care to patients and consumers. This is reflected in our Rights and Responsibilities Procedure which states carers will be respected and recognised as an individual with their own rights and as someone with special knowledge of the person in their care.

A Partnering with Consumers education package, incorporating principles of inclusive practice and person centre care, is mandatory for all Melbourne Health staff – both clinical and non-clinical. This learning tool draws particular attention to the needs of carers and families.

Melbourne Health reports on how we engage with patients, consumers, their families and carers in the annual Quality Account. That report is available on our website at **thermh.org.au**

Freedom of Information Act 1982

The Freedom of Information Act 1982 provides a legally enforceable right of public access to information held by government agencies. All applications made to Melbourne Health under the Freedom of Information Act 1982 were processed in accordance with that Act. Melbourne Health provides a report on these requests to the Victorian Information Commissioner.

Applications and requests for information about making applications, under the act can be made to:

Postal Applications:

Freedom of Information Officer
Health Information Services
PO Box 2155
The Royal Melbourne Hospital
Victoria 3050

Hand delivery:

Freedom of Information Officer
Health Information Services
The Royal Melbourne Hospital
City Campus
300 Grattan Street
Parkville Victoria 3050
Telephone: (03) 9342 7224
Facsimile: (03) 9342 8008
Email: FOIrequest@mh.org.au

The cost of making an FOI application is $29.60, which increases annually. The total production cost varies according to the number and types of documents required. Application forms are available for download from our website at **thermh.org.au**

More detailed information can be found on our website, including how we process FOI requests, publications and other material that can be inspected by the public.

The majority of our FOI requests came from solicitors on behalf of patients, TAC, insurance companies and patients themselves. Smaller number of requests also came from media and government organisations.

Freedom of Information applications (2018/19)

Received during the year	**2854**
In progress at the start of the year	**383**
Granted in full	**2435**
Denied in part	**237**
Denied in full	**5**
Withdrawn/not proceeded with	**318**
In progress	**214**
Transferred to another service	**3**
Transferred from another service	**0**
No record*	**26**

*No record refers to situations where an FOI request was received relating to a patient who did not attend Melbourne Health.

Privacy

Melbourne Health is committed to protecting the privacy of its patients and clients. The organisation is required by law to protect personal and confidential information such as information about an individual's health and other personal details. Melbourne Health complies with all applicable legislation relating to confidentially and privacy, including, where relevant, the Health Services Act, Mental Health Act and the Health Records Act. Melbourne Health's Privacy Policy is available to all staff on the Melbourne Health intranet and available to the public in hardcopy and on the Royal Melbourne Hospital website. Melbourne Health adheres to the Department of Health's privacy policy which is available on our website: **thermh.org.au**

Protected Disclosure Act 2012

Melbourne Health is committed to extend the protections under the Protected Disclosure Act 2012 (Vic) to individuals who make protected disclosures under that Act or who cooperate with investigations into protected disclosures. The procedure and brochure are available to all staff on the Melbourne Health intranet site and to the public at **thermh.org.au**

Competitive Neutrality

Melbourne Health continues to comply with the Victorian Government's Competitive Neutrality Policy. In addition, the Victorian Government's Competitive Neutrality pricing principles have been applied by Melbourne Health from 1 July 2000 for all relevant business activities.

Merit and Equity Principles

Merit and equity principles are encompassed in all employment and diversity management activities throughout Melbourne Health. Melbourne Health is an equal opportunity employer and is committed to providing for its employees a work environment which is free of harassment or discrimination together with an environment that is safe and without risk to health. Melbourne Health's employees are committed to our values and behaviours as the principles of employment and conduct. Melbourne Health promotes cultural diversity and awareness in the workplace.

Safe Patient Care Act 2015

The hospital has no matters to report in relation to its obligations under section 40 of the Safe Patient Care Act 2015.

Local Jobs First Act 2003

Melbourne Health complies with the intent of the Local Jobs First Act 2003 (LJF). The aim of this legislation is to expand market opportunities to Victorian and Australian organisations and therefore promote employment and business growth within the State.

The Local Jobs First Policy is comprised of the Victorian Industry Participation Policy (VIPP) and the Major Projects Skills Guarantee (MPSG).

The objectives of the Local Jobs First Policy are to:

- Promote employment and business growth by expanding market opportunities for local industry;
- Provide contractors with increased access to, and raised awareness of, local industry capability;
- Expose local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and
- Develop local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers.

For tenders and resulting contracts with a value of $3 million or more, Melbourne Health applies LJF specific evaluation criteria. This criteria assesses:

- Level of local content
- Employment and engagement of apprentices, trainees and cadets
- Number of newly created or existing jobs retained

The assessment of these criteria in conjunction with other tender specific assessment criteria leads to the selection of the best possible product and service for the expenditure. It also ensures those organisations that provide quality local products and/or services are recognised and promoted as per the policy.

Within the past 12 months, Melbourne Health commenced five standard metropolitan based contracts with a total value of $29.7 million for which the LJF policy applied and zero strategic projects. All five standard projects were registered with the Industry Capability Network (ICN) and were assessed by ICN to determine whether the projects had contestable inputs.

The following item was deemed to have contestable inputs by ICN and therefore required Local Industry Development Plans (LIDP's) to be submitted by each bidding vendor:

- EMR Platform Infrastructure and Related Services

This project has not yet been finalised, therefore the percentage of local content and total LIDP commitments (local content, employment and engagement of apprentices, trainees and cadets) committed as a result of this project is still yet to be determined.

The following items were deemed to have no contestable inputs by ICN and therefore did not require LIDP's to be submitted:

- Total Parenteral Nutrition
- Erythropoiesis Stimulating Agents
- Custom Procedure Packs
- NWMH Early Intervention Support

Major Projects Skills Guarantee (MPSG) did not apply to any projects over the last 12 months and therefore the following criteria were not assessed:

- The total number of hours completed or to be completed by apprentices, trainees or cadets on these projects
- The total number of opportunities created for apprentices, trainees and cadets on these projects
- Total number, across all projects commenced or completed by the department, of small and medium sized businesses engaged as either the principle contractor or as part of the supply chain

Melbourne Health complies with the intent of the Local Jobs First Act 2003 (LJF). The aim of this legislation is to expand market opportunities to Victorian and Australian organisations and therefore promote employment and business growth within the State.

The Local Jobs First Policy is comprised of the Victorian Industry Participation Policy (VIPP) and the Major Projects Skills Guarantee (MPSG).

The objectives of the Local Jobs First policy are to:

- Promote employment and business growth by expanding market opportunities for local industry;
- Provide contractors with increased access to, and raised awareness of, local industry capability;
- Expose local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and
- Develop local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers

For tenders and resulting contracts with a value of $3 million or more, Melbourne Health applies LJF specific evaluation criteria. This criteria assesses:

- Level of local content
- Employment and engagement of apprentices, trainees and cadets
- Number of newly created or existing jobs retained

The assessment of these criteria in conjunction with other tender specific assessment criteria leads to the selection of the best possible product and service for the expenditure. It also ensures those organisations that provide quality local products and/or services are recognised and promoted as per the policy.

Within the past 12 months, Melbourne Health commenced five standard metropolitan based contracts with a total value of $29.7 million for which the LJF policy applied and zero strategic projects. All five standard projects were registered with the Industry Capability Network (ICN) and were assessed by ICN to determine whether the projects had contestable inputs.

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- The total number of opportunities created for apprentices, trainees and cadets on these projects
- Total number, across all projects commenced or completed by the department, of small and medium sized businesses engaged as either the principle contractor or as part of the supply chain.

Building Act 1993

As required under the Building Act 1993, Melbourne Health capital work projects have obtained Building Permits for new projects and Certificates of Occupancy or Certificates of Final Inspection for all completed projects. In addition to compliance with the Act, Melbourne Health capital works also seek compliance with other regulatory bodies such as the Australasian Health Facility Guideline and the Victorian Department of Health and Human Services Fire Risk Management Guidelines.

Registered Building Practitioners have been involved with all new building works projects and were supervised by either the relevant Construction Manager in liaison with Melbourne Health Capital Projects and/or Independent Project Managers. Each building practitioner has supplied the required Building Registration Number.

Building contractors include:

- Alchemy
- Kane construction
- MAW Building and Maintenance
- Dovagate
- DNA Co
- Pirotta
- Built

Building certified for approved design phase or under construction:

RMH City Campus
Theatre 15 & 16
2 South East – day cardiology
RMH front entry
Pharmacy sterile suite
2 East – cardiology diagnostics
EMR training facilities
1B fire system upgrades
Nuclear medicine SPECT replacement
ED crisis hub

RMH Royal Park Campus
AC3 ward refurbishment
Heritage roof replacement
Breastscreen refurbishment

North Western Mental Health
McLellan House – ensuite upgrade
Boyne Russell – ensuite upgrade
Cyril Jewel – ensuite upgrade
Merv Irvine – ensuite upgrade
McLellan House – kitchen upgrade
CCU kitchen upgrades

Certified/final inspection:
Stroke Unit
Emergency Department Triage desk upgrade
New mammogram private radiology
Facial prosthetics
Jane Bell House refurbishment
AC2 ward refurbishment
Allied Health gym refurbishment

Environmental performance

In 2018/19 we met the environmental targets we set in our Statement of Priorities, including increasing staff engagement and reaching an overall recycling rate of 30 per cent.

Our staff are eager to reduce their environmental footprint and 44 staff members nominated themselves as Green Champions to promote sustainability, bringing the total to almost 200. Our Radiology Department has started their own Green Team and our Emergency Department was awarded a second prize for their research poster about waste reduction in ED at the International Conference for Emergency Nurses.

The Blood Management Committee introduced the use of reusable 'Blood Baskets' to transport blood and blood products from the Transfusion Laboratory to the wards instead of plastic bags, removing 20,000 plastic bags from landfill per year.

In order to promote sustainable transport at Melbourne Health we celebrated Green Commute Day on 17 November and asked staff to complete a quick travel survey. Results show that 64.5 per cent of respondents already commute either on public transport or they walk or use a bicycle to come to work.

Our recycling rate has climbed above 30 per cent with the expansion of recycling opportunities, such as single use steel instruments, PVC and mobile phones. We have also reduced our clinical waste by 36 tonnes over the previous year despite an increase in patient presentations through better segregation.

For more detailed information about our environmental performance, please view our annual Sustainability Report at **thermh.org.au**.

Car park fees

Melbourne Health complies with the DHHS hospital circular on car parking fees and details of car parking fees and concession benefits can be viewed at **thermh.org.au/parking**

Information and communication technology (ICT) expenditure

The total ICT expenditure incurred during 2018/19 is $44.97 million (excluding GST) with the details shown below:

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)**	**Operational expenditure (excluding GST)**	**Capital expenditure (excluding GST)**
$16.5 million	$28.4 million	$0 million	$28.4 million

Additional information

Details in respect to the items listed below have been retained by Melbourne Health and are available to the relevant Ministers, Members of Parliament and the public upon request (subject to the Freedom of Information requirements, if applicable):

a) A statement of pecuniary interest;

b) Details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary;

c) Details of publications produced by Melbourne Health about our activities and where they can be obtained;

d) Details of changes in prices, fees, charges, rates and levies charged by Melbourne Health;

e) Details of any major external reviews carried out on Melbourne Health;

f) Details of major research and development activities undertaken by Melbourne Health that are not otherwise covered either in the Report of Operations or in a document that contains the financial report and Report of Operations;

g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

h) Details of major promotional, public relations and marketing activities undertaken to develop community awareness of Melbourne Health and its services;

i) Details of assessments and measures undertaken to improve the occupational health and safety of employees;

j) A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;

k) A list of major committees sponsored by Melbourne Health, the purposes of each committee and the extent to which the purposes have been achieved;

l) Details of all consultancies and contractors including those engaged, services provided and expenditure committed to for each engagement.

Consultancies

Details of consultancies (under $10,000)

In 2018/19, there were two consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2018/19 in relation to these consultancies is $16,736 (excluding GST).

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

In 2018/19, there were four consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2018/19 in relation to these consultancies is $141,124 (excluding GST). Details are provided in the below table:

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excl. GST) $'000	Expenditure 2018/19 (excl. GST) $'000	Future expenditure (excl. GST) $'000
ASPEX CONSULTING PTY LTD	Youth Justice Model of Care Project	01/07/2018	30/06/2019	101	101	-
KIM JOANNE KOOP	DHHS and MH project – Melbourne Health Youth Mental Health Service Plan	01/07/2018	30/06/2019	18	18	-
KEP CONSULTANCY SERVICES	Update to the Orygen Youth Service Plan	01/07/2018	30/06/2019	23	23	-

2019

Key financial and service performance reporting

Melbourne Health Financial Summary

The key financial performance measure monitored by the Department of Health and Humans Services and Melbourne Health Management is the Operating Result.

Melbourne Health achieved a small surplus Operating Result of $0.05 million in 2018/19 which is in line with the Statement of Priorities breakeven target.

Revenue increased by $122.5 million to $1,352.7 million, largely due to government grants from activity growth and increased demand for services throughout Melbourne Health.

Melbourne Health continued its commitment to find financial savings and efficiency improvements, which combined with the close monitoring of costs of growing activity, resulted in the operating surplus for the year.

The Net Result was a surplus of $11.3 million, compared to a surplus of $19.8 million in the previous year. This difference is mostly due to the revaluation of the long service leave liability during the year.

The large increase in Net Assets of $221.8 million to $845.7 million in 2018/19 was mainly due to a revaluation of land and buildings.

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Operating Result*	0.05	0.04	0.05	2.66	0.11
Total Revenue	1,352.7	1,230.3	1,116.5	1,046.7	989.7
Total Expenses	1,313.2	1,205.9	1,132.1	1,067.5	1,016.5
Net Result from transactions	39.5	24.4	(15.6)	(20.8)	(26.8)
Other economic flows	(28.3)	(4.6)	2.9	(5.3)	(1.5)
Net Result	11.3	19.8	(12.7)	(26.2)	(28.2)
Total Assets	1,277.4	1,004.7	881.1	849.6	807.8
Total Liabilities	431.6	380.7	340.8	298.6	273.3
Net Assets/Total equity	845.7	623.9	540.3	551.0	534.5

*The Operating Result is the result for which the health service is monitored in its Statement of Priorities.
The prior year Operating Result comparatives have been restated to reflect the presentation of Other Economic Flows.

Reconciliation of the Operating Result to the Net Result:

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Operating Result	0.05	0.04	0.05	2.66	0.11
Capital purpose income	103.7	89.4	40.4	34.7	26.7
Assets received/(provided) free of charge	2.8	(3.7)		(6.0)	
Expenditure for capital purpose	(15.2)	(7.9)	(3.9)	(3.5)	(1.9)
Depreciation and amortisation	(51.5)	(54.4)	(52.3)	(48.6)	(48.1)
Net gain/(loss) on non-financial assets	0.4	(0.4)	(0.3)	(0.1)	1.9
Net gain/(loss) on financial instruments	(9.0)	(3.4)	(2.8)	(0.8)	(1.3)
Net gain/(loss) from other economic flows	(19.6)	(0.8)	6.0	(4.5)	(2.5)
Revenue/(expenses) from jointly controlled operations	(0.3)	1.0	0.2	(0.1)	(0.2)
Specific expenses					(3.0)
Net Result	11.3	19.8	(12.7)	(26.2)	(28.2)

Statement of Priorities 2018/19

The Statement of Priorities is the key accountability agreement between Melbourne Health and the Minister for Health. This annual agreement ensures delivery of, or substantial progress towards, the key shared objectives of financial viability, improved access and quality of service provision.

Part A: Strategic Priorities for 2018/19

Goals	Strategies	Health Service Deliverables	Outcomes
Better Health • A system geared to prevention as much as treatment • Everyone understands their own health and risks • Illness is detected and managed early • Healthy neighbourhoods and communities encourage healthy lifestyles	**Better Health** • Reduce statewide risks • Build healthy neighbourhoods • Help people to stay healthy • Target health gaps	Investigate the prevalence of recreational substance abuse on major trauma (SPIT-T study).	**Achieved** Enrolment at RMH is completed. Findings to be presented at annual meeting of "Australian College of Emergency Medicine" during November'19.
		Help patients to understand their own health and risks by identifying ways staff can increase consumer involvement in their care (measured by VHES) and to implement a health literacy framework.	**Achieved** Health Literacy Framework co-designed with consumers.
		Detect and manage concerning behaviours through the development and introduction of the Victorian Fixated Threat Assessment Team (VFTAC) – Community Enhancements to provide high intensity follow up to clients who threaten or engage in grievance fuelled violence.	**Achieved** VFTAC services operational.
Better Access • Care is always there when people need it • More access to care in the home and community • People are connected to the full range of care and support they need • There is equal access to care	**Better Access** • Plan and invest • Unlock innovation • Provide easier access • Ensure fair access	Invest in and deliver stage 1 of the Electronic Medical Record – Connecting Care project.	**Achieved** Electronic Medical Record Stage 1 delivered as planned.
		Support more access to care in the community by progressing the development of a new community base for Northern Area Mental Health Service (NAMHS) at Mill Park.	**Achieved** Noogal Community Mental Health Service developed and opened on 13 June.
Better Care • Target zero avoidable harm • Healthcare that focusses on outcomes • Patients and carers are active partners in care • Care fits together around people's needs	**Better Care** • Put quality first • Join up care • Partner with patients • Strengthen the workforce • Embed evidence • Ensure equal care	Strengthen the workforce by developing and implementing a new Health, Safety and Wellbeing (HSW) strategy.	**Achieved** Health, Safety and Wellbeing strategy developed.
		Partner with patients and carers to define appropriate patient groups to whom Goals of Care planning is appropriate.	**Achieved** Goals of care defined and implementation planned during 2019-20.

Part A: Strategic Priorities for 2018/19

Goals	Strategies	Health Service Deliverables	Outcomes
Specific Priorities 2018/19 (Mandatory)	**Disability Action Plans:** Draft disability action plans are completed in 2018/19. Note: Guidance on developing disability action plans can be found at https://providers.dhhs.vic.gov.au/disability-action-plans. Queries can be directed to the Office for Disability by phone on 1300 880 043 or by email at ofd@dhhs.vic.gov.au.	Submit a Disability Action Plan to the department by 30 June 2019 and outline the approach to fully implement the plan within the health service by 30 June 2022.	**Achieved** Plan developed and submitted to DHHS
	Volunteer engagement Ensure that the health service executives have appropriate measures to engage and recognise volunteers.	Develop a Volunteer Engagement Framework and strengthen processes to support a positive volunteering experience at Melbourne Health.	**Achieved** Plan developed and endorsed by the Executive Committee. Implementation commenced with 12 months' timeline.
	Bullying and harassment Actively promote positive workplace behaviours and encourage reporting. Utilise staff surveys, incident reporting data, outcomes of investigations and claims to regularly monitor and identify risks related to bullying and harassment, in particular include as a regular item in Board and Executive meetings. Appropriately investigate all reports of bullying and harassment and ensure there is a feedback mechanism to staff involved and the broader health service staff.	• Progress the 2018/19 phase of the Safety Culture Program implementation plan • Conduct a review and evaluation of the weCare system	**Achieved** Annual work plan completed. Key achievements include: • Leadership alignment programme • Senior leadership roundtable • Local improvement boards through quality team • Speaking up refreshers • Preliminary work on diversity and inclusion **Achieved** Review and evaluation completed.
OVA action	**Occupational Violence** Ensure all staff who have contact with patients and visitors have undertaken core occupational violence training, annually. Ensure the department's occupational violence and aggression training principles are implemented.	• Progress roll out of the multi-year occupational violence action plan • Deliver training programs to staff based on the assessment of risk in their work area	**Achieved** Ontrack and monitored through Occupational Violence and Aggression (OVA) committee and key measures. **Achieved** OVA Risk assessment tool implemented in ED and issued to area wardens and NUMs. Monitoring through Emergency Management Committee.

Goals	Strategies	Health Service Deliverables	Outcomes
Specific Priorities 2018/19 (Mandatory)	**Environmental Sustainability** Actively contribute to the development of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measureable targets related to reduction of clinical, sharps and landfill waste, water and energy use and improved recycling.	• Aim to recycle 350 kilograms of single use steel instruments from our Theatres, ICU and Emergency Department • Commitment to reach an overall recycling rate of 30% • Recruit 30 further Green Champions in 2018/19 to promote sustainability in their departments • Report energy, water and waste data into the environmental data management system and public reporting of environmental performance	**Achieved** • 730kg recycled YTD **Achieved** • Completed recycling rate of 31% for the year **Achieved** • 44 green champions recruited during 2018/19 **Achieved** • Annual Report published on RMH website
	LGBTI Develop and promulgate service level policies and protocols, in partnership with LGBTI communities, to avoid discrimination against LGBTI patients, ensure appropriate data collection, and actively promote rights to free expression of gender and sexuality in healthcare settings. Where relevant, services should offer leading practice approaches to trans and intersex related interventions. **Note:** deliverables should be in accordance with the DHHS Rainbow eQuality Guide (see at www2.health.vic.gov.au/about/populations/lgbti-health/rainbow-equality) and the Rainbow Tick Accreditation Guide.	Commence implementation of actions identified as part of GLHV (Gay Lesbian Health Victoria) audit assessment for LGBTI-inclusive practice.	**Achieved** Implementation of actions commenced. Completed actions include: • Re-audited against GLHV tool • LGBTI community survey • LGBTI calendar of events • Progressing on non-discriminatory data collection • Commenced trans and gender identity training

Part B: Key Performance Indicators

High quality and safe care

Key performance indicator	Target	2018/19 result
Accreditation		
Accreditation against the National Safety and Quality Health Service Standards	**Full compliance**	**Achieved**
Compliance with the Commonwealth's Aged Care Accreditation Standards	**Full compliance**	**Achieved**
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	**80%**	**84%**
Percentage of healthcare workers immunised for influenza	**80%**	**82%**
Patient experience		
Victorian Healthcare Experience Survey – data submission	**Full compliance**	**Achieved**
Victorian Healthcare Experience Survey – positive patient experience – Quarter 1	**95%**	**93%**
Victorian Healthcare Experience Survey – positive patient experience – Quarter 2	**95%**	**98%**
Victorian Healthcare Experience Survey – positive patient experience – Quarter 3	**95%**	**86%**
Victorian Healthcare Experience Survey – discharge care – Quarter 1	**75%**	**75%**
Victorian Healthcare Experience Survey – discharge care – Quarter 2	**75%**	**78%**
Victorian Healthcare Experience Survey – discharge care – Quarter 3	**75%**	**62%**
Healthcare associated infections (HAI's)		
Number of patients with surgical site infection	**No outliers**	**Not achieved**
Number of patients with ICU central-line-associated bloodstream infection (CLABSI)	**Nil**	**Not achieved**
Rate of patients with SAB[1] per occupied bed day	**≤ 1/10,000**	**Achieved**
Adverse events		
Sentinel events – root cause analysis reporting (RCA)	**All RCA reports submitted within 30 business days**	**Achieved**
Unplanned readmission hip replacement – Annual Rate ≤ 2.5%	**≤ 2.5%**	**3.4%**

High quality and safe care

Key performance indicator	Target	2018/19 result
Mental Health		
Percentage of adult acute mental health inpatients who are readmitted within 28 days of discharge	**14%**	**12%**
Rate of seclusion events relating to a mental health acute admission – all age groups	**≤ 15/1,000**	**7/1,000**
Rate of seclusion events relating to a child and adolescent acute mental health admission	**≤ 15/1,000**	**8/1,000**
Rate of seclusion events relating to an adult acute mental health admission	**≤ 15/1,000**	**9/1,000**
Rate of seclusion events relating to an aged acute mental health admission	**≤ 15/1,000**	**0.6/1,000**
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	**80%**	**89%**
Percentage of adult acute mental health inpatients who have a post-discharge follow-up within seven days	**80%**	**88%**
Percentage of aged acute mental health inpatients who have a post-discharge follow-up within seven days	**80%**	**93%**
[1] SAB is Staphylococcus Aureus Bacteraemia [2] DRG is Diagnosis Related Group		
Continuing Care		
Functional independence gain from an episode of rehabilitation admission to discharge relative to length of stay	**≥ 0.645**	**0.929**

Strong governance, leadership and culture

Key performance indicator	Target	2018/19 result
Organisational culture		
People matter survey – percentage of staff with an overall positive response to safety and culture questions	**80%**	**92%**
People matter survey – percentage of staff with a positive response to the question, "I am encouraged by my colleagues to report any patient safety concerns I may have"	**80%**	**96%**
People matter survey – percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area"	**80%**	**96%**
People matter survey – percentage of staff with a positive response to the question, "My suggestions about patient safety would be acted upon if I expressed them to my manager"	**80%**	**93%**
People matter survey – percentage of staff with a positive response to the question, "The culture in my work area makes it easy to learn from the errors of others"	**80%**	**90%**
People matter survey – percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation"	**80%**	**93%**
People matter survey – percentage of staff with a positive response to the question, "This health service does a good job of training new and existing staff"	**80%**	**85%**
People matter survey – percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised"	**80%**	**88%**
People matter survey – percentage of staff with a positive response to the question, "I would recommend a friend or relative to be treated as a patient here"	**80%**	**93%**

Part B: Key Performance Indicators (continued)

Timely access to care

Key performance indicator	Target	2018/19 result
Emergency care		
Percentage of patients transferred from ambulance to emergency department within 40 minutes	**90%**	**78%**
Percentage of Triage Category 1 emergency patients seen immediately	**100%**	**100%**
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended time	**80%**	**64%**
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	**81%**	**65%**
Number of patients with a length of stay in the emergency department greater than 24 hours	**0**	**0**
Elective surgery		
Percentage of urgency category 1 elective surgery patients admitted within 30 days	**100%**	**100%**
Percentage of urgency category 1, 2 and 3 elective surgery patients admitted within clinically recommended time	**94%**	**83%**
Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category	**5% State-wide Target or ≥ 15% proportional improvement from prior year**	**24% proportional improvement from prior year**
Number of patients on the elective surgery waiting list[4]	**2,500**	**2,481**
Number of hospital initiated postponements per 100 scheduled elective surgery admissions	**≤ 8**	**5**
Number of patients admitted from the elective surgery waiting list	**9,550**	**9,607**
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	**100%**	**96%**
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	**90%**	**98%**

Effective financial management

Key performance indicator	Target	2018/19 result
Finance		
Operating result ($ million)	**0.00**	**0.05**
Average number of days to paying trade creditors	**60 days**	**50 days**
Average number of days to receiving patient fee debtors	**60 days**	**75 days**
Public and Private WIES[5] activity performance to target	**100%**	**103.6%**
Adjusted current asset ratio	**0.7 or 3% improvement from health service base target**	**0.64**
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	**14 days**	**2 days**
Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month.	**14 days**	**3 days**
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June.	**Variance ≤ $250,000**	**Variance > $250,000**

[4] the target shown is the number of patients on the elective surgery waiting list as at 30 June 2018
[5] WIES is a Weighted Inlier Equivalent Separation

Part C: Activity and funding

Funding Type	Activity YTD ($'000)
Acute Admitted	
WIES Public	**$368,734**
WIES Private	**$52,167**
WIES DVA	**$2,619**
WIES TAC	**$35,511**
Other Admitted	**$34,138**
Acute Non-Admitted	
Emergency Services	**$26,227**
Genetic Services	**$5,892**
Home Enteral Nutrition	**$165**
Home Renal Dialysis	**$5,877**
Specialist Clinics – Public	**$43,515**
Specialist Clinics – DVA	**$10**
Other Non-Admitted	**$1,694**
Total Perinatal Nutrition	**$1,352**
Subacute & Non-Acute Admitted	
Subacute WIES – Rehabilitation Public	**$7,149**
Subacute WIES – Rehabilitation Private	**$1,426**
Subacute WIES – GEM Public	**$19,568**
Subacute WIES – GEM Private	**$2,765**
Subacute WIES – Palliative Care Public	**$2,279**
Subacute WIES – Palliative Care Private	**$515**
Subacute WIES – DVA	**$550**
Transition Care – Bed days	**$1,620**
Transition Care – Home days	**$688**
Subacute Admitted Other	**$731**
Subacute & Non-Acute Other	
Other specified funding	**$467**
Subacute Non-Admitted	
Health Independence Program – Public	**$22,860**
Health Independence Program – DVA	**$55**
Victorian Artificial Limb Program	**$2,052**

Funding Type	Activity YTD ($'000)
Aged Care	
Aged Care Assessment Service	**$3,456**
Residential Aged Care	**$2,730**
HACC	**$25**
Mental Health and Drug Services	
Mental Health Ambulatory	**$115,249**
Mental Health Inpatient – Available bed days	**$64,426**
Mental Health Inpatient – Secure Unit	**$5,427**
Mental Health PDRS	**$175**
Mental Health Residential	**$2,158**
Mental Health Service System Capacity	**$2,154**
Mental Health Subacute	**$18,919**
Mental Health Other	**$9,034**
Drug Services	**$474**
Primary Health	
Community Health/Primary Care Programs	**$3,477**
Community Health Other	**$18,743**
Other	
Health Workforce	**$23,074**
Other Specified Funding	**$37,795**
Total Funding	**$947,942**

Attestations

Data Integrity

I, Christine Kilpatrick, certify that Melbourne Health has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Melbourne Health has critically reviewed these controls and processes during the year.

Professor Christine Kilpatrick

Chief Executive

Melbourne
22 August 2019

Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies

I, Christine Kilpatrick, certify that Melbourne Health has put in place appropriate internal controls and processes to ensure that it has materially complied with all requirements set out in the *HPV Health Purchasing Policies* including mandatory HPV collective agreements as required by the *Health Services Act 1988* (Vic) and has critically reviewed these controls and processes during the year.

Professor Christine Kilpatrick

Chief Executive

Melbourne
22 August 2019

Financial Management Compliance

I, Linda Bardo Nicholls, AO, on behalf of the Board, certify that Melbourne Health has complied with the applicable Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* and Instructions.

Linda Bardo Nicholls AO

Board Chair

Melbourne
22 August 2019

Integrity, Fraud and Corruption

I, Christine Kilpatrick, certify that Melbourne Health has put in place appropriate internal controls and processes to ensure that Integrity, Fraud and Corruption risks have been reviewed and addressed at Melbourne Health during the year.

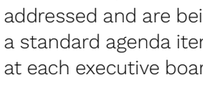
Professor Christine Kilpatrick

Chief Executive

Melbourne
22 August 2019

Conflict of Interest

I, Christine Kilpatrick, certify that Melbourne Health 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 Melbourne Health 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.



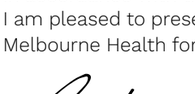
Professor Christine Kilpatrick

Chief Executive

Melbourne
22 August 2019

Responsible Body's Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for Melbourne Health for the year ending 30 June 2019.



Linda Bardo Nicholls AO

Board Chair

Melbourne
22 August 2019

Disclosure Index

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

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	1
FRD 22H	Purpose, functions, powers and duties	6-7
FRD 22H	Nature and range of services provided	6-7
FRD 22H	Activities, programs and achievements for the reporting period	8-11
FRD 22H	Significant changes in key initiatives and expectations for the future	2-5
Management and structure		
FRD 22H	Organisational structure	13
FRD 22H	Occupational Health and Safety	16-17
FRD 22H	Workforce data/employment and conduct principles	17
Financial information		
FRD 22H	Summary of the financial results for the year	25
FRD 22H	Significant changes in financial position during the year	25
FRD 22H	Operational and budgetary objectives and performance against objectives	26-35
FRD 22H	Subsequent events	96
FRD 11E	Details of consultancies under $10,000	23
FRD 11E	Details of consultancies over $10,000	23
FRD 22H	Disclosure of ICT expenditure	22
Legislation		
FRD 22H	Application and operation of *Freedom of Information Act 1982*	18
FRD 22H	Compliance with building and maintenance provisions of *Building Act 1993*	20-21
FRD 22H	Application and operation of *Protected Disclosure 2012*	19
FRD 22H	Statement on National Competition Policy	19
FRD 22H	Application and operation of *Carers Recognition Act 2012*	18
FRD 22H	Summary of the entity's environmental performance	21
FRD 22H	Additional information available on request	22
Other relevant reporting directives		
FRD 25C	*Local Jobs First Act 2003*	19
SD 5.1.4	Financial Management Compliance attestation	36
SD 5.2.3	Declaration in report of operations	5
Attestations		
Attestation on Data Integrity		36
Attestation on managing Conflicts of Interest		36
Attestation on Integrity, Fraud and Corruption		36
Other reporting requirements		
Reporting of outcomes from Statement of Priorities 2018/19		26-35
Occupational Violence reporting		17
Reporting of compliance Health Purchasing Victoria policy		36
Reporting obligations under the *Safe Patient Care Act 2015*		19
Reporting of compliance regarding Car Parking Fees (if applicable)		21

2019

Financial statements

Melbourne Health Board Member's, Accountable Officer's and Chief Finance & Accounting Officer's Declaration

The attached financial statements for Melbourne Health 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 2019 and the financial position of Melbourne Health at 30 June 2019.

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

We authorise the attached financial statements for issue on this date.

Professor Christine Kilpatrick

Chief Executive

Melbourne
22 August 2019

Linda Bardo Nicholls AO

Board Chair

Melbourne
22 August 2019

Kemsley Fairhurst

Interim Executive Director Finance & Logistics

Melbourne
22 August 2019

Independent Audit Report

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of Melbourne Health

Opinion

I have audited the financial report of Melbourne Health (the health service) which comprises the:

- balance sheet as at 30 June 2019
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- board member's, accountable officer's and chief finance & accounting officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

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

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

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

Board's responsibilities for the financial report

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

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

Other Information

My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
23 August 2019

Travis Derricott
as delegate for the Auditor-General of Victoria

Melbourne Health

Comprehensive Operating Statement

For the Financial Year Ended 30 June 2019

	Note	Total 2019 $'000	Total 2018 $'000
Income from Transactions			
Operating Activities	2.1	1,312,677	1,193,792
Non-Operating Activities	2.1	11,196	8,042
Revenue from Inter Hospital Inventory Sale	2.1	28,840	28,425
Total Income from Transactions		**1,352,713**	**1,230,259**
Expenses from Transactions			
Employee Expenses	3.1	(913,451)	(829,108)
Supplies and Consumables	3.1	(179,322)	(169,306)
Finance Costs	3.1	(7)	-
Depreciation and Amortisation	3.1, 4.4	(51,481)	(54,438)
Expenses from Inter Hospital Inventory Purchase	3.1	(28,840)	(28,425)
Other Operating Expenses	3.1	(140,066)	(120,942)
Other Non-Operating Expenses	3.1	-	(3,674)
Total Expenses from Transactions		**(1,313,167)**	**(1,205,893)**
Net Result from Transactions		**39,546**	**24,366**
Other Economic Flows Included in Net Result			
Net Gain/(Loss) on Non-Financial Assets	3.2	394	(357)
Net Gain/(Loss) on Financial Instruments at Fair Value	3.2	(9,047)	(3,363)
Other Gains/(Losses) from Other Economic Flows	3.2	(19,612)	(836)
Total Other Economic Flows Included in Net Result		**(28,265)**	**(4,556)**
NET RESULT FOR THE YEAR		**11,281**	**19,810**
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Changes in Property, Plant and Equipment Revaluation Surplus	4.2(f)	210,282	63,823
Total Other Comprehensive Income		**210,282**	**63,823**
COMPREHENSIVE RESULT FOR THE YEAR		**221,563**	**83,633**

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

Melbourne Health

Balance sheet

As at 30 June 2019

	Note	Total 2019 $'000	Total 2018 $'000
Current Assets			
Cash and Cash Equivalents	6.2	74,342	107,695
Receivables	5.1	91,090	72,845
Inventories		8,947	8,226
Prepayments and Other Assets		5,475	5,718
Total Current Assets		**179,854**	**194,484**
Non-Current Assets			
Receivables	5.1	37,364	26,903
Investments and Other Financial Assets	4.1	2	1
Property, Plant and Equipment	4.2 (a)	986,750	727,235
Intangible Assets	4.3	27,095	16,338
Prepayments and Other Assets		46,309	39,705
Total Non-Current Assets		**1,097,520**	**810,182**
TOTAL ASSETS		**1,277,374**	**1,004,666**
Current Liabilities			
Payables	5.2	160,174	155,482
Borrowings	6.1	1,837	1,627
Provisions	3.4	215,841	183,203
Other Liabilities	5.3	4,247	2,873
Total Current Liabilities		**382,099**	**343,185**
Non-Current Liabilities			
Borrowings	6.1	4,160	4,548
Provisions	3.4	45,383	33,014
Total Non-Current Liabilities		**49,543**	**37,562**
TOTAL LIABILITIES		**431,642**	**380,747**
NET ASSETS		**845,732**	**623,919**
EQUITY			
Property, Plant and Equipment Revaluation Surplus	4.2 (f)	606,734	396,452
Restricted Specific Purpose Surplus		212	569
Contributed Capital		373,744	373,494
Accumulated Surpluses/(Deficits)		(134,958)	(146,596)
TOTAL EQUITY		**845,732**	**623,919**

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

Melbourne Health

Statement of Changes in Equity

For the Financial Year Ended 30 June 2019

	Property, Plant and Equipment Revaluation Surplus	Restricted Specific Purpose Surplus	Contributed Capital	Accumulated Surpluses/ (Deficits)	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	**332,629**	**41,269**	**373,494**	**(207,106)**	**540,286**
Net result for the year	-	-	-	19,810	19,810
Other comprehensive income for the year	63,823	-	-	-	63,823
Transfer from/(to) accumulated surplus	-	(40,700)	-	40,700	-
Balance at 30 June 2018	**396,452**	**569**	**373,494**	**(146,596)**	**623,919**
Net result for the year	-	-	-	11,281	11,281
Other comprehensive income for the year	210,282	-	-	-	210,282
Transfer to contributed capital	-	-	250	-	250
Transfer from/(to) accumulated surplus	-	(357)	-	357	-
Balance at 30 June 2019	**606,734**	**212**	**373,744**	**(134,958)**	**845,732**

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

Melbourne Health

Cash Flow Statement

For the Financial Year Ended 30 June 2019

	Note	Total 2019 $'000	Total 2018 $'000
Cash Flows from Operating Activities			
Operating Grants from Government		939,162	888,943
Capital Grants from Government		58,442	79,832
Patient and Resident Fees Received		57,333	42,242
Private Practice Fees Received		35,772	35,275
Donations and Bequests Received		5,480	5,150
GST Received from/(paid to) ATO		41,057	31,186
Interest Received		2,283	2,043
Other Capital Receipts		3,958	2,494
External Recoveries		32,641	31,440
Other Receipts		161,143	153,070
Total Receipts		***1,337,271***	***1,271,675***
Employee Expenses Paid		(886,427)	(802,217)
Payments for Supplies and Consumables		(209,117)	(199,493)
Payments for Medical Indemnity Insurance		(8,629)	(8,060)
Payments for Repairs and Maintenance		(22,720)	(19,305)
Finance Costs		(7)	-
Other Payments		(165,640)	(134,812)
Total Payments		***(1,292,540)***	***(1,163,887)***
Net Cash Flows from/(used in) Operating Activities	8.1	**44,731**	**107,788**
Cash Flows from Investing Activities			
Purchase of Non-Financial Assets		(81,070)	(66,826)
Purchase of Investments		(1)	-
Proceeds from Disposal of Non-Financial Assets		2,005	36
Net Cash Flows from/(used in) Investing Activities		**(79,066)**	**(66,790)**
Cash Flows from Financing Activities			
Proceeds from Borrowings		1,250	-
Repayment of Borrowings		(1,627)	(412)
Receipt of Accommodation Deposits		2,028	1,283
Repayment of Accommodation Deposits		(669)	(186)
Net Cash Flows from/(used in) Financing Activities		**982**	**685**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		**(33,353)**	**41,683**
Cash and Cash Equivalents at Beginning of Financial Year		**107,695**	**66,012**
Cash and Cash Equivalents at End of Financial Year	6.2	**74,342**	**107,695**

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

Note 1: Basis of preparation

These annual financial statements represent the audited general purpose financial statements for Melbourne Health for the period ending 30 June 2019. The purpose of the report is to provide users with information about the Health Services' stewardship of resources entrusted to it.

These financial statements are presented in Australian dollars, the functional and presentation currency of Melbourne Health, and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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

(a) Statement of Compliance

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

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

Melbourne Health is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" entities under the AASBs.

The annual financial statements were authorised for issue by the Board of Melbourne Health on 22nd August 2019.

(b) Reporting Entity

The financial statements include all the controlled activities of Melbourne Health.

Its principal address is:

c/o The Royal Melbourne Hospital
Grattan Street, Victoria 3050.

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

(c) Basis of Accounting Preparation and Measurement

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019 and the comparative information presented in these financial statements for the year ended 30 June 2018.

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

All amounts shown in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment);
- Defined benefit superannuation expense (refer to Note 3.5 Superannuation); and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee Benefits in the Balance Sheet).

Goods and Services Tax (GST)

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

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

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

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

(d) Jointly Controlled Operation

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

Melbourne Health is a Member of the Victorian Comprehensive Cancer Centre Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.8 Jointly Controlled Operations).

(e) Intersegment Transactions

Transactions between segments within Melbourne Health have been eliminated to reflect the extent of Melbourne Health's operations as a group.

(f) Equity

Contributed Capital

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

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

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

Specific Restricted Purpose Surplus

The Specific Restricted Purpose Surplus is established where Melbourne Health has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(g) Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year. Figures have been restated in the Comprehensive Operating Statement, Balance Sheet, Cash Flow Statement and Notes 2.1 Income from Transactions, 3.1 Expenses from transactions, 3.3, Analysis of expense and revenue by internally managed and restricted specific purpose funds, 3.4 Employee benefits in the balance sheet, 5.1 Receivables, 5.2 Payables, 7.1 Financial Instruments, 8.1 Reconciliation of net result for year to operating cash and 6.3 Commitments for expenditure.

Note: 2 Funding delivery of our services

Melbourne Health's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

Melbourne Health is predominantly funded by accrual based grant funding for the provision of outputs.

Melbourne Health also receives income from the supply of services.

Structure

2.1 Income from transactions

Note 2.1: Income from transactions

	Total 2019 $'000	Total 2018 $'000
Government Grants - Operating	966,215	878,668
Government Grants - Capital*	87,388	79,783
Other Capital Purpose Income (including capital donations)	16,304	9,634
Patient and Resident Fees	54,317	51,516
Private Practice Fees	38,104	36,128
Commercial Activities	37,623	36,195
S&W Recoveries from External Organisations	23,674	22,265
Other Revenue from Operating Activities (including non-capital donations)	89,052	79,603
Total Income from Operating Activities	**1,312,677**	**1,193,792**
Interest	2,283	2,043
Dividends	7	25
Assets Received Free of Charge	2,793	-
Other Revenue from Non-Operating Activities	6,113	5,974
Total Income from Non-Operating Activities	**11,196**	**8,042**
Revenue from Inter Hospital Inventory sale	28,840	28,425
Total Revenue from Inter Hospital Inventory Sale	**28,840**	**28,425**
Total Income from Transactions	**1,352,713**	**1,230,259**

* Government Grants - Capital includes $6.1m grants received for Electronic Medical Record Project on behalf of other hospitals.

Revenue Recognition

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

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

Income from Operating Activities

Government Grants and Other Transfers of Income (other than contributions by owners)

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

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

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

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

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

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services

- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in Department of Health and Human Services Hospital Circular 04/2017.

Patient and Resident Fees

Patient and resident fees are recognised as revenue at the time invoices are raised or accrued when a patient is discharged or a service is performed.

Private Practice Fees

Private practice fees are recognised as revenue at the time invoices are raised, and include recoupments from private practice for the use of hospital facilities.

Revenue from Commercial Activities

Revenue from commercial activities such as car park is recognised at the time invoices are raised.

Other Revenue from Operating Activities

Other income is recognised as revenue when received. Other income includes donations and bequests, research revenue and any other revenue that do not fall into the above categories. If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

Income from Non-Operating Activities

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.

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

Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying 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.

Other Revenue from Non-Operating Activities

Other Revenue from Non-Operating Activities includes property rental income.

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Note 3: The cost of delivering our services

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

Structure

3.1 Expenses from transactions
3.2 Other economic flows included in net result
3.3 Analysis of expense and revenue by internally managed and restricted specific purpose funds
3.4 Employee benefits in the balance sheet
3.5 Superannuation

Note 3.1: Expenses from transactions

	Total 2019 $'000	Total 2018 $'000
Salaries and Wages	696,991	641,805
On-costs	184,819	160,709
Agency Expenses	18,654	15,873
Fee for Service Medical Officer Expenses	2,624	2,347
Workcover Premium	10,363	8,374
Total Employee Expenses	**913,451**	**829,108**
Drug Supplies	46,371	46,270
Medical and Surgical Supplies (including Prostheses)	81,702	77,474
Diagnostic and Radiology Supplies	21,450	20,255
Other Supplies and Consumables	29,799	25,307
Total Supplies and Consumables	**179,322**	**169,306**
Finance Costs	7	-
Total Finance Costs	**7**	**-**
Fuel, Light, Power and Water	11,656	10,123
Repairs and Maintenance	9,064	8,432
Maintenance Contracts	14,329	12,417
Medical Indemnity Insurance	8,629	8,062
Other Administrative Expenses	81,553	73,967
Expenditure for Capital Purposes*	14,835	7,941
Total Other Operating Expenses	**140,066**	**120,942**
Depreciation and Amortisation (refer Note 4.4)	51,481	54,438
Total Depreciation and Amortisation	**51,481**	**54,438**
Expenses from Inter Hospital Inventory Purchase	28,840	28,425
Total Expenses from Inter Hospital Inventory Purchase	**28,840**	**28,425**
Assets and Services Provided Free of Charge or for Nominal Consideration	-	3,674
Total Other Non-Operating Expenses	**-**	**3,674**
Total Expenses from Transactions	**1,313,167**	**1,205,893**

* Expenditure for Capital Purposes includes $9.2m expenditures for Electornic Medical Record Project incurred on behalf of other hospitals.

Expense Recognition

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

Employee expenses

Employee expenses include:

- Salaries and wages (including leave entitlements, termination payments and superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans);
- On-costs;
- Agency expenses;
- Fee for service medical officer expenses;
- Workcover premiums.

Supplies and consumables

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

Finance costs

Finance costs include:

- amortisation of discounts or premiums relating to borrowings;
- finance charges in respect of finance leases which are recognised in accordance with AASB 117 *Leases*.

Other Operating Expenses

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

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

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

Other Non-Operating Expenses

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

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying amount.

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

Note 3.2: Other economic flows included in net result

	Total 2019 $'000	Total 2018 $'000
Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of property, plant and equipment	394	(357)
Total net gain/(loss) on non-financial assets	**394**	**(357)**
Net gain/(loss) on financial instruments at fair value		
Allowance for impairment losses of contractual receivables	(9,049)	(3,350)
Net foreign exchange gain/(loss) arising from financial instruments	2	(13)
Total net gain/(loss) on financial instruments at fair value	**(9,047)**	**(3,363)**
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability	(19,612)	(836)
Total other gains/(losses) from other economic flows	**(19,612)**	**(836)**

Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

- Revaluation gains/(losses) of non-financial physical assets (refer to Note 4.2 Property plant and equipment).
- Net gain/ (loss) on disposal of non-financial assets
  Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.
- Impairment of non-financial assets
  Goodwill and intangible assets with indefinite useful lives (and intangible assets not available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired.

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

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

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost. Refer to Note 4.1 Investments and other financial assets; and
- disposals of financial assets and derecognition of financial liabilities.

Other gains/ (losses) from other economic flows

Other gains/ (losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Note 3.3: Analysis of expense and revenue by internally managed and restricted specific purpose funds

	Expense		Revenue	
	Total 2019 $'000	Total 2018 $'000	Total 2019 $'000	Total 2018 $'000
Commercial Activities				
Car Park	1,953	1,938	7,729	7,405
Breastscreen Service	4,509	4,139	4,458	4,174
Mental Health Special Purpose Funds	3,231	3,362	3,802	3,774
Medical Special Purpose Funds	6,547	5,942	9,743	9,090
External Supply Agreements	28,840	28,425	28,840	28,425
Other	5,164	13,521	11,944	17,801
Total Commercial Activities	**50,244**	**57,327**	**66,516**	**70,669**
Other Activities				
Fundraising and Community Support	25,227	18,585	36,904	30,502
Research and Scholarship	16,882	14,077	18,592	16,893
Other	12,267	3,797	13,094	3,553
Total Other Activities	**54,376**	**36,459**	**68,590**	**50,948**
TOTAL	**104,620**	**93,786**	**135,106**	**121,617**

Note 3.4: Employee benefits in the balance sheet

	Total 2019 $'000	Total 2018 $'000
Current Provisions		
Employee Benefits [i]		
Accrued Days Off		
- Unconditional and expected to be settled wholly within 12 months [ii]	2,379	2,058
- Unconditional and expected to be settled wholly after 12 months [iii]	-	-
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	55,712	49,487
- Unconditional and expected to be settled wholly after 12 months [iii]	9,368	8,226
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	13,992	13,420
- Unconditional and expected to be settled wholly after 12 months [iii]	111,911	91,095
Other Employee Benefits		
- Unconditional and expected to be settled wholly within 12 months [ii]	1,044	941
- Unconditional and expected to be settled wholly after 12 months [iii]	-	-
	194,406	**165,227**
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months [ii]	8,017	7,135
- Unconditional and expected to be settled after 12 months [iii]	13,418	10,841
	21,435	**17,976**
Total Current Provisions	**215,841**	**183,203**
Non-Current Provisions		
Conditional Long Service Leave	40,858	29,762
Provisions related to Employee Benefit On-Costs	4,525	3,252
Total Non-Current Provisions	**45,383**	**33,014**
Total Provisions	**261,224**	**216,217**

(i) Employee benefits consist of amounts for accrued days off, annual leave, long service leave, Substitution Leave and Four Clear Days Leave accrued by employees, not including on-costs.
(ii) The amounts disclosed are nominal amounts.
(iii) The amounts disclosed are discounted to present values.

(a) Employee Benefits and Related On-Costs

	Total 2019 $'000	Total 2018 $'000
Current Employee Benefits and Related On-Costs		
Unconditional Long Service Leave Entitlements	139,846	115,933
Annual Leave Entitlements	72,198	63,947
Accrued Days Off	2,639	2,279
Substitution Leave	492	459
Four Clear Days	666	585
Non-Current Employee Benefits and Related On Costs		
Conditional Long Service Leave Entitlements	45,383	33,014
Total Employee Benefits and Related On-Costs	**261,224**	**216,217**

(b) Movement in On-Costs Provisions

	Total 2019 $'000
Balance at start of year	**21,228**
Additional provisions recognised	12,656
Unwinding of discount and effect of changes in the discount rate	1,979
Reduction due to transfer out	(9,903)
Balance at end of year	**25,960**

Employee Benefit Recognition

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

Provisions

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

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

Annual Leave and Accrued Days Off

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

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

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

Long Service Leave

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

Unconditional LSL (representing 10 or more years of continuous service) is disclosed in the notes to the financial statements as a current liability even where Melbourne Health 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 Melbourne Health expects to wholly settle within 12 months; or
- Present value – if Melbourne Health does not expect to wholly settle within 12 months.

Conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flow.

Termination Benefits

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

On-Costs Related to Employee Benefits

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

Note 3.5: Superannuation

	Total Paid Contribution for the Year		Total Contribution Outstanding at Year End		Total Contribution for the Year	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Defined benefit plans[(i)]:						
State Superannuation Fund - revised and new	659	656	88	136	747	792
Defined contribution plans:						
VicSuper	871	764	118	87	989	851
HESTA	15,882	14,303	2,091	1,800	17,973	16,103
First State	38,549	35,727	4,842	5,005	43,391	40,732
Other	5,264	3,490	686	522	5,950	4,012
TOTAL	**61,225**	**54,940**	**7,825**	**7,550**	**69,050**	**62,490**

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

Employees of Melbourne Health are entitled to receive superannuation benefits and Melbourne Health contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

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

The names, details and amounts expensed in relation to the major employee superannuation funds and contributions made by Melbourne Health are disclosed above.

Defined Benefit Superannuation Plans

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by Melbourne Health to the superannuation plans in respect of the services of current Melbourne Health 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.

Melbourne Health does not recognise any unfunded defined benefit liability in respect of the superannuation plans because Melbourne Health has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

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.

Note 4: Key assets to support service delivery

Melbourne Health 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 Melbourne Health to be utilised for delivery of those outputs.

Structure

Note 4.1: Investments and other financial assets

	Specific Purpose Fund		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
NON-CURRENT				
Available for sale				
Shares	2	1	2	1
Total Non-Current	2	1	2	1
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**2**	**1**	**2**	**1**
Represented by:				
Jointly Controlled Operations Investments	2	1	2	1
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**2**	**1**	**2**	**1**

Investments Recognition

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

Melbourne Health's investments comply with Standing Direction 3.7.2 - Treasury Management, including Central Banking System.

Note 4.2: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Total 2019 $'000	Total 2018 $'000
Land		
Crown Land at Fair Value	221,149	142,856
Freehold Land at Fair Value	18,925	80,571
Total Land	**240,074**	**223,427**
Buildings		
Buildings Under Construction at cost	53,892	51,542
Leasehold Improvements Under Construction at cost	2,809	468
Buildings at Fair Value	588,733	491,175
Less Accumulated Depreciation	-	(131,186)
Leasehold Improvements at cost	9,351	8,510
Less Accumulated Amortisation	(4,725)	(3,864)
Total Buildings	**650,060**	**416,645**
Plant and Equipment		
Plant and Equipment Work in Progress	6,028	4,258
Plant and Equipment at Fair Value	42,593	40,760
Less Accumulated Depreciation	(27,049)	(24,651)
Total Plant and Equipment	**21,572**	**20,367**
Medical Equipment		
Medical Equipment Work in Progress	2,369	1,759
Medical Equipment at Fair Value	144,159	138,199
Less Accumulated Depreciation	(88,975)	(81,224)
Total Medical Equipment	**57,553**	**58,734**
Computer Equipment		
Computer Equipment Work in Progress	10,108	448
Computer Equipment at Fair Value	37,676	35,346
Less Accumulated Depreciation	(33,643)	(30,260)
Total Computer Equipment	**14,141**	**5,534**
Furniture and Fittings		
Furniture and Fittings Work in Progress	62	85
Furniture and Fittings at Fair Value	3,832	3,700
Less Accumulated Depreciation	(2,495)	(2,246)
Total Furniture and Fittings	**1,399**	**1,539**
Motor Vehicles		
Motor Vehicle Assets at Fair Value	1,067	1,100
Less Accumulated Depreciation	(364)	(111)
Leased Motor Vehicles	1,286	-
Less Accumulated Depreciation	(38)	-
Total Motor Vehicles	**1,951**	**989**
TOTAL PROPERTY, PLANT and EQUIPMENT	**986,750**	**727,235**

Note 4.2: Property, plant and equipment (continued)

(b) Reconciliation of movements in carrying amount of each class of asset

	Land $'000	Buildings $'000	Buildings WIP $'000	Buildings Imps L/Hold $'000	Plant and Equipment $'000	Medical Equipment $'000	Computer Equipment $'000	Furniture and Fittings $'000	Motor Vehicles $'000	Leased Motor Vehicles $'000	Total $'000
Balance at 1 July 2017	**162,421**	**389,913**	**13,841**	**2,936**	**19,979**	**58,792**	**6,539**	**1,656**	**1,129**	**-**	**657,206**
Additions	-	5,609	37,253	276	4,526	9,887	3,048	114	-	-	60,713
Disposals	-	(74)	-	-	(7)	(302)	(10)	-	-	-	(393)
Assets Provided Free of Charge	(2,662)	(1,012)	-	-	-	-	-	-	-	-	(3,674)
Revaluation Increments/(Decrements)	63,668	-	-	-	-	-	-	-	155	-	63,823
Net Transfers between Classes	-	(2,535)	448	2,816	(1,924)	968	155	-	-	-	(72)
Depreciation and Amortisation (note 4.4)	-	(31,912)	-	(914)	(2,207)	(10,611)	(4,198)	(231)	(295)	-	(50,368)
Balance at 1 July 2018	**223,427**	**359,989**	**51,542**	**5,114**	**20,367**	**58,734**	**5,534**	**1,539**	**989**	**-**	**727,235**
Additions	-	63,716	3,033	1,709	3,785	9,748	12,623	75	44	1,286	96,019
Disposals	(959)	(90)	-	-	(6)	(489)	(10)	-	(58)	-	(1,612)
Assets Provided Free of Charge	-	2,793	-	-	-	-	-	-	-	-	2,793
Revaluation Increments/(Decrements)	17,606	192,676	-	-	-	-	-	-	-	-	210,282
Net Transfers between Classes	-	(760)	(683)	1,434	(106)	71	76	34	-	-	66
Depreciation and Amortisation (note 4.4)	-	(29,591)	-	(822)	(2,468)	(10,511)	(4,082)	(249)	(272)	(38)	(48,033)
Balance at 30 June 2019	**240,074**	**588,733**	**53,892**	**7,435**	**21,572**	**57,553**	**14,141**	**1,399**	**703**	**1,248**	**986,750**

Land and buildings carried at valuation

The Valuer-General Victoria undertook to re-value Melbourne Health's owned land to determine its fair value for year ending 30 June 2018.

Full revaluation of Melbourne Health's land and buildings was performed by Valuer-General in May 2019 in accordance with the requirements of Financial Reporting Direction 103H *Non-Financial Physical Assets*. The effective date of the valuation for both land and buildings is 30 June 2019.

Property, Plant and Equipment Recognition

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

The initial cost for non-financial physical assets under finance lease (refer to Note 6.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

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

Plant, equipment and vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

Leasehold Improvements

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.

Revaluations of non-current physical assets

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

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

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

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

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

In accordance with FRD 103H, Melbourne Health's non-current physical assets were revalued as part of a five year cycle of scheduled revaluations.

Note 4.2: Property, plant and equipment (continued)

(c) Fair value measurement hierarchy for assets

	Total Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1 [(i)]	Level 2 [(i)]	Level 3 [(i)]
Land at fair value				
Non-specialised land	18,925	-	-	18,925
Specialised land				
- Crown land	221,149	-	-	221,149
Total of land at fair value	240,074	-	-	240,074
Buildings at fair value				
Specialised buildings	588,733	-	-	588,733
Total of building at fair value	588,733	-	-	588,733
Plant and equipment at fair value				
Plant and equipment at fair value	15,544	-	-	15,544
Total of plant and equipment at fair value	15,544	-	-	15,544
Medical equipment at fair value				
Medical equipment at fair value	55,184	-	-	55,184
Total medical equipment at fair value	55,184	-	-	55,184
Computer equipment at fair value				
Computer equipment at fair value	4,033	-	-	4,033
Total computer equipment at fair value	4,033	-	-	4,033
Furniture and Fittings at fair value				
Furniture and Fittings at fair value	1,337	-	-	1,337
Total furniture and fittings at fair value	1,337	-	-	1,337
Motor vehicles at fair value				
Motor vehicles at fair value	703	-	-	703
Total motor vehicles at fair value	703	-	-	703
	905,608	**-**	**-**	**905,608**

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

	Total Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using: Level 1 [i]	Level 2 [i]	Level 3 [i]
Land at fair value				
Non-specialised land	80,571	-	80,571	-
Specialised land				
- Crown land	142,856	-	-	142,856
Total of land at fair value	223,427	-	80,571	142,856
Buildings at fair value				
Specialised buildings	359,989	-	-	359,989
Total of building at fair value	359,989	-	-	359,989
Plant and equipment at fair value				
Plant and equipment at fair value	16,109	-	-	16,109
Total of plant and equipment at fair value	16,109	-	-	16,109
Medical equipment at fair value				
Medical equipment at fair value	56,975	-	-	56,975
Total medical equipment at fair value	56,975	-	-	56,975
Computer equipment at fair value				
Computer equipment at fair value	5,086	-	-	5,086
Total computer equipment at fair value	5,086	-	-	5,086
Furniture and Fittings at fair value				
Furniture and Fittings at fair value	1,454	-	-	1,454
Total furniture and fittings at fair value	1,454	-	-	1,454
Motor vehicles at fair value				
Motor vehicles at fair value	989	-	989	-
Total motor vehicles at fair value	989	-	989	-
	664,029	**-**	**81,560**	**582,469**

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

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, Melbourne Health has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained below.

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

The Valuer-General Victoria (VGV) is Melbourne Health's independent valuation agency.

Valuation hierarchy

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

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

Note 4.2: Property, plant and equipment (continued)

(d) Reconciliation of Level 3 fair value measurement [i]

	Land $'000	Buildings $'000	Plant and Equipment $'000	Medical Equipment $'000	Computer Equipment $'000	Furniture and Fittings $'000	Motor Vehicles $'000
Balance at 1 July 2017	**162,421**	**389,913**	**13,647**	**55,367**	**6,232**	**1,653**	-
Purchases (sales)	-	5,609	4,682	12,513	3,022	32	-
Transfers in (out) of Level 3	(59,542)	-	-	-	-	-	
Transfer between classes (within Level 3)	-	(2,535)	(6)	8	40	-	-
Gains or losses recognised in net result							
- Depreciation	-	(31,912)	(2,207)	(10,611)	(4,198)	(231)	-
- Disposals	-	(74)	(7)	(302)	(10)	-	-
- Assets Provided Free of Charge	-	(1,012)	-	-	-	-	-
Items recognised in other comprehensive income							
- Revaluation	39,977	-	-	-	-	-	-
							-
Balance at 1 July 2018 [ii]	**142,856**	**359,989**	**16,109**	**56,975**	**5,086**	**1,454**	**-**
Purchases (sales)	-	63,717	1,981	9,138	3,028	132	44
Transfers in (out) of Level 3	79,612	-	-	-	-	-	989
Transfer between classes (within Level 3)	-	(760)	(72)	71	11	-	-
Gains or losses recognised in net result							
- Depreciation	-	(29,591)	(2,468)	(10,511)	(4,082)	(249)	(272)
- Disposals	-	(90)	(6)	(489)	(10)	-	(58)
- Assets Provided Free of Charge	-	2,793	-	-	-	-	-
Items recognised in other comprehensive income							
- Revaluation	17,606	192,675	-	-	-	-	-
Balance at 30 June 2019 [ii]	**240,074**	**588,733**	**15,544**	**55,184**	**4,033**	**1,337**	**703**

(i) Classified in accordance with the fair value hierarchy, refer note 4.2(c).
(ii) Excludes assets under construction and leasehold assets.

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 are 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.

Note 4.2: Property, plant and equipment (continued)

(e) Fair value determination

2019

Asset class	Fair value level	Valuation approach	Significant inputs (Level 3 only)
Non-specialised land	Level 3	Market approach	
Specialised land	Level 3	Market approach	Community Service Obligation (CSO) adjustment (20% to 50%)
Specialised buildings	Level 3	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Plant and equipment at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of PPE
Medical equipment at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of medical equipment
Computer equipment at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of computer equipment
Furnitures & fittings at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of furnitures & fittings
Motor vehicles at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of motor vehicles

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 paragraph AASB 13.29 Melbourne Health 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.

Non-specialised land and non-specialised buildings

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. The effective date of the valuation is 30 June 2019.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

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, Melbourne Health 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 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.

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 Melbourne Health's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2019.

Vehicles

Melbourne Health 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 Melbourne Health. Vehicles are compared to market values annually and accounted for accordingly at fair value.

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

Note 4.2: Property, plant and equipment (continued)

(f) Property, Plant and Equipment Revaluation Surplus

	Total 2019 $'000	Total 2018 $'000
Property, Plant and Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	396,452	332,629
Revaluation Increments/(Decrements)		
- Land	17,606	63,668
- Buildings	192,676	-
- Plant and Equipment/Motor Vehicle	-	155
Balance at the end of the reporting period*	**606,734**	**396,452**
* Represented by:		
- Land	245,670	228,065
- Buildings	358,840	166,163
- Plant and Equipment/Motor Vehicle	2,224	2,224
	606,734	**396,452**

Note 4.3: Intangible assets

(a) Gross carrying amount and accumulated amortisation

	Total 2019 $'000	Total 2018 $'000
Capitalised Costs	16,292	16,282
Less Accumulated Amortisation	(15,421)	(14,988)
	871	**1,294**
Post Office License	70	70
	70	**70**
Software Costs Capitalised	22,846	22,941
Less Accumulated Amortisation	(21,172)	(18,156)
Software Costs Work in Progress	24,480	10,189
	26,154	**14,974**
Total Intangible Assets	**27,095**	**16,338**

(b) Reconciliation of the carrying amount by class of asset

	Capitalised Costs $'000	Software Costs Capitalised and Work in Progress $'000	Post Office License $'000	Total $'000
Balance at 1 July 2017	**1,754**	**12,399**	**70**	**14,223**
Additions	-	6,113	-	6,113
Net Transfers between Classes	-	72	-	72
Amortisation (note 4.4)[(i)]	(460)	(3,610)	-	(4,070)
Balance at 1 July 2018	**1,294**	**14,974**	**70**	**16,338**
Additions	9	14,261	-	14,270
Net Transfers between Classes	-	(65)	-	(65)
Amortisation (note 4.4)[(i)]	(432)	(3,016)	-	(3,448)
Balance at 30 June 2019	**871**	**26,154**	**70**	**27,095**

Intangible Assets

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

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

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

Note 4.4: Depreciation and amortisation

	Total 2019 $'000	Total 2018 $'000
Depreciation		
Buildings	29,591	31,912
Plant and Equipment	2,468	2,207
Medical Equipment	10,511	10,611
Computer Equipment	4,082	4,198
Furniture and Fittings	249	231
Motor Vehicles	272	295
Leased Motor Vehicles	38	-
Leasehold Building Improvements	822	914
Total Depreciation	**48,033**	**50,368**
Amortisation		
Intangible Assets	3,448	4,070
Total Amortisation	**3,448**	**4,070**
Total Depreciation & Amortisation	**51,481**	**54,438**

Depreciation and Amortisation Recognition

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life.

Amortisation

Amortisation is allocated to intangible assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life.

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

	2019	2018
Buildings		
- Structure Shell Building Fabric	7 to 51 years	5 to 52 years
- Site Engineering Services and Central Plant	7 to 33 years	3 to 32 years
Central Plant		
- Fit Out	4 to 32 years	2 to 25 years
- Trunk Reticulated Building Systems	6 to 21 years	1 to 22 years
Plant and Equipment	10 years	10 years
Medical Equipment	10 years	10 years
Computers and Communication	3 years	3 years

	2019	2018
Furniture and Fitting	10 years	10 years
Motor Vehicles	4 years	4 years
Leased Motor Vehicles	3 years	Not applicable
Intangible Assets	3 years	3 years
Leasehold Improvements	2 to 10 Years	2 to 10 Years

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

Note 5: Other assets and liabilities

This section sets out those assets and liabilities that arose from Melbourne Health's operations.

Structure

5.1 Receivables
5.2 Payables
5.3 Other liabilities

Note 5.1: Receivables

	Total 2019 $'000	Total 2018 $'000
CURRENT		
Contractual		
Inter Hospital Debtors	22,764	12,484
Trade Debtors	38,183	23,230
Patient Fees	15,150	23,185
Accrued Investment Income	-	51
Accrued Revenue - Other	12,092	12,277
***Less* Allowance for Impairment Losses of Contractual Receivables**		
Trade Debtors	(161)	(282)
Patient Fees	(2,905)	(2,491)
	85,123	**68,454**
Statutory		
GST Receivable	5,967	4,391
	5,967	**4,391**
TOTAL CURRENT RECEIVABLES	**91,090**	**72,845**
NON-CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	37,364	26,903
TOTAL NON-CURRENT RECEIVABLES	**37,364**	**26,903**
TOTAL RECEIVABLES	**128,454**	**99,748**

(a) Movement in the Allowance for Impairment Losses of Contractual Receivables

	Total 2019 $'000	Total 2018 $'000
Balance at beginning of year	**2,773**	**1,767**
Reversal of allowance written off during the year as uncollectable	(8,756)	(2,344)
Increase/(decrease) in allowance recognised in net result	9,049	3,350
Balance at end of year	**3,066**	**2,773**

Receivables Recognition

Receivables consist of:

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

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

Impairment losses of contractual receivables

Refer to Note 7.1 (c) Contractual receivables at amortised costs for Melbourne Health's contractual impairment losses.

Note 5.2: Payables

	Total 2019 $'000	Total 2018 $'000
CURRENT		
Contractual		
Trade Creditors	61,528	59,270
Accrued Salaries and Wages	42,207	40,908
Income in Advance	11,215	11,984
Accrued Expenses	31,437	30,557
Salary Packaging	3,071	3,168
Inter - hospital creditors	2,019	1,538
Amounts Payable to Governments and Agencies	921	1,306
Other	1,556	776
	153,954	**149,507**
Statutory		
GST Payable	1,595	1,762
PAYG Withholding	4,625	4,213
	6,220	**5,975**
TOTAL CURRENT PAYABLES	**160,174**	**155,482**
TOTAL PAYABLES	**160,174**	**155,482**

Payables Recognition

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to Melbourne Health prior to the end of the financial year that are unpaid, and arise when Melbourne Health becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually nett 30 days.
- statutory payables, such as goods and services tax, fringe benefits tax and PAYG.

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

Maturity analysis of payables

Please refer to Note 7.1(b) for the ageing analysis of payables.

Note 5.3: Other liabilities

	Total 2019 $'000	Total 2018 $'000
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	184	170
- Accommodation Deposits (Refundable Entrance Fees)	4,063	2,703
TOTAL CURRENT	**4,247**	**2,873**
TOTAL OTHER LIABILITIES	**4,247**	**2,873**
***Total Monies Held in Trust**		
Represented by the following assets:		
Cash Assets	4,247	2,873
TOTAL	**4,247**	**2,873**

Note 6: How we finance our operations

This section provides information on the sources of finance utilised by Melbourne Health during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Melbourne Health.

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

Structure
6.1 Borrowings
6.2 Cash and cash equivalents
6.3 Commitments for expenditure
6.4 Commitments for income

Note 6.1: Borrowings

	Total 2019 $'000	Total 2018 $'000
CURRENT		
Finance Lease Liability [(i)]		
Motor vehicles leased from Vic Fleet	210	-
Advances from Department of Health and Human Services [(ii)]	1,627	1,627
TOTAL CURRENT BORROWINGS	**1,837**	**1,627**
NON CURRENT		
Finance Lease Liability [(i)]		
Motor vehicles leased from Vic Fleet	1,040	-
Advances from Department of Health and Human Services [(ii)]	3,120	4,548
TOTAL NON CURRENT BORROWINGS	**4,160**	**4,548**
TOTAL BORROWINGS	**5,997**	**6,175**

(i) 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.

(ii) The Department of Health and Human Services has provided Melbourne Health with the following three loans:

a) A loan in June 2014 to implement a laboratory information system for its Pathology Department. The loan is repayable over five years commencing from June 2018, paid annually, with the final loan repayment due on 30 June 2022.

The loan is an interest free loan and has been discounted to present value for payments due in future financial years using a weighted average interest rate of 1.01% (2018: 1.98%).

b) A loan in June 2016 for management of organic waste as part of a Victorian Government initiative to divert organic waste from general waste. The loan is repayable over four years commencing from May 2017, paid annually, with the final loan repayment due on 31 May 2020. As the final loan repayment is due within 12 months, the outstanding balance has been recognised at its nominal value.

c) A loan in October 2016 for new enterprise billing system. The loan is repayable over five years commencing from July 2018, paid monthly (over 9 months each financial year), with the final loan repayment due on 31 March 2022.

The loan is an interest free loan and has been discounted to present value for payments due in future financial years using a weighted average interest rate of 1.01% (2018: 1.98%).

Maturity analysis of borrowings

Please refer to Note 7.1 (b) for the ageing analysis of borrowings.

Defaults and breaches

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

Finance Lease Liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Total 2019 $'000	Total 2018 $'000	Total 2019 $'000	Total 2018 $'000
Finance Leases				
Repayments in relation to finance leases are payable as follows:				
Not later than one year	248	-	210	-
Later than 1 year and not later than 5 years	1,091	-	1,040	-
Later than 5 years	-	-	-	-
Minimum lease payments	1,339	-	1,250	-
Less future finance charges	(89)	-		-
TOTAL	**1,250**	-	**1,250**	-
Included in the financial statements as:				
Current borrowings finance lease liability			210	-
Non-current borrowings finance lease liability			1,040	-
TOTAL			**1,250**	-

The weighted average interest rate implicit in the finance lease is 3.25% (2018: not applicable).

Borrowings Recognition

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition 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.

Finance Leases

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

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, in the manner described in Note 6.3 Commitments for expenditure.

Entity as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. Melbourne Health holds motor vehicle leases with Vic Fleet in line with the requirements of Standard Motor Vehicle Policy that is mandated for all general government Departments and Agencies. The leased motor vehicles are accounted for as a non-financial physical asset and are depreciated over the term of the lease. 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.

Note 6.2: Cash and cash equivalents

	Total 2019 $'000	Total 2018 $'000
Cash on Hand (excluding Monies Held in Trust)	39	39
Cash at Bank (excluding Monies Held in Trust)	70,056	104,783
Cash at Bank (Monies Held in Trust)	4,247	2,873
TOTAL CASH AND CASH EQUIVALENTS	**74,342**	**107,695**

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

Note 6.3: Commitments for expenditure

	Total 2019 $'000	Total 2018 $'000
Capital expenditure commitments		
Less than 1 year	46,221	99,357
Longer than 1 year but not longer than 5 years	6,028	28,766
5 years or more	1,504	-
Total capital expenditure commitments	**53,753**	**128,123**
Operating expenditure commitments		
Less than 1 year	39,495	68,628
Longer than 1 year but not longer than 5 years	65,396	54,144
5 years or more	6,812	12,821
Total operating expenditure commitments	**111,703**	**135,593**
Non-cancellable operating lease commitments		
Less than 1 year	8,462	15,280
Longer than 1 year but not longer than 5 years	22,136	19,165
5 years or more	9,628	2,417
Total non-cancellable operating lease commitments	**40,226**	**36,862**
Total commitments for expenditure (inclusive of GST)	**205,682**	**300,578**
Less GST recoverable from the Australian Tax Office	(18,698)	(27,325)
TOTAL COMMITMENTS FOR EXPENDITURE (exclusive of GST)	**186,984**	**273,253**

All amounts shown in the commitments note are nominal amounts.

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

Future finance lease payments are recognised on the Balance Sheet, refer to Note 6.1 Borrowings.

Melbourne Health has entered into commercial leases on certain medical equipment, computer equipment and property where it is not in the interest of Melbourne Health to purchase these assets. These leases have an average life of between 1 and 99 years with renewal terms included in the contracts. Renewals are at the option of Melbourne Health.

A number of property leases contain renewal options in the contract. The impact of renewal options is not included in the figures above. If the renewal options were to be exercised, the impact on future leases commitments is estimated to be $23m inclusive of GST.

Note 6.4: Commitments for income

	Total 2019 $'000	Total 2018 $'000
Commitments in relation to leases receivable:		
Less than 1 year	2,721	2,875
Longer than 1 year but not longer than 5 years	326	2,461
5 years or more	12	12
Total Commitments Receivable (inclusive of GST)	**3,059**	**5,348**
Less GST payable to the Australian Tax Office	(278)	(486)
TOTAL COMMITMENTS RECEIVABLE (exclusive of GST)	**2,781**	**4,862**

All amounts shown in the commitments note are nominal amounts.

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

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives is recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more appropriate of the time pattern over which the economic benefit of the leased asset is diminished.

Note 7: Risks, contingencies and valuation uncertainties

Melbourne Health 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 Melbourne Health is related mainly to fair value determination.

Structure
7.1 Financial instruments

Note 7.1: Financial instruments

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

(a) Financial instruments: categorisation

2019	Financial Assets at Amortised Cost $'000	Financial Assets at Fair Value Through Net Result $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Contractual Financial Assets				
Cash and Cash Equivalents	74,342	-	-	74,342
Receivables				
- Trade Debtors	38,022	-	-	38,022
- Other Receivables	47,101	-	-	47,101
Other Financial Assets				
- Shares in Other Entities	-	2	-	2
Total Financial Assets [(i)]	**159,465**	**2**	**-**	**159,467**
Financial Liabilities				
Payables	-	-	153,954	153,954
Borrowings	-	-	5,997	5,997
Other Financial Liabilities				
- Accommodation Deposits	-	-	4,063	4,063
- Patient Trust Accounts	-	-	184	184
Total Financial Liabilities [(ii)]	**-**	**-**	**164,198**	**164,198**

2018	Contractual Financial Assets - Loans and Receivables $'000	Contractual Financial Assets - Available for Sale $'000	Contractual Financial Liabilities at Amortised Cost $'000	Total $'000
Contractual Financial Assets				
Cash and Cash Equivalents	107,695	-	-	107,695
Receivables				
- Trade Debtors	22,948	-	-	22,948
- Other Receivables	45,506	-	-	45,506
Other Financial Assets				
- Shares in Other Entities	-	1	-	1
Total Financial Assets [(i)]	**176,149**	**1**	**-**	**176,150**
Financial Liabilities				
Payables	-	-	149,507	149,507
Borrowings	-	-	6,175	6,175
Other Financial Liabilities				
- Accommodation Deposits	-	-	2,703	2,703
- Patient Trust Accounts	-	-	170	170
Total Financial Liabilities [(ii)]	**-**	**-**	**158,555**	**158,555**

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

Categories of financial instruments

Effective from 1 July 2018, Melbourne Health applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. Prior to 1 July 2018, AASB 139 was applied.

Notes to the Financial Statements for the financial year ended 30 June 2019

Categories of financial assets under AASB 9

Financial assets at amortised cost

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

- the assets are held by Melbourne Health 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.

Melbourne Health recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);

Financial assets at fair value through net result

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

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

Categories of financial assets previously under AASB 139

Loans and receivables and cash

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

- cash and deposits; and
- receivables (excluding statutory receivables)

Available-for-sale financial instrument assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. Melbourne Health recognises the following liabilities in this category:

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

7.1 (b): Maturity analysis of Financial Liabilities as at 30 June

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

				Maturity Dates			
2019	Note	Carrying Amount $'000	Nominal Amount $'000	Less than 1 Month $'000	1-3 Months $'000	3 months - 1 Year $'000	1-5 Years $'000
Financial Liabilities							
At amortised cost							
Payables	5.2	153,954	153,954	126,030	25,522	2,402	-
Borrowings	6.1	5,997	5,997	-	-	1,837	4,160
Other Financial Liabilities (i)							
- Accommodation Deposits	5.3	4,063	4,063	-	540	3,523	-
- Patient Trusts	5.3	184	184	184	-	-	-
Total Financial Liabilities		**164,198**	**164,198**	**126,214**	**26,062**	**7,762**	**4,160**
2018							
Financial Liabilities							
At amortised cost							
Payables	5.2	149,507	149,507	121,450	26,138	1,919	-
Borrowings	6.1	6,175	6,175	-	-	1,627	4,548
Other Financial Liabilities (i)							
- Accommodation Deposits	5.3	2,703	2,703	-	-	2,703	-
- Patient Trusts	5.3	170	170	170	-	-	-
Total Financial Liabilities		**158,555**	**158,555**	**121,620**	**26,138**	**6,249**	**4,548**

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

7.1 (c): Contractual receivables at amortised costs

1-Jul-18	*Current*	*Less than 1 month*	*1–2 months*	*2 - 3 months*	*3+ months*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
Overseas Patient Fees Receivables						
Expected loss rate	2%	6%	9%	12%	24%	
Gross carrying amount of contractual receivables	1,169	1,654	339	382	1,647	5,191
Loss allowance	23	99	31	46	395	594
Other Patient Fees Receivables						
Expected loss rate	2%	6%	9%	12%	24%	
Gross carrying amount of contractual receivables	7,069	3,437	2,927	3,071	1,489	17,993
Loss allowance	141	206	263	369	918	1,897
Trade Debtors (Sundry Debtors Only)						
Expected loss rate	0%	0%	10%	12%	24%	
Gross carrying amount of contractual receivables	18,173	1,572	946	642	473	21,806
Loss allowance	-	-	91	77	114	282
Total loss allowance	164	305	385	492	1,427	2,773

30-Jun-19	*Current*	*Less than 1 month*	*1–2 months*	*2 - 3 months*	*3+ months*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
Overseas Patient Fees Receivables						
Expected loss rate	0%	50%	100%	100%	100%	
Gross carrying amount of contractual receivables	645	835	372	275	270	2,397
Loss allowance	-	418	372	275	270	1,335
Other Patient Fees Receivables						
Expected loss rate	2%	6%	9%	12%	24%	
Gross carrying amount of contractual receivables	4,639	3,200	1,355	1,148	2,411	12,753
Loss allowance	93	192	122	138	1,025	1,570
Trade Debtors (Sundry Debtors Only)						
Expected loss rate	0%	0%	0%	0%	18%	
Gross carrying amount of contractual receivables	16,421	2,886	808	336	915	21,366
Loss allowance	-	-	-	-	161	161
Total loss allowance	93	610	494	413	1,456	3,066

Notes to the Financial Statements for the financial year ended 30 June 2019

Impairment of financial assets under AASB 9

Melbourne Health has been recording the allowance for expected credit loss for the relevant financial instruments, using AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment includes Melbourne Health's contractual receivables and statutory receivables.

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

Contractual receivables at amortised cost

Melbourne Health applies AASB 9 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. Melbourne Health has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

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.

Statutory receivables at amortised cost

Melbourne Health'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, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

Note 8: Other disclosures

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

Structure

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

	Total 2019 $'000	Total 2018 $'000
Net Result for the Year	11,281	19,810
Non-cash movements:		
Depreciation and Amortisation	51,481	54,438
Provision for Doubtful Debts	-	1,006
Allowance for Impairment Losses of Contractual Receivables	293	-
Discounting of DHHS Loan	198	126
DHHS Non Cash Grants	(28,969)	-
Assets Provided Free of Charge	-	3,674
Assets Received Free of Charge	(2,793)	-
Movements included in investing and financing activities		
Net (Gain)/Loss from Disposal of Non-Financial Physical Assets	(394)	357
Movements in assets and liabilities:		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	(29,002)	(1,672)
(Increase)/Decrease in Prepayments	(6,356)	(7,250)
Increase/(Decrease) in Payables	4,691	10,243
Increase/(Decrease) in Provisions	45,007	27,360
Increase/(Decrease) in Other Current Liabilities	14	(4)
(Increase)/Decrease in Inventories	(720)	(300)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**44,731**	**107,788**

Note 8.2: Responsible persons disclosures

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 Jill Hennessy, Minister for Health and Minister for Ambulance Services	01/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29/11/2018 - 30/06/2019
The Honourable Martin Foley, Minister for Mental Health	01/07/2018 - 30/06/2019
Governing Board	
Ms Linda Bardo Nicholls AO (Chair of the Board)	01/07/2018 - 30/06/2019
Ms Angela Jackson	01/07/2018 - 30/06/2019
Mr Eugene Arocca	01/07/2018 - 30/06/2019
Mr Gregory Tweedly	01/07/2018 - 30/06/2019
Professor Harvey Newnham*	01/07/2018 - 30/06/2019
Ms Penelope Hutchinson	01/07/2018 - 30/06/2019
Ms Philippa Connolly	01/07/2018 - 30/06/2019
Professor Shitij Kapur*	01/07/2018 - 30/06/2019
Accountable Officers	
Professor Christine Kilpatrick AO (Chief Executive Officer)	01/07/2018 - 30/06/2019

Remuneration of Responsible Persons

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

Income Band	**Total 2019 No.**	**Total 2018 No.**
$0 - $9,999	-	1
$30,000 - $39,999	-	5
$40,000 - $49,999	-	2
$50,000 - $59,999	5	-
$100,000 - $109,999	1	-
$520,000 - $529,999	-	1
$540,000 - $549,999	1	-
Total Numbers	**7**	**9**

	Total 2019 $'000	**Total 2018 $'000**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	932	818

* Not paid Board Members.

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report as disclosed in Note 8.4 Related Parties.

Note 8.3: Remuneration of executives

Remuneration of executives

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

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)	**Total Remuneration**	
	2019 $'000	**2018 $'000**
Short-term employee benefits	2,918	2,663
Post-employment benefits	181	160
Other long-term benefits	69	87
Termination benefits	53	258
Total remuneration [(i)]	**3,221**	**3,168**
Total number of executives	**11**	**11**
Total annualised employee equivalent (AEE) [(ii)]	**7.8**	**7.2**

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Melbourne Health under AASB 124 Related Party Disclosures and are also reported within Note 8.4 Related Parties.

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

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

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

Termination of employment payments, such as severance packages.

Other factors

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and negotiated. A number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts. A number of executive officers resigned in the past year.

Note 8.4: Related Parties

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

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members;
- Jointly Controlled Operation - A member of the Victorian Comprehensive Cancer Centre Joint Venture; and
- All hospitals and public sector entities that are controlled and consolidated into the State of Victoria's financial statements.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of Melbourne Health and its controlled entities, directly or indirectly.

The Governing Board and the Executive Directors of Melbourne Health are deemed to be KMPs.

Melbourne Health's key management personnel for 2018/19

Ministers

The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services
The Honourable Martin Foley, Minister for Mental Health

Melbourne Health Board

Ms Linda Bardo Nicholls AO (Chair)
Ms Angela Jackson
Mr Eugene Arocca
Mr Gregory Tweedly
Professor Harvey Newnham
Ms Penelope Hutchinson
Ms Philippa Connolly
Professor Shitij Kapur

Executive

Professor Christine Kilpatrick AO - Chief Executive Officer
Mr Adam Horsburgh - Deputy Chief Executive / Chief Operating Officer
Dr Cate Kelly - Executive Director, Clinical Governance and Medical Services
A/Professor Denise Heinjus - Executive Director, Nursing Services
Ms Ellen Flint - Executive Director, People and Culture
Professor George Braitberg AM - Executive Director, Strategy, Quality and Improvement
Mr George Kapitelli - Former Executive Director, Finance and Logistics (resigned 18 January 2019)
Professor Ingrid Winship - Former Executive Director, Research (resigned 21 September 2018)
Mr Kemsley Fairhurst - Interim Executive Director, Finance and Logistics (appointed 18 January 2019)
Mr Peter Kelly - Interim Executive Director, NorthWestern Mental Health (appointed 15 March 2019)
Ms Rebekah Miles - Former Executive Director, Communications (resigned 24 May 2019)
A/Professor Ruth Vine - Former Executive Director, NorthWestern Mental Health (resigned 15 March 2019)

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.

Notes to the Financial Statements for the financial year ended 30 June 2019

Compensation - KMPs	Total 2019 $'000	Total 2018 $'000
Short-term employee benefits	3,782	3,419
Post-employment benefits	235	205
Other long-term benefits	82	103
Termination benefits	53	258
Total [(i)]	**4,152**	**3,985**

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

Significant transactions with government-related entities

Melbourne Health received funding from the Department of Health and Human Services of $969.6m (2018: $878.9m) and indirect contributions of $11.0m (2018: $4.8m). The Department of Health and Human Services also paid $29.0m (2018: $29.3m) of construction costs on behalf of Melbourne Health.

During the financial year, Melbourne Health received $6.1m of capital grants from Department of Human Services for the Parkville Precinct Electronic Medical Record Project on behalf of all hospitals involved in the project. Expenditure paid during the year in relation to the project on behalf of other hospitals was $9.2m.

Expenses incurred by Melbourne Health in delivering services and outputs are in accordance with Health Purchasing Victoria requirements.

Goods and services are purchased from other Victorian Health Service Providers on commercial terms.

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

The Standing Directions require Melbourne Health to hold cash (in excess of working capital) in accordance with the State's centralised banking arrangements.

Goods and services including procurement, accounts payable and payroll are provided to other Victorian Health Service Providers on commercial terms.

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 Melbourne Health, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

There were no related party transactions required to be disclosed for Melbourne Health Board of Directors and Executive Directors in 2019.

Note 8.5: Remuneration of auditors

	Total 2019 $'000	Total 2018 $'000
Victorian Auditor-General's Office		
Audit and review of financial statements	236	225
Total remuneration of auditors	**236**	**225**

Note 8.6: Ex-gratia expenses

Melbourne Health has made the following ex gratia expenses:	Total 2019 $'000	Total 2018 $'000
Compassionate payment	5	-
Total ex-gratia expenses	**5**	**-**

Includes ex-gratia for both individual items and in aggregate that are greater than or equal to $5,000.

Note 8.7: Events occurring after the balance sheet date

No events have occurred since reporting date and date of certification of this report which will have a material effect on the information contained in the financial report.

Note 8.8: Jointly controlled operations

Name of Entity	Principal Activity	Ownership Interest 2019 %	Ownership Interest 2018 %
Victorian Comprehensive Cancer Centre Limited	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.	10	10

Melbourne Health's interest in the above jointly controlled operations are detailed below.
The amounts are included in Melbourne Health's financial statements under their respective categories:

	2019 $'000*	2018 $'000*
Current Assets		
Cash and Cash Equivalents	1,457	1,586
Receivables	20	8
Prepayments and Other Assets	122	101
Total Current Assets	**1,599**	**1,695**
Non Current Assets		
Investments and Other Financial Assets	2	1
Property, Plant and Equipment	22	18
Total Non Current Assets	**24**	**19**
TOTAL ASSETS	**1,623**	**1,714**
Current Liabilities		
Payables	131	44
Income in Advance	2	-
Provisions	25	11
Total Current Liabilities	**158**	**55**
Non-Current Liabilities		
Provisions	11	10
Total Non-Current Liabilities	**11**	**10**
TOTAL LIABILITIES	**169**	**65**
NET ASSETS	**1,454**	**1,649**
EQUITY		
Accumulated Surpluses/(Deficits)	1,454	1,649
TOTAL EQUITY	**1,454**	**1,649**

Melbourne Health's interest in revenues and expenses resulting from jointly controlled operations are detailed below:

	2019 $'000*	2018 $'000*
Revenues		
Grants	999	1,544
Other - Interest	32	21
Other - Revenue	26	13
Total Revenue	**1,057**	**1,578**
Expenses		
Employee Benefits	(410)	(242)
Depreciation	(5)	(2)
Other expenses	(838)	(222)
Total Expenses	**(1,253)**	**(466)**
Net Result	**(196)**	**1,112**

Contingent Liabilities and Capital Commitments

There are no known contingent liabilities or capital commitments held by the jointly controlled operations at balance date.

Commitments for expenditure

The below operating expenditure commitments have been disclosed under Note 6.3 Commitments for expenditure.

	2019 $'000*	2018 $'000*
Other expenditure commitments		
Not later than one year	599	299
Later than one year but not later than 5 years	204	20
Total expenditure commitments	**803**	**319**
Total commitments (inclusive of GST)	803	319
less GST recoverable from the ATO	(73)	(29)
Total commitments (exclusive of GST)	**730**	**290**

* Figures obtained from the audited Victorian Comprehensive Cancer Centre Joint Venture annual report.

Note 8.9: Economic dependency

Melbourne Health is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services.

The Department of Health and Human Services has provided confirmation that it will continue to provide Melbourne Health adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2020. On that basis, the financial statements have been prepared on a going concern basis.

Note 8.10: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2019 reporting period. DTF assesses the impact of all these new standards and advises Melbourne Health of their applicability and early adoption where applicable.

As at 30 June 2019, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Melbourne Health has not and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018 for Not-for-Profit entities.	1 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. The assessment has indicated that the impact of this standard for Melbourne Health will not be material.
AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Public-Sector Licensors*	AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities.	1 Jan 2019	AASB 2018-4 provides additional guidance for not-for-profit public sector licenses, which include: • Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058; • IP licenses to be accounted for under AASB 15; and • Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Entities*	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: **AASB 9** • Statutory receivables are recognised and measured similarly to financial assets. **AASB 15** • The 'customer' does not need to be the recipient of goods and/or services; • The "contract" could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or 'equivalent means'; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be 'sufficiently specific' to be able to apply AASB 15 to these

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
			transactions.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases, with the exception of short term (12 months or less) and low value (under $10,000) leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. *Impact on Melbourne Health statement of financial position on adoption at 1 July 2019:* Assets increase/(decrease) $m PP&E right-of-use-assets 88.0 Prepayments (47.6) Liabilities Lease liabilities 40.8 Statement of profit & loss Depreciation expense 5.9 Operating lease expense (4.9) Interest expense 1.1
AASB 2018-8 *Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities*	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 Jan 2019	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context. AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 Jan 2019	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 *Contributions*. The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed. The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement. The conclusion based on our assessment of potential impact is that majority of capital

			projects funded by DHHS are due to be finalised by June 2020 and therefore the funding will be fully recognised. Any potential deferral of revenue is not expected to be material, based on the information currently available.
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan 2020	The standard is not expected to have a significant impact on the public sector.

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MELBOURNE HEALTH