2019/20 Annual Report

Advancing health for everyone, every day

The Royal Melbourne Hospital

The Royal Melbourne Hospital 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 peoples.

2020: International Year of the Nurse

Our cover features 9East Associate Nurse Unit Manager Grace Carroll, who has been working in the infectious diseases ward for more than eight years. Grace has been at the forefront of the COVID-19 pandemic, providing care to patients and support to her colleagues. Diagnosed with COVID herself, Grace has also shared her experience with the community, inspiring Victorians to do their bit to prevent the spread of the virus.

Grace is an example of the vital role nurses play at RMH. To all of our nurses, thank you for the great care you provide every day to our patients, our consumers and to each other.

Cover and inside cover photo: Meredith O'Shea

Contents

About this report

This annual report outlines the operational and financial performance for The Royal Melbourne Hospital from 1 July 2019 to 30 June 2020.

The relevant Ministers for the reporting period were:

- The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services and Minister for the Coordination of Health and Human Services: COVID-19
- The Honourable Martin Foley, Minister for Mental Health

Melbourne Health (operating as The Royal Melbourne Hospital) 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**

Board Chair report

On behalf of The Royal Melbourne Hospital Board of Directors, I am pleased to present our 2019/20 Annual Report.

Responding to challenges

This year is a year of two halves. The first half began with the successful implementation of the first stage of the Electronic Medical Record (EMR) in our Emergency Department. The project centralised patient records and improved efficiencies across the department for clinical collaboration, research and patient care (STEP).

The Royal Melbourne Hospital received full Accreditation from the Australian Commission on Safety and Quality in Health Care. Assessors noted the strength of our clinical governance framework, STEP, which guides our people to provide each patient or consumer who comes through our doors with Safe, Timely, Effective and Person-centred care.

Our commitment to great care was again recognised soon after, when The Royal Melbourne Hospital was Highly Commended in the Public Health Service of the Year category at the Victorian Public Healthcare Awards.

Meeting the challenges for community and care

The second half of our year began with the Victorian bushfires, during which some of our expert clinicians were deployed to offer care on-the-ground in Mallacoota, and to evacuees arriving in Melbourne.

No sooner were the fires extinguished than a new challenge arrived in the emergence of the COVID-19 pandemic.

Within two hours of notification from the Department of Health and Human Services of the first local case, The Royal Melbourne received its first COVID patient to the Emergency Department screening clinic, which had been rapidly set up to respond.

The team also created an electronic self-registration system, allowing patients to answer questions about epidemiological and clinical risk while minimising contact, and providing clinicians with important data to accurately record and care for them.

Between January and June, we had 42 COVID admissions and 100,000 tests were processed at our Victorian Infectious Diseases Reference Laboratory (VIDRL) at the Doherty Institute, while our Royal Melbourne Microbiology lab processed another 20,000 tests — and were the first hospital laboratory in the state to offer testing onsite.

While COVID has been an evolving challenge, our day-to-day work has continued treating 2,168 traumas, 573,921 mental health service contacts and more than 24,000 surgeries, with 100% of Category 1 elective surgeries meeting the 30-day target across the year.

Seizing opportunities for change

In any challenge, there is an opportunity to learn and improve. From the outset of COVID, our people were seizing those moments. Face to face training for hundreds of clinical staff preparing for EMR to go-live across the hospital converted to virtual and a multi-disciplinary team was created to oversee the pandemic preparedness and response.

The Royal Melbourne's Victorian Infectious Diseases Reference Laboratory (VIDRL) was the first lab to grow COVID cells outside of China. VIDRL, working through The Doherty Institute and its global networks, was able to share this breakthrough with scientists and researchers around the world.

Telehealth — telephone and video services — has increased across The Royal Melbourne Hospital, allowing patients and consumers to access care without travelling. More than 50 per cent of all outpatient appointments have been conducted by telehealth with positive feedback from clinicians, patients and consumers.

In response to increased demand for our RMH@Home subacute services, including rehabilitation and aged care that is grounded in our person-centred care framework, we are developing new models of home-based, hospital care.

Using new software and pulse oximeters to measure blood oxygen levels remotely, hospital in the home has been extended to include COVID care at home. The new tools enable patients who do not immediately require in-patient treatment to self-quarantine at home, while still allowing clinicians at Royal Melbourne Hospital to identify any patient who subsequently becomes significantly unwell and needs to be hospitalised. Again, the learnings have been shared and made available for the wider healthcare community.

Rising to the challenges of the past year, The Royal Melbourne Hospital continues to provide great care and world-class innovation.

This is a testament to each of our staff working on the frontlines and behind the scenes, our volunteers who give generously and bring such joy, and our consumers who help make each experience better. Thank you for helping make The Royal Melbourne Hospital a great place to work and a great place to receive care.

Linda Bardo Nicholls AO
Board Chair

Declaration on the report of operations

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for The Royal Melbourne Hospital for the year ending 30 June 2020.

Linda Bardo Nicholls AO
Board Chair
The Royal Melbourne Hospital

Melbourne
21 August 2020

Chief Executive report

The 2019/20 financial year has presented us with opportunities, challenges and change.

Like those around the world, our health service has been challenged like never before with the emergence of the novel Coronavirus COVID-19.

The impacts of COVID on all our lives are well known. A remarkable burden has been placed on our healthcare system, and our people.

But, while this emerging threat has required a shift in our day-to-day and long-term planning, it has also brought to the fore the best qualities of our organisation.

In some ways the past year has set us more firmly on the future path we want to take under our renewed and united banner of The Royal Melbourne Hospital. Not confined to one location, we recognise our multi-faceted and complex organisation, which is ready to improve the health of a community that stretches from our city to the community across Victoria, Australia and the world.

Our new strategy for the next five years, *Towards 2025*, lays out this vision, pushing us to collaborate, be inventive and take bold action to adapt to all the challenges of a modern public healthcare system.

This begins with the implementation of the Parkville Electronic Medical Record (EMR), deferred with COVID, but now on-track for a strong delivery that will improve the patient experience, provide quality data to continually review and improve care, and optimise our clinical work across the Melbourne Biomedical Precinct.

The EMR is central to our digital transformation, the pace of which has been accelerated in the COVID environment. This has included the invention of new clinical tools, such as screening surveys in our COVID testing clinics that assist in efficient and accurate care, and at-home monitoring tools through pulse oximeters, which have allowed patients to be observed at home, and a rapid response provided in the case of deterioration.

Alongside these new tools has been a surge in telehealth consultations across outpatient appointments, community mental health visits, in-reach residential aged care visits and assessments, and interpreter services. Crucial for the future of healthcare, telehealth is making it possible for more patients to access quality care, no matter where they are.

And location is important — we have made a promise to our community to always be there, when it matters most. But for many patients and consumers, home is a safer and better place to receive care. Our digital innovations go hand-in-hand with our new 'Home First' approach, increasing RMH@Home services and re-shaping complex and surgical care pathways that will also deliver on our model of safe, timely, effective and person-centred care (STEP).

Our delivery of care was recognised last September, when we received accreditation from the Australian Commission on Safety and Quality in Health Care. We were also delighted to be Highly Commended in the Premier's Health Service of the Year category at the Victorian Public Healthcare Awards.

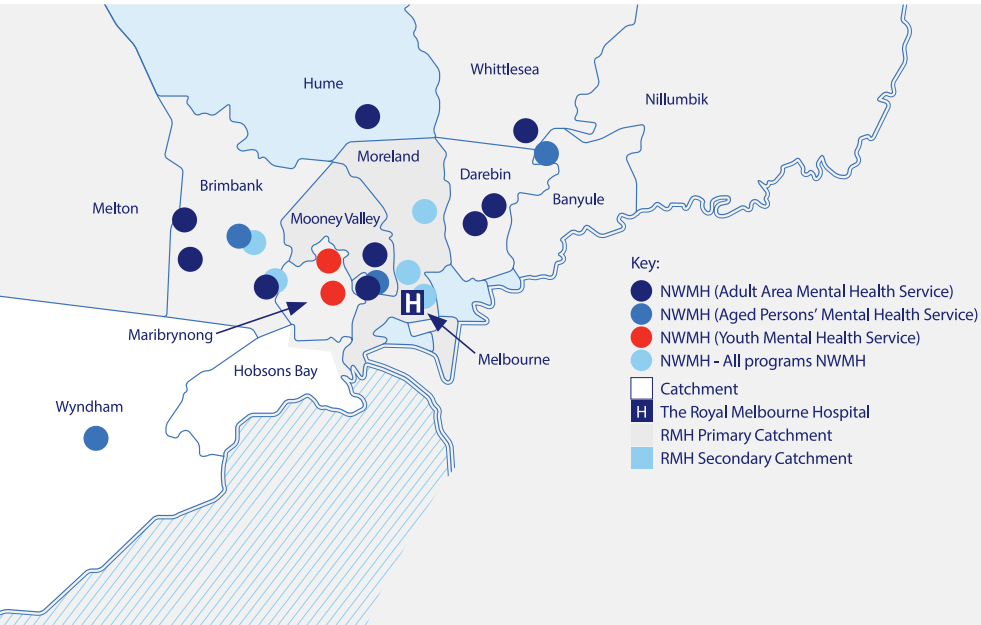
As demand for our services increase, we are also looking at innovation in the way we collaborate across our units, across the precinct and the healthcare sector at large. This collaboration has flourished during this pandemic, from the growth of COVID cells in our Victorian Infectious Diseases Reference Laboratory (VIDRL) at the Doherty Institute, to the new models of care created to address this new threat across our services, while ensuring the response never compromised patient outcomes.

Underpinning our great care, is our continuing goal to be a great place to work for our people. We are proud of the extraordinary efforts made by our people over the past year. Our new Employee Wellbeing Strategy manages risk and promotes positive wellbeing, with a larger emphasis on prevention, to ensure our most valuable resource, our workforce, is protected.

Our new leadership model The Melbourne Way, sets us apart by recognising each member of our staff has a leading role to play — no matter their position — to live our values, speak up for safety and care for wellbeing. The Melbourne Way is how we will take on challenges and take the next exciting step in our future. A future where we put people first, lead with kindness and continue working together to excel as one Royal Melbourne Hospital.

Professor Christine Kilpatrick AO
Chief Executive

About The Royal Melbourne Hospital



We started in 1848 as Victoria's first public hospital. And while we only had 10 beds to our name, we had the community of Melbourne behind us, and we were ready to provide the best possible care for those in need.

Healthcare has changed a lot since then, but our desire to serve the people of Victoria with an appropriately skilled and compassionate workforce has not. We're still at the forefront of innovative research and discoveries — working hard to redefine the highest standards of care.

Excellence is something we strive for together. We're committed to working alongside our partners in care, research and education, so we can shape the next generation of leading clinicians, scientists, researchers and clinical educators.

We're for Melbourne's health and have considered how we can best contribute to the health needs of the community, which is reflected in our purpose, values and community promise.

The Royal Melbourne Hospital includes our Parkville City campus, Royal Park campus, 32 mental health services making up NorthWestern Mental Health and the world-renowned Peter Doherty Institute for Infection and Immunity, which is in partnership with the University of Melbourne.

Our purpose

Advancing healthcare for everyone, every day

Our community promise

Always there when it matters most

Our values

- **People first**
- **Lead with kindness**
- **Excellence together**

Chris's story

Chris Farrington's world was rocked in October 2019 when the results of a PET scan revealed tumours, bruising and internal bleeding across his body.

Rushed to The Royal Melbourne Hospital's Intensive Care Unit, various teams came together to save Chris's life.

First was the radiology department, led by Associate Professor Stefan Heinze who facilitated the biopsy.

A sample from his neck was expected to show one of three things: lymphoma, which might be treatable; melanoma, which would offer a slight hope; or cholangiocarcinoma, a bile duct cancer that has no treatment and is effectively a death sentence.

Once the biopsy was complete, RMH anatomical pathology took over. Pathologist Dr Anand Murugasu was able to identify his rare-but-aggressive form of cancer, cholangiocarcinoma.

Collaborating with colleagues at Peter MacCallum Cancer Centre, the RMH team also found an underlying protein mutation that could be effectively treated with a drug traditionally used for lung cancer patients. This treatment was a bold and brave suggestion — but with time working against treating teams across Peter Mac and the RMH, a snap decision was made that ultimately saved his life.

"The treating team at Royal Melbourne and Peter MacCallum Cancer Centre located so close to one another is a real advantage. Historically, this can take weeks, but we were able to turn this around — the first test — within 24 hours," Dr Murugasu said.

In the space of four days, Chris' cancer stopped growing completely, and he was discharged soon after.

Chris visited the RMH with his family to say thank you to all the staff who took part in his care.

> "Nothing I can say or do can properly express my heartfelt gratitude," he wrote in a letter.

Chris's story is an example of the how we achieve excellence together, working collaboratively across our service and the Parkville precinct, to provide the best outcomes for our patients.

Year in review

2019 July — December highlights

Accreditation

Over a week, assessors visited and evaluated all sites and services across the RMH, formally awarding Accreditation of the national standards.

RMH performs 1,000th live kidney transplant

The transplant service at the RMH is one of the largest in the country and the first to reach 1,000 live donor kidney transplants.

Sepsis pathway saving lives

Over two years, a report found the RMH-led 'Think sepsis. Act fast.' program saved 52 lives, avoided 96 ICU admissions and reduced total hospital length of stay by more than 3,780 days, saving $11.7 million.

New aseptic suite opens

The custom-made aseptic pharmacy suite opened to make medications for patients who are immunocompromised.

Mobile Stroke Unit celebrated second anniversary

The MSU has seen thousands of patients, ultimately preventing 51.24 disability-adjusted life years and saving the health system more than $100,000 from reduced inter-hospital transfers.

Patient-care projects flourish thanks to Dry July

Dry July supporters raised $100,000 to support patient-care projects for Head and Neck and Haematology wards, as well as a lush, tranquil garden for Palliative Care patients.

2020 January — June highlights

LGBTIQ+ Inclusive Practice Plan launched

Developed in partnership with staff, patients and consumers, the plan was launched at Midsumma Festival.

Support for bushfire-affected Victorians

Staff from across the RMH were deployed to give much-needed support following summer bushfires.

RMH scientists first to grow and share Novel Coronavirus

Shared with international labs, the virus was grown from a patient sample that arrived at the Royal Melbourne Hospital's Victorian Infectious Diseases Reference Laboratory (VIDRL) at the Doherty Institute.

Innovation at the fore for COVID-19 response

The Emergency Department developed an online system to help screen people presenting for COVID screening, helping to keep lines moving and reducing interactions to minimise transmission risk for safe and effective care. The team also developed an at-home monitoring system for COVID patients using pulse oximeters to ensure clinicians could continue to keep an eye on those not needing hospital admission.

RMH staff bring the community together with 'scrub choir'

Inspired by pub choirs, staff went viral in a Music Therapy project that saw more than 200 staff sing the uplifting Bruno Mars song 'Count on Me'.

COVID by the numbers

42
Admissions

20,251
Tests conducted by RMH Microbiology

11,245
Presentations to Emergency Department screening clinic

19,263
Self-registration screening surveys completed

Our care at a glance

78,630
Emergency Department presentations (excluding COVID screening clinic)

15,611
Elective surgeries

208,419
Outpatient appointments

581,214
Mental health service contacts in the community

103,470
Inpatient admissions across our services

9,235
Emergency surgeries

626
Arrivals by air

29,395
Telehealth appointments

2,168
Trauma patients treated

88
Kidney transplants

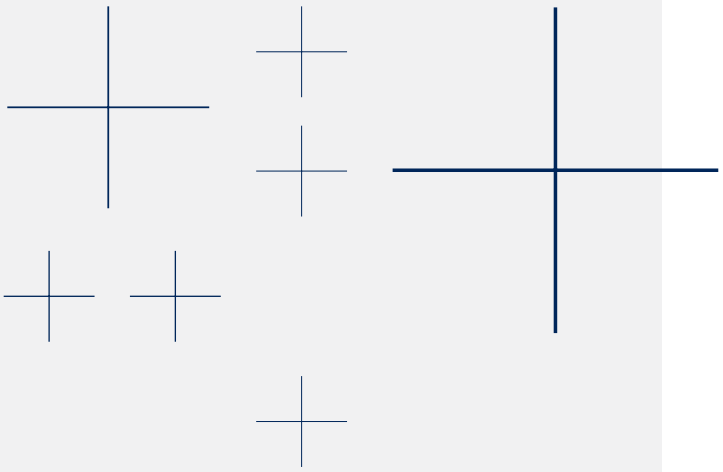
4,650
Mental health inpatient admissions

364,550
Meals served

Note: There was a slight reduction in some activity, such as transplants and elective surgeries, due to suspended operations during the COVID-19 response.

Awards, recognition and accolades

- The RMH was Highly Commended in the Large Health Service of the Year category at the Victorian Department of Health and Human Services Public Healthcare Awards.
- Head of Physiotherapy Research Dr Catherine Granger and Co-Director of the RMH Guidance Group Professor Karin Thursky were each awarded the Dame Kate Campbell Fellowship by the University of Melbourne.
- Director of Microbiology Professor Deborah Williamson received the 2020 Australian Society for Infectious Diseases Frank Fenner Award for her leadership in clinical and public health microbiology.
- Clinical haematologist and BMT physician Professor Andrew Roberts was one of four senior scientists to share the 2019 Prime Minister's Prize for Innovation, recognising their work in the discovery and development of anti-cancer drug venetoclax.
- Infectious diseases physician Dr Kudzai Kanhutu was recognised as an Emerging Leader in Science, Health and Medicine at the 2019 Women's Agenda Leadership Awards.
- Director of the Melbourne Brain Centre Professor Stephen Davis was awarded the International Co-operation Award at the 5th Annual Scientific Session of Chinese Stroke Association and TISC 2019.
- ICU registrar Dr Mark Plummer was awarded the G.A. (Don) Harrison Medal by the Faculty of Intensive Care, Australian and New Zealand College of Anaesthetists.
- The RMH won the Health category in the 2019 Victorian Premier's Sustainability Awards for reducing hunger and food waste in our community, donating spare patient meals to those in need.
- Stroke fellow Fana Alemseged was awarded the inaugural Stephen Davis award, which acknowledges an outstanding neurology research fellow.
- The Department of Rehabilitation Medicine received the Haim Ring Memorial Award — Institutional 2020 at The International Society of Physical and Rehabilitational Medicine Awards.
- Head of Thoracic Surgery and Lung Cancer Service Phillip Antippa OAM and breast surgeon Associate Professor John Collins AM were recognised in the 2020 Australia Day Honours. Former chair of the clinical ethics committee, The Honourable Hartley Hansen QC also received an AM.
- Professor Andrew Roberts AM and Director of Genomic Medicine Professor Ingrid Winship AO were recognised in the 2020 Queen's Birthday Honours.



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 Directors for 2019/20 were:

Mrs Linda Bardo Nicholls AO — Chair
Appointed to the Board in May 2018

Mr Eugene Arocca
Appointed to the Board in July 2016

Ms Philippa Connolly
Appointed to the Board in July 2018

Mr Peter Funder
Appointed to the Board in July 2019

Mr Leigh Hocking
Appointed to the Board in July 2019

Ms Penelope Hutchinson
Appointed to the Board in November 2015

Ms Angela Jackson
Appointed to the Board in September 2015

Professor Shitij Kapur
Appointed to the Board in December 2016

Professor Harvey Newnham
Appointed to the Board in August 2017

Mr Gregory Tweedly
Appointed to the Board in July 2016

The Royal Melbourne Hospital Board Committees

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

The Board is accountable to the Minister for Health.

People, Culture and Remuneration Committee
Current board members:
Eugene Arocca (Chair)
Penny Hutchinson
Philippa Connolly
Leigh Hocking

Community Advisory Committee
Current board members:
Harvey Newnham (Chair)

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

Quality and Population Health Committee
Current board members:
Greg Tweedly (Chair)
Harvey Newnham
Angela Jackson

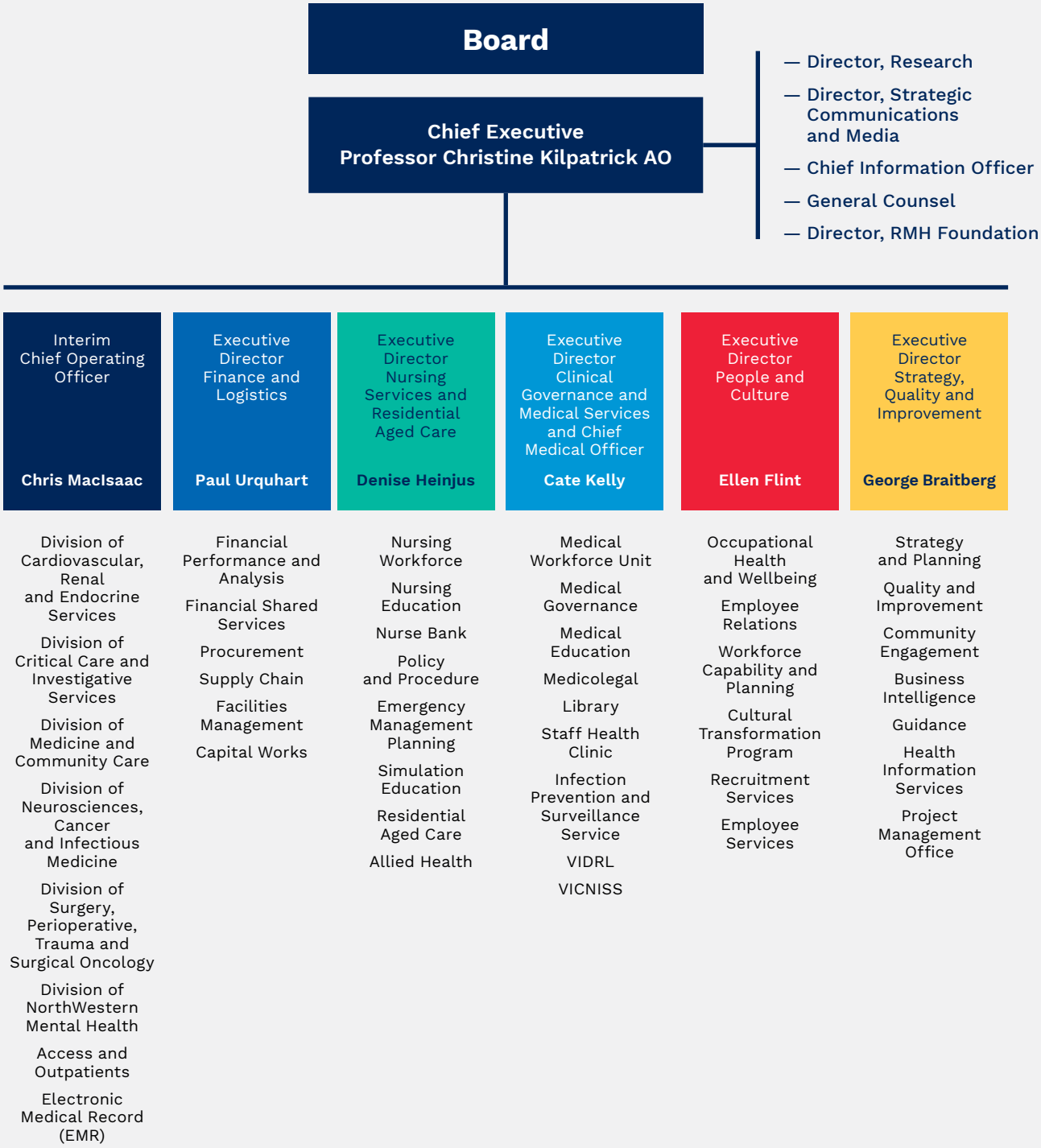
Finance Committee
Current board members:
Angela Jackson (Chair)
Eugene Arocca
Philippa Connolly
Peter Funder
Leigh Hocking
Sam Lobley
(Expert Content — Observer Status)

Audit Committee
Current board members:
Penny Hutchinson (Chair)
Greg Tweedly
Harvey Newnham
Sam Lobley
(Expert Content — Observer Status)

RMH Foundation Committee
Current board members:
Linda Bardo Nicholls AO (Chair)
Eugene Arocca

The Royal Melbourne Hospital Organisation Structure

As at 30 June 2020



Significant supporters

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

Trusts and Foundations

Annie Josephine Wellard Charitable Trust, managed by Equity Trustees
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Victoria Police Blue Ribbon Foundation

Gifts in Wills

Estate of Angelina Cardillo
Estate of Agnes Ferguson Clark
Estate of Heidi Goldstein
Estate of Marie Grima
Estate of Raymond Patrick Hallion
Estate of Audrey Florence Nancarrow
Estate of Daphne O'Hanlon
Estate of Norbert Schober
Estate of Ronald Irwin Simmonds
Estate of Pamela Stephens

Endowments

Estate of Allan Watt & Chris Geyer
Estate of Dr Margaret Henderson OBE

Gifts in Perpetuity

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Estate of Joseph & Kate Levi
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Estate of William Marshall
Estate of Mary Mason
Estate of J R G & E McKenzie
Estate of Margaret Lillian Merrifield
Estate of Isabella Agnes Pritchard
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Mr Paul McSweeney
Mr Colin & Mrs Joceyln Mead
Ms Gina Mifsud
Mr John Mikuz
Mrs Emma Miller
Mrs Pamela Miller
Ms Marlene Mogford
Family of the Late Rosalie Mordech
Mr Robert Muirhead
Mr Baillieu Myer AC & Mrs Sarah Myer
Prof Harvey Newnham
Mrs Ha Ngo
Nguyen Family
Mr Phu Nguyen
Miss Namphuong Nguyen
Mr Mustafa Oksuz
Mrs Dianne Pantela
Mr Russell Peters
Mrs Dianna Perry
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The Late Ms Clare Sendapperuma
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Manyin Wang
Mr B.J. Waters
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AIA Construction
AIME Charity Trust
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Associazione Padovani Nel Mundo
Australasian Helenic Educational Progressive Association (AHEPA)
Australian Chinese Events Committee (ACEC)
Mr Timothy Barrett & Mrs Catherine Barrett
Liqin Chen
Chinese Masonic Society
Ms Teresa Chung
Mr Josh Davis
Mr Nick Dileo
Discovery International
DISHA — The Direction to Hope
Huichao Du
Family & Friends of Kyriakos Gerohristodoulou
Family & Friends of Gail Leask
Family & Friends of Shane Lewis
Dr Sarah Farrand
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Feed the Frontline Aus
Mr Russell Hitchcock
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Mrs Melissa Chen/Mills Kitchen
Mernda Primary School
MNC Spartan Team
Nghe Dieu Que
NSW Federation of Chinese Organisations
Oceania Federation of Chinese Organisations SA Division
Oceania Federation of Chinese Organisations VIC Division
Orestias The Victorian Association of Argos
Otway Districts Football Club
Pho Bo Ga Mekong Vietnam (Vic) P/L
Mr Deane Reynolds & Mrs Maxine Quinlan
Rotary Club of Brighton North
Mrs Sara Taji
See Yup Society
Shepparton Magistrates' Court
Shenzhen Association
St Georges Road Primary School
The Glen Asian Grocery
The Ky Enterprises Pty Ltd
The Rangers Inc.
Ms Thea Thomas
Tai The Tran
Mr William Tsang
Wing Cheong Enterprises P/L
Ci Zhang
Ms Shirley Zhu

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Ms Audrey Cheah
Mrs Barbara Haynes OAM
Mrs Diana Frew
Mrs Joan Montgomery AM, OBE
Mrs Marian Lawrence
Mrs Susan Sherson
Mr & Mrs Weickhardt

Occupational health, safety and wellbeing

During 2019/20 The Royal Melbourne Hospital 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 all WorkCover claims from manual handling injuries. To address this, The RMH has adopted a comprehensive Manual Handling Strategy 2020–2022.

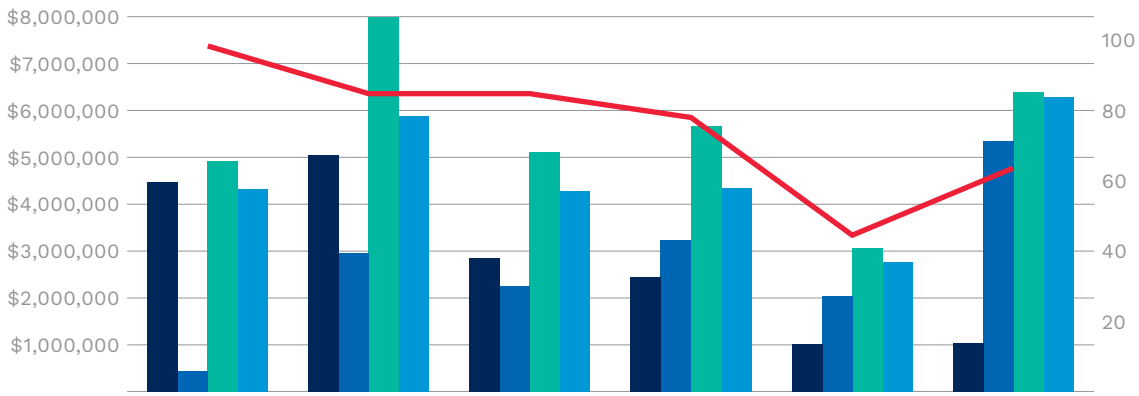
Our Wellbeing and Safety team has supported staff who have experienced traumatic events, providing psychological first aid and referral for ongoing debriefing and support through avenues such as our Peer Support and Employee Assistance programs.

In response to COVID, a staff wellbeing support line was established in March. The service has also been used to reach out to furloughed and COVID positive staff with support.

Occupational Violence and Aggression (OVA) continues to be a significant issue across the healthcare sector. The RMH established an OVA Nurse Consultancy service in April to advise and increase clinical capacity to manage patients exhibiting behaviours of concern. The RMH OVA committee continues to monitor the OVA strategy and this service will be evaluated in partnership with The University of Melbourne.

Our Wellbeing and Safety team has also implemented divisional OHS action plans and trained managers to improve their knowledge of health and safety. This training is continuing with an emphasis on wellbeing and safety.

Claims and Costs by Premium Period



	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Paid	$4,459,085	$5,035,833	$2,851,061	$2,438,909	$1,020,024	$1,024,654
Estimates	$444,772	$2,949,854	$2,255,203	$3,220,057	$2,042,336	$5,348,155
Incurred	$4,903,857	$7,985,687	$5,106,264	$5,658,966	$3,062,360	$6,372,809
Premium cost	$4,319,309	$5,870,090	$4,273,187	$4,343,293	$2,759,607	$6,282,696
Standard claims	98	85	86	78	44	64

Occupational Health and Safety statistics	2019/20	2018/19	2017/18
The number of reported hazards/ incidents for the year per 100 FTE	33.4	31.0	26.26
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	0.86	0.59	1.1
The average cost per WorkCover claim for the year ('000)	$83,565	$46,417	$41,283

Occupational violence statistics 2019/20*	2019/20
Workcover accepted claims with an occupational violence cause per 100 FTE	0.13
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.83
Number of occupational violence incidents reported	1,160
Number of occupational violence incidents reported per 100 FTE	15.6
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0.86%

Workforce information

The Royal Melbourne Hospital is an equal opportunity employer, committed to providing a safe workplace that is free of harassment or discrimination. Employees are committed to our values as the principles of employment and conduct.

The following table discloses the full-time equivalent (FTE) of all active employees of The Royal Melbourne Hospital as at June 2020 and year to date (YTD), with 2019 data shown for comparative purposes.

Labour category	June current month FTE		Average monthly FTE	
	2019	2020	2019	2020
Nursing	2,903	3,017	2,805	2,926
Administration and Clerical	1,155	1,204	1,112	1,183
Medical Support	882	906	858	893
Hotel and Allied Services	545	568	548	546
Medical Officers	139	150	139	147
Hospital Medical Officers	621	648	580	618
Sessional Clinicians	233	244	228	238
Ancillary Staff (Allied Health)	674	695	650	684
Total FTE	**7,152**	**7,431**	**6,920**	**7,235**

***Definitions of occupational violence**

Occupational violence
— any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.

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

Accepted WorkCover claims
— accepted WorkCover claims that were lodged in 2019/20.

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

The Royal Melbourne Hospital is committed to partnering with and empowering our patients, consumer 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, valuable and challenging 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 they are supporting.

A Partnering with Consumers education package, incorporating principles of inclusive practice and person centre care, is mandatory for all RMH staff — both clinical and non-clinical. This learning tool draws particular attention to the needs of carers and families, encouraging all opportunities for these partnerships to occur.

The RMH reports on how we engage with patients, consumers, their families and carers in the annual Quality Account available at **thermh.org.au**

Safe Patient Care Act 2015

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

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 The Royal Melbourne Hospital under the *Freedom of Information Act 1982* were processed in accordance with that Act. The Royal Melbourne Hospital provides a report on these requests to the Victorian Information Commissioner.

For more information, or to make an application, contact us via:

Postal application
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
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. 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. Smaller number of requests also came from media and government organisations.

Freedom of Information applications (2019/20)

Received during the year	3,373
In progress at the start of the year	217
Granted in full	2,823
Denied in part	204
Denied in full	3
Withdrawn/not proceeded with	65
In progress	105
Transferred to another service	8
Transferred from another service	18
No record*	26

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

Public Interest Disclosure Act 2012

The Royal Melbourne Hospital is committed to extend the protections under the *Public Interest 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 Royal Melbourne Hospital intranet site and to the public at **thermh.org.au**

Building Act 1993

As required under the *Building Act 1993*, The Royal Melbourne Hospital 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, the Royal Melbourne Hospital capital works also seek compliance with other regulatory bodies and codes, such as the Australasian Health Facility Guidelines, the Victorian Department of Health and Human Services Fire Risk Management Guidelines, *Disability Discrimination Act* regulations, and the Victorian Building Authority.

Registered Building Practitioners have been involved with all new building works projects and were supervised by either the relevant construction manager in liaison with the Royal Melbourne Hospital Capital Projects Department and/or independent project managers. Each building practitioner has supplied the required Building Registration Number.

Building contractors include:

- Alchemy
- Kane Constructions
- MAW Building and Maintenance
- Built
- Plan Group

National Competition Policy

The Royal Melbourne Hospital 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 The RMH from 1 July 2000 for all relevant business activities.

Local Jobs Act 2003

The Royal Melbourne Hospital 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, The Royal Melbourne Hospital applies LJF specific evaluation criteria. This criteria assesses:

- level of local content;
- employment and engagement of apprentices, trainees and cadets; and
- 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, The Royal Melbourne Hospital commenced one standard metropolitan based contract with a total value of $4 million for which the LJF policy applied and zero strategic projects.

The single standard project was registered with the Industry Capability Network (ICN) and was 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:

- Outsourcing of Radiology Reporting

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; and
- 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.

Car parking fees

The Royal Melbourne Hospital 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**

Environmental performance

In the 2019/20 Statement of Priorities, we pledged to develop a new Environmental Sustainability Strategy and to progress implementation.

A five year action plan was developed with staff leads, implementation timeframes were established and responsibilities for agreed actions were assigned. The new Environmental Sustainability Strategy 2020–25 was approved by the Executive Committee and the Board in October 2019.

RMH Anaesthetists led an initiative to reduce greenhouse gas emissions and costs from the use of anaesthetic gases, desflurane and sevoflurane, which are two similar anaesthetic gases with very different environmental impacts. They found desflurane is extremely emission-intensive and costly compared to sevoflurane and the initiative led to the substitution of sevoflurane with desflurane, when medically possible. The initial data shows an annual reduction of 100tCO2e and financial savings of close to $70,000 per annum.

Other highlights in 2019/20 include a reduction in water consumption, reduction in overall waste generation and increased recycling rates.

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

Information and communication technology (ICT) expenditure

The total ICT expenditure incurred during 2019/20 is $65.84m (excluding GST) with the details shown below:

Business as Usual (BAU) ICT expenditure	**Non Business as Usual (non BAU) ICT expenditure**		
Total	Total=Operational expenditure and Capital expenditure	Operational expenditure	Capital expenditure
$18.26m	**$47.58m**	**$0m**	**$47.58m**

Consultancies information

Details of consultancies (under $10,000)

In 2019/20, there were no consultancies where the total fees payable to the consultants were less than $10,000.

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

In 2019/20, there were three consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2019/20 in relation to these consultancies is $125,668.73 (excluding GST). Details are provided in the below table:

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee $'000 (excluding GST)	Expenditure 2019/20 $'000 (excluding GST)	Future expenditure $'000 (excluding GST)
Aspex Consulting Pty Ltd	NorthWestern Mental Health Service Planning Forecast Review and Scenario Modelling	01/07/2019	30/06/2020	37	37	—
Michael C Rhook	DHHS and Mental Health Project — Melbourne Health Aged Care Service Plan	01/07/2019	30/06/2020	50	50	—
Loss Prevention Group of Australia	Security Review	15/01/2020	11/03/2020	39	39	—

Additional information available on request

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

a) Declarations of pecuniary interests have been duly completed by all relevant officers;

b) Details of shares held by senior officers as nominee or held beneficially;

c) Details of publications produced by The Royal Melbourne Hospital about itself, and how these can be obtained;

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

e) Details of any major external reviews carried out on The Royal Melbourne Hospital;

f) Details of major research and development activities undertaken by The Royal Melbourne Hospital that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;

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 by The Royal Melbourne Hospital to develop community awareness of The Royal Melbourne Hospital 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 Royal Melbourne Hospital 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 The Royal Melbourne Hospital, the purposes of each committee and the extent to which those purposes have been achieved;

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

Key financial and service performance reporting

Financial summary

The key financial performance measure monitored by the Department of Health and Humans Services and The Royal Melbourne Hospital Management is the *Operating result*. The Royal Melbourne Hospital achieved a surplus *Operating result* of $0.1m in 2019/20 which is in line with the Statement of Priorities breakeven target.

Demand for services continued to grow in the first six months of the year and the organisation was able to manage this demand through a combination of additional funding and ongoing productivity improvements.

The Royal Melbourne Hospital's operations were, however, significantly impacted by COVID-19 pandemic in the second half of the financial year.

The Department of Health and Human Services provided additional grant revenue to support The Royal Melbourne's ability to respond to the pandemic. This response included the establishment of dedicated screening clinics, coronavirus wards, increased telehealth consultations, additional personal protective equipment, testing and research, and also support for staff impacted by the virus.

As a result of all the factors, revenue increased by $92.8m (7%) and supported the small surplus position of $0.1m.

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Operating Result*	**0.08**	**0.05**	**0.04**	**0.05**	**2.66**
Total Revenue	1,445.5	1,352.7	1,230.3	1,116.5	1,046.7
Total Expenses	1,452.4	1,313.2	1,205.9	1,132.1	1,067.5
Net Result from transactions	**(6.8)**	**39.5**	**24.4**	**(15.6)**	**(20.8)**
Other Economic Flows	(16.2)	(28.3)	(4.6)	2.9	(5.3)
Net Result	**(23.0)**	**11.3**	**19.8**	**(12.7)**	**(26.2)**
Total Assets	1,321.8	1,275.8	1,004.7	881.1	849.6
Total Liabilities	521.9	430.0	380.7	340.8	298.6
Net Assets/Total equity	**799.9**	**845.7**	**623.9**	**540.3**	**551.0**

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

Reconciliation between the Net result reported in the Comprehensive Operating Statement to the *Operating result* as agreed in the Statement of Priorities

	2019/20 $m
Operating Result	**0.1**
Capital purpose income	111.3
COVID 19 State Supply Arrangements	
— Assets received free of charge or for nil consideration under the State Supply Arrangements	2.9
— State supply items consumed up to 30 June 2020	(2.8)
Other assets received free of charge or for nil consideration	0.0
Expenditure for capital purposes	(37.7)
Depreciation and amortisation	(80.1)
Finance costs	(1.1)
Specific expense	(0.5)
Net Gain/(Loss) on Non-Financial Assets	0.0
Net Gain/(Loss) on Financial Instruments at Fair Value	(7.6)
Other Gains/(Losses) from Other Economic Flows	(8.7)
Revenue/(expenses) from jointly controlled operations	1.0
Net Result	**(23.0)**

Statement of priorities

The Statement of Priorities is the key accountability agreement between The Royal Melbourne Hospital 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 2019/20

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.	Reduce state-wide risks Build Healthy Neighbourhoods Help people to stay healthy Target health gaps	Complete a review of the health needs of those without a fixed address presenting to Royal Melbourne Hospital (RMH) Emergency Department and develop resources to improve health outcomes and staff awareness of referral pathways.	**Achieved** Health needs assessment completed. In response to COVID-19 further programs were established to meet the needs of patients with no fixed address.
		Partner with the Victorian Aboriginal Health Service to conduct research on factors that affect the skin health outcomes for indigenous people.	**Achieved** Research completed and further Telehealth services are planned for this population.
Better Access			
Care is always being there when people need it. Better access to care in the home and community. People are connected to the full range of care and support they need. Equal access to care.	Plan and invest Unlock innovation Provide easier access Ensure fair access	Implement the new model of a combined Rehabilitation and GEM in the Home as part of the RMH@Home program.	**Achieved**
		Deliver Stage 2 of the Electronic Medical Record — Connecting Care project with our partners across the four Parkville Health Services.	**Achieved** Launched 8 August 2020, delayed as a result of COVID-19.

Goals	Strategies	Health Service Deliverables	Outcomes
Better Care			
Targeting zero avoidable harm. Healthcare that focusses on outcomes. Patients and carers are active partners in care. Care fits together around people's needs.	Put quality first Join up care Partner with patients Strengthen the workforce Embed evidence Ensure equal care	Co-design of the EMR patient portal with patients and consumers as active partners in care.	**Achieved**
		Develop and implement tools and processes for assessment and intervention of patients presented with challenging behaviours in acute medical units.	**Achieved**
Specific Priorities			
Supporting the Mental Health System	Improve service access to mental health treatment to address the physical and mental health needs of consumers.	Implement elements of the Equally Well: Victorian Physical Health Framework to support or reduce smoking for consumers.	**Achieved**
Addressing Occupational Violence	Foster an organisational wide occupational health and safety risk management approach, including identifying security risks and implementing controls, with a focus on prevention and improved reporting and consultation. Implement the department's security training principles to address identified security risks.	Evaluate the effectiveness of key initiatives of the occupational violence work plan including; security rounding and staff training in leading responses to clinical aggression including Code Black.	**Achieved** Role of security guards and number of security staffing revised. Staff training for Code Black up-to-date.

Part A: Strategic priorities for 2019/20 (continued)

Goals	Strategies	Health Service Deliverables	Outcomes
Specific Priorities			
Addressing Bullying and Harassment	Actively promote positive workplace behaviours, encourage reporting and action on all reports.	Launch The Melbourne Way leadership framework.	**Achieved** Launched with the new Purpose, Values and Community Promise.
	Implement the department's *Framework for promoting a positive workplace culture: preventing bullying, harassment and discrimination and Workplace culture and bullying, harassment and discrimination training: guiding principles for Victorian health services.*	Roll out the Raise the Bar initiative to each Divisional Leadership team on expected workplace behaviours and actions to live The Royal Melbourne Hospital/Public Sector Values.	**Achieved** Delivered to all leadership team members.
Supporting Vulnerable Patients	Partner with patients to develop strategies that build capability within the organisation to address the health needs of communities and consumers at risk of poor access to health care.	Develop a community-led plan in response to the LGBTIQ+ community social media survey to create more inclusive services for LGBTIQ+ patients and visitors.	**Achieved** Formally launched at the Midsumma Carnival.
Supporting Aboriginal Cultural Safety	Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices across all parts of the organisation to recognise and respect Aboriginal culture and deliver services that meet the needs, expectations and rights of Aboriginal patients, their families, and Aboriginal staff.	Submit the Reconciliation Action Plan (RAP).	**Achieved** RAP conditionally endorsed by Reconciliation Australia.
		Undertake an Aboriginal and Torres Strait Islander health needs analysis and develop an action plan that includes planning and evaluating processes that ensure the cultural needs of Aboriginal people are addressed (in line with the Improving Care for Aboriginal Patients program).	**Achieved** Health needs analysis completed and action plan aligned to the RAP.

Goals	Strategies	Health Service Deliverables	Outcomes
Specific Priorities			
Addressing Family Violence	Strengthen responses to family violence in line with the Multiagency Risk Assessment and Risk Management Framework (MARAM) and assist the government in understanding workforce capabilities by championing participation in the census of workforces that intersect with family violence.	Embed family violence screening questions into the build of the Electronic Medical Record.	**Achieved**
		Embed the SHRFV whole-of-hospital model for identifying and responding to patients who experience family violence.	**Achieved**
Implementing Disability Action Plans	Continue to build upon last year's action by ensuring implementation and embedding of a disability action plan which seeks to reduce barriers, promote inclusion and change attitudes and practices to improve the quality of care and employment opportunities for people with disability.	Partner with the Community Advisory Committee to create a more inclusive experience at mealtimes; reducing barriers to mealtime by assisting with setup and menu food packaging in response to consumer feedback.	**Achieved**
Supporting Environmental Sustainability	Contribute to improving the environmental sustainability of the health system by identifying and implementing projects and/or processes to reduce carbon emissions.	Develop an Environmental Sustainability Strategy and progress implementation to meet our emissions reduction pledge.	**Achieved**

Part B: Key performance indicators

High quality and safe care

Key performance indicator	Target	2019/20 result
Accreditation		
Compliance with the Commonwealth's Aged Care Accreditation Standards	Full compliance	**Achieved**
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	**85%**
Percentage of healthcare workers immunised for influenza	84%	**90%**
Patient experience		
Victorian Healthcare Experience Survey — positive patient experience — Quarter 1	95% positive experience	**87%**
Victorian Healthcare Experience Survey — positive patient experience — Quarter 2	95% positive experience	**93%**
Victorian Healthcare Experience Survey — positive patient experience — Quarter 3	95% positive experience	**90%**
Victorian Healthcare Experience Survey — discharge care — Quarter 1	75% very positive experience	**66%**
Victorian Healthcare Experience Survey — discharge care — Quarter 2	75% very positive experience	**80%**
Victorian Healthcare Experience Survey — discharge care — Quarter 3	75% very positive experience	**67%**
Victorian Healthcare Experience Survey — patients perception of cleanliness — Quarter 1	70%	**52%**
Victorian Healthcare Experience Survey — patients perception of cleanliness — Quarter 2	70%	**70%**
Victorian Healthcare Experience Survey — patients perception of cleanliness — Quarter 3	70%	**64%**
Healthcare associated infections (HAI's)		
Number of patients with surgical site infection	No outliers	**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	**Not 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% *n/a — less than 50 cases for re-admissions, below reporting threshold.	≤ 2.5%	***n/a**
Mental health		
Percentage of adult acute mental health inpatients who are readmitted within 28 days of discharge	14%	**13%**
Rate of seclusion events relating to a mental health acute admission — all age groups	≤ 15/1,000	**11/1,000**
Rate of seclusion events relating to a child and adolescent acute mental health admission	≤ 15/1,000	**4/1,000**
Rate of seclusion events relating to an adult acute mental health admission	≤ 15/1,000	**16/1,000**
Rate of seclusion events relating to an aged acute mental health admission	≤ 15/1,000	**1/1,000**
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	80%	**86%**
Percentage of adult acute mental health inpatients who have a post-discharge follow-up within seven days	80%	**89%**
Percentage of aged acute mental health inpatients who have a post-discharge follow-up within seven days	80%	**97%**

Key performance indicator	Target	2019/20 result
Continuing care		
Functional independence gain from an episode of rehabilitation admission to discharge relative to length of stay	≥ 0.645	**0.72**

[1]SAB is Staphylococcus Aureus Bacteraemia

Strong governance, leadership and culture

Key performance indicator	Target	2019/20 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%	**95%**
People matter survey — percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area"	80%	**95%**
People matter survey — percentage of staff with a positive response to the question, "My suggestions about patient safety would be acted upon if I expressed them to my manager"	80%	**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%	**92%**
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%	**86%**
People matter survey — percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised"	80%	**87%**
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%	**92%**

Timely access to care

Key performance indicator	Target	2019/20 result
Emergency care		
Percentage of patients transferred from ambulance to emergency department within 40 minutes	90%	**74%**
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%	**60%**
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	**69%**
Number of patients with a length of stay in the emergency department greater than 24 hours	0	**1**

Part B: Key performance indicators (continued)

Key performance indicator	Target	2019/20 result
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	**41%**
Number of patients on the elective surgery waiting list[2]	3,600	**3,214**
Number of hospital initiated postponements per 100 scheduled elective surgery admissions	≤ 7%	**5.2%**
Number of patients admitted from the elective surgery waiting list	8,550	**8,435**
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	**99%**
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	**98%**

[2]The target shown is the number of patients on the elective surgery waiting list as at 30 June 2020.

Effective financial management

Key performance indicator	Target	2019/20 result
Finance		
Operating result ($m)	0.0	**0.1**
Average number of days to paying trade creditors	60 days	**32**
Average number of days to receiving patient fee debtors	60 days	**54**
Public and Private WIES[3] activity performance to target	100%	**97.3%**
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	**0.6**
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	14 days	**3**
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	**Not met**
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June	Variance ≤ 250,000	**$17.4m**

[3]WIES is a Weighted Inlier Equivalent Separation.

Part C: Activity and funding

Funding Type	Activity YTD ($'000)
Acute Admitted	
Acute WIES	**$428,210**
WIES DVA	**$1,946**
WIES TAC	**$34,719**
Acute Non-Admitted	
Home Enteral Nutrition	**$200**
Home Renal Dialysis	**$6,143**
Specialist Clinics	**$44,169**
Total Perinatal Nutrition	**$1,166**
Subacute and Non-Acute Admitted	
Subacute WIES — Rehabilitation Public	**$8,085**
Subacute WIES — Rehabilitation Private	**$1,847**
Subacute WIES — GEM Public	**$21,775**
Subacute WIES — GEM Private	**$2,037**
Subacute WIES — Palliative Care Public	**$2,233**
Subacute WIES — Palliative Care Private	**$459**
Subacute WIES — DVA	**$455**
Transition Care — Bed days	**$1,661**
Transition Care — Home days	**$717**
Subacute Admitted Other	**$742**
Subacute Non-Admitted	
Health Independence Program — Public	**$24,629**
Aged Care	
Residential Aged Care	**$2,621**
Mental Health and Drug Services	
Mental Health Ambulatory	**$130,223**
Mental Health Inpatient — Available bed days	**$75,668**
Mental Health Inpatient — Secure Unit	**$5,509**
Mental Health Residential	**$2,191**
Mental Health Service System Capacity	**$2,186**
Mental Health Subacute	**$21,152**
Primary Health	
Community Health / Primary Care Programs	**$3,460**

Attestations

Financial Management Compliance

I, Linda Bardo Nicholls, AO, on behalf of the Board, certify that Melbourne Health has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

Linda Bardo Nicholls AO
Board Chair

Melbourne
21 August 2020

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 2020.

Linda Bardo Nicholls AO
Board Chair

Melbourne
21 August 2020

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 AO
Chief Executive

Melbourne
21 August 2020

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 AO
Chief Executive

Melbourne
21 August 2020

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 AO
Chief Executive

Melbourne
21 August 2020

Disclosure index

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

Legislation	Requirement	Page Reference
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
FRD 22H	Nature and range of services provided	6
FRD 22H	Activities, programs and achievements for the reporting period	2–11
FRD 22H	Significant changes in key initiatives and expectations for the future	2–11
Management and structure		
FRD 22H	Organisational structure	12–13
FRD 22H	Workforce data/ employment and conduct principles	17
FRD 22H	Occupational Health and Safety	16–17
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	25–33
FRD 22H	Subsequent events	97
FRD 22H	Details of consultancies under $10,000	22
FRD 22H	Details of consultancies over $10,000	22
FRD 22H	Disclosure of ICT expenditure	21
Legislation		
FRD 22H	Application and operation of *Freedom of Information Act 1982*	18–19
FRD 22H	Compliance with building and maintenance provisions of *Building Act 1993*	19
FRD 22H	Application and operation of *Public Interest Disclosure Act 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	23
Other relevant reporting directives		
FRD 25D	*Local Jobs First Act* disclosures	20
SD 5.1.4	Financial Management Compliance attestation	34
SD 5.2.3	Declaration in report of operations	3
Attestations		
Attestation on Data Integrity		34
Attestation on managing Conflicts of Interest		34
Attestation on Integrity, Fraud and Corruption		34
Other reporting requirements		
Reporting of outcomes from Statement of Priorities 2019/20		26–33
Occupational Violence reporting		17
Reporting obligations under the *Safe Patient Care Act 2015*		18
Reporting of compliance regarding Car Parking Fees (if applicable)		21

Financial statements

Declarations

Melbourne Health Board Member's, Accountable Officer's and Chief Finance and 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 2020 and the financial position of Melbourne Health at 30 June 2020.

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.

Linda Bardo Nicholls AO
Board Chair

Melbourne
11 September 2020

Professor Christine Kilpatrick AO
Chief Executive

Melbourne
11 September 2020

Paul Urquhart
Executive Director
Finance and Logistics

Melbourne
11 September 2020

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 2020 • 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 2020 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.
Key audit matters	Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I have determined that there are no matters that required my significant auditor attention and accordingly there are no key audit matters that I am required to communicate in my report.
Board's responsibilities for the financial report	The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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

Other Information	The Board of the health service is responsible for the Other Information, which comprises the information in the health service's annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.
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.
Auditor's responsibilities for the audit of the financial report (continued)	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
16 September 2020

Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement

For the Financial Year Ended 30 June 2020

	Note	Total 2020 $'000	Total 2019 $'000
Income from Transactions			
Operating Activities	2.1	1,411,253	1,315,470
Non-Operating Activities	2.1	6,014	8,403
Revenue from Inter Hospital Inventory Sale	2.1	28,238	28,840
Total Income from Transactions		**1,445,505**	**1,352,713**
Expenses from Transactions			
Employee Expenses	3.1	(987,508)	(913,119)
Supplies and Consumables	3.1	(186,227)	(179,322)
Finance Costs	3.1	(1,087)	(7)
Other Administrative Expenses	3.1	(70,426)	(63,089)
Other Operating Expenses	3.1	(98,351)	(77,309)
Depreciation and Amortisation	3.1, 4.4	(80,062)	(51,481)
Expenses from Inter Hospital Inventory Purchase	3.1	(28,238)	(28,840)
Other Non-Operating Expenses	3.1	(452)	-
Total Expenses from Transactions		**(1,452,351)**	**(1,313,167)**
Net Result from Transactions		**(6,846)**	**39,546**
Other Economic Flows Included in Net Result			
Net Gain/(Loss) on Non-Financial Assets	3.2	36	394
Net Gain/(Loss) on Financial Instruments at Fair Value	3.2	(7,565)	(9,047)
Other Gains/(Losses) from Other Economic Flows	3.2	(8,666)	(19,612)
Total Other Economic Flows Included in Net Result		**(16,195)**	**(28,265)**
NET RESULT FOR THE YEAR		**(23,041)**	**11,281**
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Changes in Property, Plant and Equipment Revaluation Surplus	4.2(b)	-	210,282
Total Other Comprehensive Income		**-**	**210,282**
COMPREHENSIVE RESULT FOR THE YEAR		**(23,041)**	**221,563**

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

Balance Sheet

As at 30 June 2020

	Note	Total 2020 $'000	Total 2019 $'000
Current Assets			
Cash and Cash Equivalents	6.2	96,656	74,342
Receivables	5.1	51,978	89,495
Inventories	4.5	10,099	8,947
Prepayments and Other Assets		14,584	5,475
Total Current Assets		**173,317**	**178,259**
Non-Current Assets			
Receivables	5.1	44,434	37,364
Investments and Other Financial Assets	4.1	2	2
Property, Plant and Equipment	4.2 (a)	1,061,838	986,750
Intangible Assets	4.3	42,233	27,095
Prepayments and Other Assets		-	46,309
Total Non-Current Assets		**1,148,507**	**1,097,520**
TOTAL ASSETS		**1,321,824**	**1,275,779**
Current Liabilities			
Payables and Contract Liabilities	5.2	138,578	158,579
Borrowings	6.1	46,073	1,837
Employee Benefits	3.4	241,863	215,841
Other Liabilities	5.3	6,328	4,247
Total Current Liabilities		**432,842**	**380,504**
Non-Current Liabilities			
Borrowings	6.1	36,034	4,160
Employee Benefits	3.4	53,065	45,383
Total Non-Current Liabilities		**89,099**	**49,543**
TOTAL LIABILITIES		**521,941**	**430,047**
NET ASSETS		**799,883**	**845,732**
EQUITY			
Property, Plant and Equipment Revaluation Surplus	4.2 (f)	606,734	606,734
Restricted Specific Purpose Surplus	SCE	1,065	212
Contributed Capital	SCE	374,204	373,744
Accumulated Surpluses/(Deficits)	SCE	(182,120)	(134,958)
TOTAL EQUITY		**799,883**	**845,732**

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

Statement of Changes in Equity

For the Financial Year Ended 30 June 2020

	Note	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 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
Capital Contribution by State Government		-	-	250	-	250
Transfer from/(to) accumulated surplus		-	(357)	-	357	-
Balance at 30 June 2019		**606,734**	**212**	**373,744**	**(134,958)**	**845,732**
Effect of adoption of AASB 15, 16 and 1058	**8.10**				**(23,268)**	**(23,268)**
Restated balance at 1 July 2019		**606,734**	**212**	**373,744**	**(158,226)**	**822,464**
Net result for the year		-	-	-	(23,041)	(23,041)
Other comprehensive income for the year		-	-	-	-	-
Capital Contribution by State Government		-	-	460	-	460
Transfer from/(to) accumulated surplus		-	853	-	(853)	-
Balance at 30 June 2020		**606,734**	**1,065**	**374,204**	**(182,120)**	**799,883**

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

Cash Flow Statement

For the Financial Year Ended 30 June 2020

	Note	Total 2020 $'000	Total 2019 $'000
Cash Flows from Operating Activities			
Operating Grants from Government		1,081,865	939,162
Capital Grants from Government		81,676	58,442
Patient and Resident Fees Received		51,094	57,333
Private Practice Fees Received		31,292	35,772
Donations and Bequests Received		9,473	5,480
GST Received from/(paid to) ATO		41,372	41,057
Interest Received		1,483	2,283
Other Capital Receipts		132	3,958
External Recoveries		36,319	32,641
Other Receipts		184,946	161,143
Total Receipts		***1,519,652***	***1,337,271***
Employee Expenses Paid		(974,339)	(886,427)
Payments for Supplies and Consumables		(213,934)	(209,117)
Payments for Medical Indemnity Insurance		(8,991)	(8,629)
Payments for Repairs and Maintenance		(26,112)	(22,720)
Finance Costs		(1,087)	(7)
Other Payments		(231,357)	(165,640)
Total Payments		***(1,455,820)***	***(1,292,540)***
Net Cash Flows from/(used in) Operating Activities	8.1	**63,832**	**44,731**
Cash Flows from Investing Activities			
Purchase of Non-Financial Assets		(77,929)	(81,070)
Purchase of Investments		-	(1)
Proceeds from Disposal of Non-Financial Assets		268	2,005
Net Cash Flows from/(used in) Investing Activities		**(77,661)**	**(79,066)**
Cash Flows from Financing Activities			
Proceeds from Borrowings		40,160	1,250
Repayment of Borrowings		(6,552)	(1,627)
Receipt of Accommodation Deposits		3,372	2,028
Repayment of Accommodation Deposits		(1,297)	(669)
Contributed Capital from Government		460	-
Net Cash Flows from/(used in) Financing Activities		**36,143**	**982**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		**22,314**	**(33,353)**
Cash and Cash Equivalents at Beginning of Financial Year		**74,342**	**107,695**
Cash and Cash Equivalents at End of Financial Year	6.2	**96,656**	**74,342**

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 2020. 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 11th September 2020.

(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 2020 and the comparative information presented in these financial statements for the year ended 30 June 2019.

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).

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus pandemic, known as COVID-19. A state of disaster was subsequently declared on 02 August 2020.

To contain the spread of the virus and to prioritise the health and safety of our communities, various restrictions have been announced and implemented by the state government, which in turn has impacted the manner in which businesses operate, including Melbourne Health.

In response, Melbourne Health placed restrictions on non-essential visitors, implemented reduced visitor hours, deferred elective surgery and reduced activity, transferred inpatients to private health facilities, established dedicated screening clinics and coronavirus wards, increased telehealth consultations and implemented work from home arrangements where appropriate.

For further details refer to Note 2.1 Revenue and income that funds the delivery of our services and Note 4.2 Property, plant and equipment.

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 separately in the 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, Note 2.1(a) Income from transactions, Note 2.1(b) Fair value of assets and services received free of charge or for nominal consideration, Note 3.1 Expenses from transactions, Note 3.5 Superannuation, Note 4.2 (c) Property Plant and Equipment – Fair value measurement hierarchy for assets, Note 4.2 (d) Property Plant and Equipment – Reconciliation of Level 3 fair value measurement, Note 5.1 Receivables, Note 5.2 Payables, Note 6.2 Cash and cash equivalents and Note 7.1 Financial Instruments.

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 Revenue and income that funds the delivery of our services

Note 2.1: Revenue and Income that funds the delivery of our services

2.1 (a): Income from transactions

		Total 2020 $'000	Total 2019 $'000
Government Grants (State) - Operating[1]		1,010,141	922,477
Government Grants (Commonwealth) - Operating		46,175	43,738
Government Grants (State) - Capital[2]		93,651	87,148
Government Grants (Commonwealth) - Capital		220	240
Other Capital Purpose Income		17,422	16,304
Patient and Resident Fees		52,249	56,579
Private Practice Fees		34,146	38,305
Commercial Activities[3]		28,789	30,005
S&W Recoveries from External Organisations		26,884	23,674
Fair value of assets and services received free of charge or for nominal consideration	2.1 (b)	12,421	8,293
Other Revenue from Operating Activities		89,155	88,707
Total Income from Operating Activities		**1,411,253**	**1,315,470**
Other Interest		1,483	2,283
Dividends		-	7
Rental Income		4,531	6,113
Total Income from Non-Operating Activities		**6,014**	**8,403**
Revenue from Inter Hospital Inventory sale		28,238	28,840
Total Revenue from Inter Hospital Inventory Sale		**28,238**	**28,840**
Total Income from Transactions		**1,445,505**	**1,352,713**

[1] Government Grant (State) – Operating includes funding of $42.9m which was spent due to the impacts of COVID-19.

[2] In 2020 Government Grants (State) – Capital includes $22.4m (2019: $6.1m) grants received for Electronic Medical Record Project on behalf of other hospitals involved in the project.

[3] Commercial activities represent business activities which Melbourne Health enters into to support its operations.

Impact of COVID-19 on revenue and income

As indicated at Note 1, Melbourne Health's response to the pandemic included the deferral of elective surgeries and reduced activity. This resulted in Melbourne Health incurring lost revenue as well as direct and indirect COVID-19 costs. The Department of Health and Human Services provided funding which was spent due to COVID-19 impacts on Melbourne Health. Melbourne Health also received essential personal protective equipment free of charge under the state supply arrangement.

Income from Operating Activities

Government Grants

Income from capital grants to construct major assets (including Electronic Medical Records; Critical Infrastructure Upgrade, Major Medical Equipment purchases and other infrastructure developments) is recognised when (or as) Melbourne Health satisfies its obligations under the transfer. This aligns with Melbourne Health's obligation to construct the asset. The progressive percentage costs incurred is used to recognise income because this most closely reflects the construction's progress as costs are incurred as the works are done.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Melbourne Health has an unconditional right to receive the cash which usually coincides with receipt of cash. On initial recognition of the asset, Melbourne Health recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

a) contributions by owners, in accordance with AASB 1004;

b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;

c) a lease liability in accordance with AASB 16;

d) a financial instrument, in accordance with AASB 9; or

e) a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

As a result of the transitional impacts of adopting AASB 15 and AASB 1058, a portion of the grant revenue has been deferred. If the grant income is accounted for in accordance with AASB 15, the deferred grant revenue has been recognised in contract liabilities whereas grant revenue in relation to the construction of capital assets which Melbourne Health controls has been recognised in accordance with AASB 1058 and recognised as deferred grant revenue (see note 5.2).

If the grant revenue was accounted for under the previous accounting standard AASB 1004 in 2019-20, the total grant revenue received would have been recognised in full.

Performance obligations

The types of government grants recognised under AASB 15 *Revenue from Contracts with Customers* include Activity Based Funding (ABF) paid as WIES casemix.

The performance obligations for ABF are the number and mix of patients admitted to hospital (casemix) in accordance with levels of activity agreed to with the Department of Health and Human Services (DHHS) in the annual Statement of Priorities (SoP). Revenue is recognised when a patient is discharged and in accordance with the WIES activity for each separation. The performance obligations have been selected as they align with funding conditions set out in the Policy and funding guidelines issued by the DHHS.

Previous accounting policy for 30 June 2019

Other than ABF, all general purpose grants and specific purpose grants were recognised when Melbourne Health obtained control of the cash, in accordance to AASB 1004.

The following are transactions that Melbourne Health has determined to be classified as revenue from contracts with customers in accordance with AASB 15. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirement.

Patient and Resident Fees

The performance obligations related to patient fees are the delivery of healthcare services. These performance obligations have been selected as they align with the terms and conditions of the services provided. Revenue is recognised as these performance obligations are met.

Resident fees are recognised as revenue over time as Melbourne Health provides accommodation. This is calculated on a daily basis and invoiced monthly.

Private Practice Fees

The performance obligations related to private practice fees are the delivery of services provided under rights of private practice. These performance obligations have been selected as they align with the terms and conditions agreed with the private provider. Revenue is recognised as these performance obligations are met. Private practice fees include recoupments from the private practice for the use of hospital facilities. Where there is judgement around whether a performance obligation is met, Melbourne Health exercises judgement over whether performance obligations related to Private Practice Fees are met.

Commercial Activities

Income from commercial activities that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met. Income from commercial activities without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Melbourne Health gains control of the asset.

Other Revenue from Operating Activities

Other income is recognised as revenue when received. Other income includes research revenue and any other revenue that do not fall into the above categories.

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.

Property Rental Income

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.

Revenue from Inter Hospital Inventory Purchase

Revenue from Inter hospital Inventory Purchase represents income received from other hospitals for procurement services provided.

2.1 (b) Fair value of assets and services received free of charge or for nominal consideration

	Total 2020 $'000	Total 2019 $'000
Cash donations and gifts	9,473	5,497
Plant and equipment	11	3
Buildings at fair value	-	2,793
Assets received free of charge under state supply arrangements	2,937	-
Total fair value of assets and services received free of charge or for nominal consideration	**12,421**	**8,293**

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 as a capital contribution transfer. 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.

If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

In order to meet the State of Victoria's health network supply needs during the COVID-19 pandemic, arrangements were put in place to centralise the purchasing of essential personal protective equipment and essential capital items such as ventilators.

The general principles of the State Supply Arrangement were that Health Purchasing Victoria sourced, secured and agreed terms for the purchase of the products, funded by the Department of Health and Human Services, while Monash Health and the Department of Health and Human Services took delivery, and distributed the products to health services as resources provided free of charge.

2.1 (c) Operating lease commitments income

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Total 2020 $'000	Total 2019 $'000
Commitments in relation to leases receivable:		
Less than 1 year	791	2,721
Longer than 1 year but not longer than 5 years	1,472	326
5 years or more	11	12
Total Commitments Receivable (inclusive of GST)	**2,274**	**3,059**
Less GST payable to the Australian Tax Office	(207)	(278)
TOTAL COMMITMENTS RECEIVABLE (exclusive of GST)	**2,067**	**2,781**

All amounts shown in the commitments note are nominal amounts.

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
3.5 Superannuation

Note 3.1: Expenses from transactions

	Total 2020 $'000	Total 2019 $'000
Salaries and Wages	759,771	696,991
On-costs	197,610	184,487
Agency Expenses	16,301	18,654
Fee for Service Medical Officer Expenses	2,488	2,624
Workcover Premium	11,338	10,363
Total Employee Expenses	**987,508**	**913,119**
Drug Supplies	44,613	46,371
Medical and Surgical Supplies (including Prostheses)	84,784	81,702
Diagnostic and Radiology Supplies	25,972	21,450
Other Supplies and Consumables	30,858	29,799
Total Supplies and Consumables	**186,227**	**179,322**
Finance Costs	1,087	7
Total Finance Costs	**1,087**	**7**
Other Administrative Expenses	70,426	63,089
Total Other Administrative Expenses	**70,426**	**63,089**
Fuel, Light, Power and Water	12,054	11,656
Repairs and Maintenance	8,839	9,064
Maintenance Contracts	16,867	14,329
Medical Indemnity Insurance	8,991	8,629
Expenditure for Capital Purposes[1]	37,744	15,161
Other Operating Expenses	13,856	18,470
Total Other Operating Expenses	**98,351**	**77,309**
Depreciation and Amortisation (refer Note 4.4)	80,062	51,481
Total Depreciation and Amortisation	**80,062**	**51,481**
Expenses from Inter Hospital Inventory Purchase	28,238	28,840
Total Expenses from Inter Hospital Inventory Purchase	**28,238**	**28,840**
Specific expense	452	-
Total Other Non-Operating Expenses	**452**	**-**
Total Expenses from Transactions	**1,452,351**	**1,313,167**

[1] In 2020, Expenditure for Capital Purposes includes $22.4m (2019: $9.2m) expenditure for Electronic Medical Record Project incurred on behalf of other hospitals.

Impact of COVID-19 on expenses

As indicated at Note 1, Melbourne Health's daily activities were impacted by the pandemic. This resulted in direct and indirect costs being incurred, such as salaries and wages, pathology consumables, patient supplies, personal protective equipment and cleaning.

Expense Recognition

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

Employee expenses

Employee expenses include:

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

Supplies and consumables

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

Finance costs

Finance costs include:

- amortisation of discounts or premiums relating to borrowings;
- finance charges in respect of finance leases which are recognised in accordance with AASB 16 *Leases*.

Other Administrative Expenses

Other administrative expenses include expenses that are not recognised in any of the other categories.

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
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold of $1,000).

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.

Operating lease payments

Operating lease payments up until 30 June 2019 (including contingent rentals) were recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not in substance fixed) such as those based on performance or usage

of the underlying asset, are recognised in the Comprehensive Operating Statement in the period in which the event or condition that triggers those payments occur.

Expenses from Inter Hospital Inventory Purchase

Expenses from Inter hospital Inventory Purchase represents purchases made on behalf of other hospitals for procurement services provided to them.

Other Non-Operating Expenses

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

Note 3.2: Other economic flows included in net result

	Total 2020 $'000	Total 2019 $'000
Net gain/(loss) on disposal of property, plant and equipment	36	394
Total net gain/(loss) on non-financial assets	**36**	**394**
Allowance for impairment losses of contractual receivables	(7,731)	(9,049)
Net foreign exchange gain/(loss) arising from financial instruments	166	2
Total net gain/(loss) on financial instruments at fair value	**(7,565)**	**(9,047)**
Net gain/(loss) arising from revaluation of long service liability	(8,666)	(19,612)
Total other gains/(losses) from other economic flows	**(8,666)**	**(19,612)**
Total Gains/(Losses) from other economic flows	**(16,195)**	**(28,265)**

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 2020 $'000	Total 2019 $'000	Total 2020 $'000	Total 2019 $'000
Commercial Activities				
Car Park	1,807	1,953	7,592	7,729
Breastscreen Service	4,276	4,509	4,281	4,458
Mental Health Special Purpose Funds	3,470	3,231	4,040	3,802
Medical Special Purpose Funds	5,508	6,547	8,983	9,743
External Supply Agreements	28,238	28,840	28,238	28,840
Other	5,327	5,164	10,301	11,944
Total Commercial Activities	**48,626**	**50,244**	**63,435**	**66,516**
Other Activities				
Fundraising and Community Support	27,615	25,227	34,499	36,904
Research and Scholarship	18,062	16,882	20,076	18,592
Other	12,918	12,267	13,787	13,094
Total Other Activities	**58,595**	**54,376**	**68,362**	**68,590**
TOTAL	**107,221**	**104,620**	**131,797**	**135,106**

Note 3.4: Employee benefits

	Total 2020 $'000	Total 2019 $'000
Current Provisions		
Employee Benefits [i]		
Accrued Days Off		
- Unconditional and expected to be settled wholly within 12 months [ii]	2,415	2,379
- Unconditional and expected to be settled wholly after 12 months [iii]	-	-
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	50,937	55,712
- Unconditional and expected to be settled wholly after 12 months [iii]	23,157	9,368
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	14,912	13,992
- Unconditional and expected to be settled wholly after 12 months [iii]	125,500	111,911
Other Employee Benefits		
- Unconditional and expected to be settled wholly within 12 months [ii]	1,102	1,044
- Unconditional and expected to be settled wholly after 12 months [iii]	-	-
	218,023	**194,406**
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months [ii]	7,547	8,017
- Unconditional and expected to be settled after 12 months [iii]	16,293	13,418
	23,840	**21,435**
Total Current Provisions	**241,863**	**215,841**
Non-Current Provisions		
Conditional Long Service Leave	47,815	40,858
Provisions related to Employee Benefit On-Costs	5,250	4,525
Total Non-Current Provisions	**53,065**	**45,383**
Total Provisions	**294,928**	**261,224**

(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 2020 $'000	Total 2019 $'000
Current Employee Benefits and Related On-Costs		
Unconditional Long Service Leave Entitlements	155,830	139,846
Annual Leave Entitlements	82,135	72,198
Accrued Days Off	2,677	2,639
Substitution Leave	442	492
Four Clear Days	779	666
Total Current Employee Benefits and Related On-Costs	**241,863**	**215,841**
Non-Current Employee Benefits and Related On Costs		
Conditional Long Service Leave Entitlements	53,065	45,383
Total Non-Current Employee Benefits and Related On Costs	**53,065**	**45,383**
Total Employee Benefits and Related On-Costs	**294,928**	**261,224**

(b) Movement in On-Costs Provisions

	Total 2020 $'000	Total 2019 $'000
Balance at start of year	**25,960**	**21,228**
Additional provisions recognised	12,708	12,656
Unwinding of discount and effect of changes in the discount rate	976	1,979
Reduction due to transfer out	(10,554)	(9,903)
Balance at end of year	**29,090**	**25,960**

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of accrued days off, annual leave and long service leave for services rendered to the reporting date as an expense during the period 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Defined benefit plans[i]:						
Emergency Services and State Super (ESSSuper)	560	659	56	88	616	747
First State Super	476	535	62	82	538	617
Defined contribution plans:						
VicSuper	1,109	871	124	118	1,233	989
HESTA	18,506	15,882	1,941	2,091	20,447	17,973
First State Super	39,809	38,014	4,248	4,760	44,057	42,774
Other	7,856	5,264	866	686	8,722	5,950
TOTAL	**68,316**	**61,225**	**7,297**	**7,825**	**75,613**	**69,050**

[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

4.1 Investments and other financial assets
4.2 Property, plant and equipment
4.3 Intangible assets
4.4 Depreciation and amortisation
4.5 Inventories

Note 4.1: Investments and other financial assets

	Specific Purpose Fund		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
NON-CURRENT				
Shares	2	2	2	2
Total Non-Current	2	2	2	2
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**2**	**2**	**2**	**2**
Represented by:				
Jointly Controlled Operations Investments	2	2	2	2
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**2**	**2**	**2**	**2**

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 2020 $'000	Total 2019 $'000
Land		
Crown Land at Fair Value	221,149	221,149
Freehold Land at Fair Value	18,925	18,925
Right of use Land	9	-
Total Land	**240,083**	**240,074**
Buildings		
Buildings Under Construction at cost	55,806	53,892
Leasehold Improvements Under Construction at cost	2,374	2,809
Buildings at Fair Value	607,384	588,733
Less Accumulated Depreciation	(51,153)	-
Right of use Buildings	79,728	-
Less Accumulated Depreciation	(3,785)	-
Leasehold Improvements at cost	10,592	9,351
Less Accumulated Amortisation	(5,697)	(4,725)
Total Buildings	**695,249**	**650,060**
Plant and Equipment		
Plant and Equipment Work in Progress	5,698	6,028
Plant and Equipment at Fair Value	42,553	42,593
Less Accumulated Depreciation	(24,525)	(27,049)
Total Plant and Equipment	**23,726**	**21,572**
Right of use Plant, Equipment, Furniture and Fittings and Vehicles	9,285	-
Less Accumulated Depreciation	(2,580)	-
Total Right of use Plant, Equipment, Furniture and Fittings and Vehicles	**6,705**	**-**
Medical Equipment		
Medical Equipment Work in Progress	1,173	2,369
Medical Equipment at Fair Value	152,331	144,159
Less Accumulated Depreciation	(93,186)	(88,975)
Total Medical Equipment	**60,318**	**57,553**
Computer Equipment		
Computer Equipment Work in Progress	28,493	10,108
Computer Equipment at Fair Value	36,129	37,676
Less Accumulated Depreciation	(32,494)	(33,643)
Total Computer Equipment	**32,128**	**14,141**
Furniture and Fittings		
Furniture and Fittings Work in Progress	79	62
Furniture and Fittings at Fair Value	3,516	3,832
Less Accumulated Depreciation	(2,278)	(2,495)
Total Furniture and Fittings	**1,317**	**1,399**
Motor Vehicles		
Motor Vehicle Assets at Fair Value	862	1,067
Less Accumulated Depreciation	(501)	(364)
Leased Motor Vehicles	2,329	1,286
Less Accumulated Depreciation	(378)	(38)
Total Motor Vehicles	**2,312**	**1,951**
TOTAL PROPERTY, PLANT and EQUIPMENT	**1,061,838**	**986,750**

Note 4.2: Property, plant and equipment (continued)

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

	Note	Land $'000	Right of Use - Land $'000	Buildings $'000	Buildings WIP $'000	Buildings Imps L/Hold $'000	Right of Use - Buildings $'000	Plant and Equipment $'000	Medical Equipment $'000	Computer Equipment $'000	Furniture and Fittings $'000	Motor Vehicles $'000	Right of Use - PPE, F&F & MV $'000	Leased Motor Vehicles $'000	Total $'000
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 Received/(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	4.4	-	-	(29,591)	-	(822)	-	(2,468)	(10,511)	(4,082)	(249)	(272)	-	(38)	(48,033)
Balance at 30 June 2019	4.2 (a)	**240,074**	**-**	**588,733**	**53,892**	**7,435**	**-**	**21,572**	**57,553**	**14,141**	**1,399**	**703**	**-**	**1,248**	**986,750**
Recognition of right of use assets on initial application of AASB 16		-	9	-	-	-	79,583	-	-	-	-	-	9,181	-	88,773
Adjusted balance at 1 July 2019		**240,074**	**9**	**588,733**	**53,892**	**7,435**	**79,583**	**21,572**	**57,553**	**14,141**	**1,399**	**703**	**9,181**	**1,248**	**1,075,523**
Additions		-	-	18,697	1,947	780	145	4,696	13,999	21,456	161	14	104	1,065	63,064
Disposals		-	-	-	-	-	-	(6)	(47)	(10)	-	(150)	-	(19)	(232)
Net Transfers between Classes		-	-	(45)	(33)	28	-	(8)	18	37	7	-	-	-	4
Depreciation and Amortisation	4.4	-	-	(51,154)	-	(974)	(3,785)	(2,528)	(11,205)	(3,496)	(250)	(206)	(2,580)	(343)	(76,521)
Balance at 30 June 2020	4.2 (a)	**240,074**	**9**	**556,231**	**55,806**	**7,269**	**75,943**	**23,726**	**60,318**	**32,128**	**1,317**	**361**	**6,705**	**1,951**	**1,061,838**

Land and buildings carried at valuation

A 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 valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The effective date of the valuation for both land and buildings was 30 June 2019.

In compliance with FRD 103H, in the year ended 30 June 2020, Melbourne Health's management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria (VGV) indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data to March 2020, indicate an average increase for Melbourne Health of 7.5% across all land parcels and a 2.4% increase in buildings. As the accumulative movement was less than 10% for land and buildings no managerial revaluation was required at 30 June 2020.

Management regards the VGV indices to be a reliable and relevant data set to inform the basis of their estimates. Whilst these indices are applicable at 30 June 2020, the fair value of land and buildings will continue to be subjected to the impacts of COVID-19 in future accounting periods.

The land and building balances held by Melbourne Health are considered to be sensitive to declining market conditions. To trigger a managerial revaluation a decrease in the land index of 17.5% and a decrease in the building index of 12.4% would be required.

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

The initial cost for non-financial physical assets under a 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.

Right-of-use asset acquired by lessees (Under AASB 16 – Leases from 1 July 2019) – Initial measurement

Melbourne Health recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

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

Right-of-use asset – Subsequent measurement

Melbourne Health depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment, other than where the lease term is lower than the otherwise assigned useful life. The right-of-use assets are also subject to revaluation as required by FRD 103H however as at 30 June 2020 right-of-use assets have not been revalued.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

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 assessed to determine whether revaluation of the non-current physical assets was required.

Note 4.2: Property, plant and equipment (continued)

(c) Fair value measurement hierarchy for assets

	Note	Total Carrying amount as at 30 June 2020	Fair value measurement at end of reporting period using: Level 1 [i]	Level 2 [i]	Level 3 [i]
Non-specialised land		1,663	-	1,663	-
Specialised land		238,411	-	-	238,411
Total land at fair value	4.2 (a)	240,074	-	1,663	238,411
Non-specialised buildings		1,124	-	1,124	-
Specialised buildings		555,107	-	-	555,107
Total building at fair value	4.2 (a)	556,231	-	1,124	555,107
Plant and equipment at fair value		18,028	-	-	18,028
Total plant and equipment at fair value	4.2 (a)	18,028	-	-	18,028
Medical equipment at fair value		59,145	-	-	59,145
Total medical equipment at fair value	4.2 (a)	59,145	-	-	59,145
Computer equipment at fair value		3,635	-	-	3,635
Total computer equipment at fair value	4.2 (a)	3,635	-	-	3,635
Furniture and Fittings at fair value		1,238	-	-	1,238
Total furniture and fittings at fair value	4.2 (a)	1,238	-	-	1,238
Motor vehicles at fair value		361	-	-	361
Total motor vehicles at fair value	4.2 (a)	361	-	-	361
		878,712	**-**	**2,787**	**875,925**

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

	Note	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]
Non-specialised land		18,925	-	1,663	17,262
Specialised land					
- Crown land		221,149	-	-	221,149
Total of land at fair value	4.2 (a)	240,074	-	1,663	238,411
Non-specialised buildings		1,124	-	1,124	-
Specialised buildings		587,609	-	-	587,609
Total of building at fair value	4.2 (a)	588,733	-	1,124	587,609
Plant and equipment at fair value		15,544	-	-	15,544
Total of plant and equipment at fair value	4.2 (a)	15,544	-	-	15,544
Medical equipment at fair value		55,184	-	-	55,184
Total medical equipment at fair value	4.2 (a)	55,184	-	-	55,184
Computer equipment at fair value		4,033	-	-	4,033
Total computer equipment at fair value	4.2 (a)	4,033	-	-	4,033
Furniture and Fittings at fair value		1,337	-	-	1,337
Total furniture and fittings at fair value	4.2 (a)	1,337	-	-	1,337
Motor vehicles at fair value		703	-	-	703
Total motor vehicles at fair value	4.2 (a)	703	-	-	703
		905,608	**-**	**2,787**	**902,821**

[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 2018	**142,856**	**359,989**	**16,109**	**56,975**	**5,086**	**1,454**	-
Purchases (sales)	-	62,593	1,981	9,138	3,028	132	44
Transfers in (out) of Level 3	77,949	-	-	-	-	-	989
Transfer between classes (within Level 3)	-	(760)	(72)	71	11	-	-
Assets Received/(Provided) Free of Charge	-	2,793	-	-	-	-	-
Gains/(Losses) recognised in net result							
- Depreciation	-	(29,591)	(2,468)	(10,511)	(4,082)	(249)	(272)
- Disposals	-	(90)	(6)	(489)	(10)	-	(58)
Items recognised in other comprehensive income							
- Revaluation	17,606	192,675	-	-	-	-	-
Balance at 1 July 2019 (ii)	**238,411**	**587,609**	**15,544**	**55,184**	**4,033**	**1,337**	**703**
Purchases (sales)	-	18,697	5,031	15,213	3,059	151	14
Transfers in (out) of Level 3	-	-	-	-	-	-	-
Transfer between classes (within Level 3)	-	(45)	(13)	-	49	-	-
Gains/(Losses) recognised in net result							
- Depreciation	-	(51,154)	(2,528)	(11,205)	(3,496)	(250)	(206)
- Disposals	-	-	(6)	(47)	(10)	-	(150)
Balance at 30 June 2020 (ii)	**238,411**	**555,107**	**18,028**	**59,145**	**3,635**	**1,238**	**361**

(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

2020

Asset class	Fair value level	Valuation approach	Significant inputs (Level 3 only)
Non-specialised land	Level 2	Market approach	Not applicable
Specialised land	Level 3	Market approach	Community Service Obligation (CSO) adjustment (0% 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 *Fair Value Measurement* paragraph 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 2020.

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

	Note	Total 2020 $'000	Total 2019 $'000
Property, Plant and Equipment Revaluation Surplus			
Balance at the beginning of the reporting period		606,734	396,452
Revaluation Increments/(Decrements)			
- Land	4.2 (b)	-	17,606
- Buildings	4.2 (b)	-	192,676
Balance at the end of the reporting period*		**606,734**	**606,734**
* Represented by:			
- Land		245,670	245,670
- Buildings		358,840	358,840
- Plant and Equipment/Motor Vehicle		2,224	2,224
		606,734	**606,734**

Note 4.3: Intangible assets

(a) Gross carrying amount and accumulated amortisation

	Total 2020 $'000	Total 2019 $'000
Capitalised Costs	16,293	16,292
Less Accumulated Amortisation	(15,854)	(15,421)
	439	**871**
Post Office License	70	70
	70	**70**
Software Costs Capitalised	27,799	22,846
Less Accumulated Amortisation	(24,277)	(21,172)
Software Costs Work in Progress	38,202	24,480
	41,724	**26,154**
Total Intangible Assets	**42,233**	**27,095**

(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 2018	**1,294**	**14,974**	**70**	**16,338**
Additions	9	14,261	-	14,270
Net Transfers between Classes	-	(65)	-	(65)
Amortisation (note 4.4)	(432)	(3,016)	-	(3,448)
Balance at 1 July 2019	**871**	**26,154**	**70**	**27,095**
Additions	1	18,682	-	18,683
Net Transfers between Classes	-	(4)	-	(4)
Amortisation (note 4.4)	(433)	(3,108)	-	(3,541)
Balance at 30 June 2020	**439**	**41,724**	**70**	**42,233**

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.

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Note 4.4: Depreciation and amortisation

	Total 2020 $'000	Total 2019 $'000
Depreciation		
Buildings	51,154	29,591
Plant and Equipment	2,528	2,468
Medical Equipment	11,205	10,511
Computer Equipment	3,496	4,082
Furniture and Fittings	250	249
Motor Vehicles	206	272
Leased Motor Vehicles	343	38
Leasehold Building Improvements	974	822
Right of use Buildings	3,785	-
Right of use Plant, Equipment, Furniture and Fittings and Vehicles	2,580	-
Total Depreciation	**76,521**	**48,033**
Amortisation		
Intangible Assets	3,541	3,448
Total Amortisation	**3,541**	**3,448**
Total Depreciation & Amortisation	**80,062**	**51,481**

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.

Right-of use assets are depreciated over the shorter of the asset's useful life and the lease term. Where Melbourne Health obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset overs its 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.

	2020	2019
Buildings		
- Structure Shell Building Fabric	7 to 51 years	7 to 51 years
- Site Engineering Services and Central Plant	7 to 33 years	7 to 33 years
Central Plant		
- Fit Out	4 to 32 years	4 to 32 years
- Trunk Reticulated Building Systems	6 to 21 years	6 to 21 years
Plant and Equipment	10 years	10 years
Medical Equipment	10 years	10 years
Computers and Communication	3 years	3 years
Furniture and Fitting	10 years	10 years
Motor Vehicles	4 years	4 years
Leased Motor Vehicles	3 years	3 years
Intangible Assets	3 years	3 years
Leasehold Improvements	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 4.5: Inventories

	Total 2020 $'000	Total 2019 $'000
Aids and Appliances at Cost	80	89
Medical and Surgical Supplies at Cost	3,323	3,013
Pharmacy Supplies at Cost	2,405	2,240
Pathology Supplies at Cost	1,500	884
General Stores at Cost	2,791	2,721
TOTAL INVENTORIES	**10,099**	**8,947**

Inventories Recognition

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

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 and contract liabilities
5.3 Other liabilities

Note 5.1: Receivables

	Note	Total 2020 $'000	Total 2019 $'000
CURRENT			
Contractual			
Inter Hospital Debtors		19,109	35,734
Trade Debtors		7,417	8,875
Patient Fees		9,982	15,150
Accrued Revenue - Other		11,465	12,091
Amounts receivable from government and agencies		2,163	16,339
***Less* Allowance for Impairment Losses of Contractual Receivables**			
Trade Debtors	7.1 (c)	(289)	(161)
Patient Fees	7.1 (c)	(1,999)	(2,905)
		47,848	**85,123**
Statutory			
Nett GST Receivable		4,130	4,372
		4,130	**4,372**
TOTAL CURRENT RECEIVABLES		**51,978**	**89,495**
NON-CURRENT			
Statutory			
Long Service Leave - Department of Health and Human Services		44,434	37,364
TOTAL NON-CURRENT RECEIVABLES		**44,434**	**37,364**
TOTAL RECEIVABLES		**96,412**	**126,859**

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

	Total 2020 $'000	Total 2019 $'000
Balance at beginning of year	**3,066**	**2,773**
Amounts written off during the year	(8,509)	(8,756)
Increase/(decrease) in allowance recognised in net result	7,731	9,049
Balance at end of year	**2,288**	**3,066**

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 *Financial Instruments* 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 and contract liabilities

		Total 2020 $'000	Total 2019 $'000
CURRENT			
Contractual			
Trade Creditors[(i)]		15,366	61,528
Accrued Salaries and Wages		38,552	45,278
Accrued Expenses		35,518	32,993
Deferred grant revenue	5.2 (a), 5.2 (b)	34,065	-
Contract Liabilities - income received in advance	5.2 (c)	9,989	11,215
Inter - hospital creditors		5,078	2,019
Amounts Payable to Governments and Agencies		-	921
		138,568	**153,954**
Statutory			
PAYG Withholding		10	4,625
		10	**4,625**
TOTAL CURRENT PAYABLES		**138,578**	**158,579**
TOTAL PAYABLES		**138,578**	**158,579**

(i) The Trade Creditors amount in 2020 is significantly lower than prior year due to accelerated supplier payments. As part of the COVID-19 economic survival package, the Victorian Government committed to pay all outstanding supplier invoices within five business days, with a policy of a maximum 10-day payment period to keep funds flowing within the economy. This applied to all agencies of the government including Melbourne Health.

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 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 5.2 (a) Deferred capital grant revenue

	Total 2020 $'000
Grant consideration for capital projects recognised that was included in the deferred grant liability balance (adjusted for AASB 1058) at the beginning of the year	166
Grant consideration for capital projects received during the year	64,674
Grant revenue for capital projects recognised consistent with the capital works undertaken during the year	(44,421)
Closing balance of deferred grant consideration received for capital projects	**20,419**

Grant consideration was received from the Department of Health and Human Services for various capital projects including Electronic Medical Records (received on behalf of Parkville precinct partners), Critical Infrastructure Upgrade, Medical Equipment replacement and Clinical Technology refresh. Grant revenue is recognised progressively as the asset is constructed or paid for, since this is the time when Melbourne Health satisfies its obligations under the transfer by controlling the asset as and when it is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done (see note 2.1). As a result, Melbourne Health has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

Note 5.2 (b) Operating grant consideration

	Total 2020 $'000
Transaction price allocated to the remaining performance obligations from contracts with customers to be recognised in:	
Not longer than one year	13,411
Longer than one year but not longer than five years	235
Longer than five years	-
Total	**13,646**

In addition, grant consideration was also received from the State Government in support of hospital activity and operations. Grant income is recognised as service obligations are met. Differences in the number of some services provided may be adjusted in the funding provided annually. The remaining grant revenue is recognised when the service obligations are delivered in the following year.

Note 5.2 (c) Contract liabilities

	Total 2020 $'000
Opening balance brought forward from 30 June 2019	11,215
Add: Payments received for sufficiently specific performance obligations received during the year	17,059
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(18,285)
Total contract liabilities	**9,989**
Represented by	
Current contract liabilities	9,989
Non-current contract liabilities	-

Contract liabilities include consideration received in advance from customers for various services or projects before a related performance obligation is satisfied.

Note 5.3: Other liabilities

	Total 2020 $'000	Total 2019 $'000
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	190	184
- Refundable Accommodation Deposits	6,138	4,063
TOTAL CURRENT	**6,328**	**4,247**
TOTAL OTHER LIABILITIES	**6,328**	**4,247**
***Total Monies Held in Trust Represented by the following assets:**		
Cash Assets	6,328	4,247
TOTAL	**6,328**	**4,247**

Refundable Accommodation Deposit (RAD)/Accommodation Bond Liabilities

RADs/accommodation bonds are non-interest-bearing deposits made by some aged care residents to Melbourne Health upon admission. These deposits are liabilities which fall due and payable when the resident leaves the home. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD/accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the *Aged Care Act 1997*.

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

Note 6.1: Borrowings

	Total 2020 $'000	Total 2019 $'000
CURRENT		
Lease Liability [(i)]		
Motor vehicles leased from Vic Fleet	401	210
Other Leases	3,907	-
Loans and Advances from Department of Health and Human Services [(ii)]	41,765	1,627
TOTAL CURRENT BORROWINGS	**46,073**	**1,837**
NON CURRENT		
Lease Liability [(i)]		
Motor vehicles leased from Vic Fleet	1,562	1,040
Other Leases	32,886	-
Loans and Advances from Department of Health and Human Services [(ii)]	1,586	3,120
TOTAL NON CURRENT BORROWINGS	**36,034**	**4,160**
TOTAL BORROWINGS	**82,107**	**5,997**

(i) Secured by the assets leased. 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 two loans and a cash advance:

a) A loan of $1.9m 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 0.240% (2019: 1.01%).
b) A loan of $4.9m in October 2016 for an 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 0.240% (2019: 1.01%).
c) A non-interest bearing cash advance of $40.2m which will be repaid during 2020-21.

Maturity analysis of borrowings

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

Defaults and breaches

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

Lease Liabilities

Repayments in relation to leases are payable as follows:

	Minimum future lease payments		Present value of minimum future lease payments	
	Total 2020 $'000	Total 2019 $'000	Total 2020 $'000	Total 2019 $'000
Not later than one year	5,575	248	4,308	210
Later than 1 year and not later than 5 years	15,674	1,091	12,988	1,040
Later than 5 years	25,923	-	21,460	-
Minimum lease payments	47,172	1,339	38,756	1,250
Less future finance charges	(8,416)	(89)		-
TOTAL	**38,756**	**1,250**	**38,756**	**1,250**
Included in the financial statements as:				
Current borrowings - lease liability			4,308	210
Non-current borrowings - lease liability			34,448	1,040
TOTAL			**38,756**	**1,250**

The weighted average interest rate implicit in the lease for Motor Vehicle is 3.24% (2019: 3.25%).

The weighted average interest rate implicit in other leases is 2.16% (2019: 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.

Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. All leases are recognised on the balance sheet, with the exception of low value leases (less than $10,000 AUD) and short term leases of less than 12 months.

Melbourne Health's leasing activities

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.

Melbourne Health has entered into commercial leases on certain medical equipment, non-medical equipment and property where it is not in the interest of Melbourne Health to purchase these assets.

For any new contracts entered into on or after 1 July 2019, Melbourne Health considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Melbourne Health assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Melbourne Health and for which the supplier does not have substantive substitution rights;

- Melbourne Health has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and Melbourne Health has the right to direct the use of the identified asset throughout the period of use; and
- Melbourne Health has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

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

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease Liability – initial measurement

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

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

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

Lease Liability – subsequent measurement

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

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

Short-term leases and leases of low value assets

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

Below market/Peppercorn lease

Melbourne Health entered into the below peppercorn leases:

- Leasing a section of the Parkville campus site from The Minister for Environment and Climate Change on behalf of the Crown in right of the State of Victoria; for a duration of 99 years starting from 23/11/2011 with an annual peppercorn rental of $104 payable at the request of the landlord.
- Leasing part of level 10 of the Peter McCallum Cancer Centre building for a scientific laboratory; for a duration of 25 years starting from 14/06/2016 with an annual peppercorn rental of $1 payable at the request of the landlord.

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable Melbourne Health to further its objectives, are initially and subsequently measured at cost.

These right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Presentation of right-of-use assets and lease liabilities

Melbourne Health presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Melbourne Health determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where Melbourne Health as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset was accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the 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 consolidated comprehensive operating statement.

Assets held under other leases were classified as operating leases and were not recognised in Melbourne Health balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Operating lease payments up until 30 June 2019 (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not in substance fixed) such as those based on performance or usage of the underlying asset, are recognised in the Comprehensive Operating Statement in the period in which the event or condition that triggers those payments occur.

Note 6.2: Cash and cash equivalents

	Total 2020 $'000	Total 2019 $'000
Cash on Hand (excluding Monies Held in Trust)	30	39
Cash at Bank (excluding Monies Held in Trust)	14,071	11,576
Cash at Bank (Monies Held in Trust)	190	184
Cash at Bank - Central Banking System (excluding Monies Held in Trust)	76,227	58,480
Cash at Bank - Central Banking System (Monies Held in Trust)	6,138	4,063
TOTAL CASH AND CASH EQUIVALENTS	**96,656**	**74,342**

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.

In accordance with the Standing Directions 2018 under *the Financial Management Act 1994*, Melbourne Health hold's cash with the State's centralised banking arrangements.

Note 6.3: Commitments for expenditure

	Total 2020 $'000	Total 2019 $'000
Capital expenditure commitments		
Less than 1 year	60,754	46,221
Longer than 1 year but not longer than 5 years	12,399	6,028
5 years or more	1,790	1,504
Total capital expenditure commitments	**74,943**	**53,753**
Operating expenditure commitments		
Less than 1 year	43,815	39,495
Longer than 1 year but not longer than 5 years	60,843	65,396
5 years or more	1,949	6,812
Total operating expenditure commitments	**106,607**	**111,703**
Non-cancellable short term and low value lease commitments		
Less than 1 year	270	8,462
Longer than 1 year but not longer than 5 years	-	22,136
5 years or more	-	9,628
Total non-cancellable short term and low value lease commitments	**270**	**40,226**
Total commitments for expenditure (inclusive of GST)	**181,820**	**205,682**
Less GST recoverable from the Australian Tax Office	(16,529)	(18,698)
TOTAL COMMITMENTS FOR EXPENDITURE (exclusive of GST)	**165,291**	**186,984**

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.

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

2020	Note	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	6.2	96,656	-	-	96,656
Receivables					
- Trade Debtors	5.1	7,128	-	-	7,128
- Other Receivables	5.1	40,720	-	-	40,720
Other Financial Assets					
- Shares in Other Entities	4.1	-	2	-	2
Total Financial Assets [(i)]		**144,504**	**2**	**-**	**144,506**
Financial Liabilities					
Payables	5.2	-	-	94,514	94,514
Borrowings	6.1	-	-	82,107	82,107
Other Financial Liabilities					
- Refundable Accommodation Deposits	5.3	-	-	6,138	6,138
- Patient Monies Held in Trust	5.3	-	-	190	190
Total Financial Liabilities [(ii)]		**-**	**-**	**182,949**	**182,949**

2019	Note	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	6.2	74,342	-	-	74,342
Receivables					
- Trade Debtors	5.1	8,714	-	-	8,714
- Other Receivables	5.1	76,409	-	-	76,409
Other Financial Assets					
- Shares in Other Entities	4.1	-	2	-	2
Total Financial Assets [(i)]		**159,465**	**2**	**-**	**159,467**
Financial Liabilities					
Payables	5.2	-	-	142,739	142,739
Borrowings	6.1	-	-	5,997	5,997
Other Financial Liabilities					
- Refundable Accommodation Deposits	5.3	-	-	4,063	4,063
- Patient Monies Held in Trust	5.3	-	-	184	184
Total Financial Liabilities [(ii)]		**-**	**-**	**152,983**	**152,983**

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

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. PAYG), deferred grant revenue and contract liabilities - income in advance.

Categories of financial assets

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 liabilities

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, deferred grant revenue and contract liabilities – income in advance);
- 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				
	Note	Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years	Over 5 Years
2020		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities at amortised cost								
Payables	5.2	94,514	94,514	90,374	3,347	793	-	-
Borrowings	6.1	82,107	82,107	-	405	45,668	14,574	21,460
Other Financial Liabilities [(i)]								
- Refundable Accommodation Deposits	5.3	6,138	6,138	627	1,439	2,021	2,051	-
- Patient Monies Held in Trust	5.3	190	190	190	-	-	-	-
Total Financial Liabilities		**182,949**	**182,949**	**91,191**	**5,191**	**48,482**	**16,625**	**21,460**
2019								
Financial Liabilities at amortised cost								
Payables	5.2	142,739	142,739	114,815	25,522	2,402	-	-
Borrowings	6.1	5,997	5,997	-	-	1,837	4,160	-
Other Financial Liabilities [(i)]								
- Refundable Accommodation Deposits	5.3	4,063	4,063	-	540	3,523	-	-
- Patient Monies Held in Trust	5.3	184	184	184	-	-	-	-
Total Financial Liabilities		**152,983**	**152,983**	**114,999**	**26,062**	**7,762**	**4,160**	**-**

(i) Ageing analysis of financial liabilities excludes statutory financial liabilities (i.e PAYG), deferred grant revenue and contract liabilities - income in advance.

7.1 (c): Contractual receivables at amortised costs

30-Jun-19	Note	Current $'000	Less than 1 month $'000	1–2 months $'000	2 - 3 months $'000	3+ months $'000	Total $'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	5.1	-	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	5.1	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	5.1	-	-	-	-	161	161
Total loss allowance		93	610	494	413	1,456	3,066

30-Jun-20	Note	Current $'000	Less than 1 month $'000	1–2 months $'000	2 - 3 months $'000	3+ months $'000	Total $'000
Overseas Patient Fees Receivables							
Expected loss rate		0%	50%	100%	100%	100%	
Gross carrying amount of contractual receivables		537	275	491	397	298	1,998
Loss allowance	5.1	-	137	491	397	298	1,323
Other Patient Fees Receivables							
Expected loss rate		2%	6%	9%	12%	24%	
Gross carrying amount of contractual receivables		3,496	1,317	786	956	1,430	7,985
Loss allowance	5.1	69	79	71	114	343	676
Trade Debtors (Sundry Debtors Only)							
Expected loss rate		0%	0%	0%	0%	16%	
Gross carrying amount of contractual receivables		13,932	878	954	451	1,814	18,029
Loss allowance	5.1	-	-	-	-	289	289
Total loss allowance		69	216	562	511	930	2,288

Impairment of financial assets under AASB 9 *Financial Instruments*

Melbourne Health records the allowance for expected credit loss for the relevant financial instruments, in accordance with AASB 9 *Financial Instruments* 'Expected Credit Loss' approach. Subject to AASB 9 *Financial Instruments* 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 *Financial Instruments*. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 *Financial Instruments*, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

Melbourne Health applies AASB 9 *Financial Instruments* 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 Melbourne Health's 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 *Financial Instruments* 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

	Note	Total 2020 $'000	Total 2019 $'000
Net Result for the Year	OS	(23,041)	11,281
Non-cash movements:			
Depreciation and Amortisation	4.4	80,062	51,481
Allowance for Impairment Losses of Contractual Receivables	5.1 (a)	(778)	293
Discounting of DHHS Loan		71	198
DHHS Non Cash Grants		(3,849)	(28,969)
Opening Balance Adjustment on Adoption of AASB 1058		(23,268)	-
Assets Received Free of Charge		-	(2,793)
Movements included in investing and financing activities			
Net (Gain)/Loss from Disposal of Non-Financial Physical Assets		(36)	(394)
Movements in assets and liabilities:			
Change in Operating Assets & Liabilities			
(Increase)/Decrease in Receivables	5.1	31,224	(29,002)
(Increase)/Decrease in Prepayments		(9,109)	(6,356)
Increase/(Decrease) in Payables	5.2	(20,001)	4,691
Increase/(Decrease) in Provisions	3.4	33,704	45,007
Increase/(Decrease) in Other Liabilities	5.3	6	14
(Increase)/Decrease in Inventories		(1,153)	(720)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**63,832**	**44,731**

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 Jenny Mikakos, Minister for Health, Minister for Ambulance Services and Minister for the Coordination of Health and Human Services: COVID-19	01/07/2019 - 30/06/2020
The Honourable Martin Foley, Minister for Mental Health	01/07/2019 - 30/06/2020
The Honourable Luke Donnellan, Minister for Disability, Ageing and Carers	01/07/2019 - 30/06/2020
Governing Board	
Ms Linda Bardo Nicholls AO (Chair of the Board)	01/07/2019 - 30/06/2020
Ms Angela Jackson	01/07/2019 - 30/06/2020
Mr Eugene Arocca	01/07/2019 - 30/06/2020
Mr Gregory Tweedly	01/07/2019 - 30/06/2020
Professor Harvey Newnham*	01/07/2019 - 30/06/2020
Ms Penelope Hutchinson	01/07/2019 - 30/06/2020
Ms Philippa Connolly	01/07/2019 - 30/06/2020
Professor Shitij Kapur*	01/07/2019 - 30/06/2020
Mr Peter Funder	01/07/2019 - 30/06/2020
Mr Leigh Hocking	01/07/2019 - 30/06/2020
Accountable Officers	
Professor Christine Kilpatrick AO (Chief Executive Officer)	01/07/2019 - 30/06/2020

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

Income Band	**Total 2020 No.**	**Total 2019 No.**
$50,000 - $59,999	7	5
$100,000 - $109,999	1	1
$540,000 - $549,999	-	1
$550,000 - $559,999	1	-
Total Numbers	**9**	**7**

	Total 2020 $'000	**Total 2019 $'000**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	1,065	932

* 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**	
	2020 $'000	**2019 $'000**
Short-term employee benefits	2,160	2,918
Post-employment benefits	127	181
Other long-term benefits	56	69
Termination benefits	-	53
Total remuneration [(i)]	**2,343**	**3,221**
Total number of executives	**8**	**11**
Total annualised employee equivalent (AEE) [(ii)]	**5.8**	**7.8**

(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, 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 2019/20

Ministers

The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services and Minister for the Coordination of Health and Human Services: COVID-19
The Honourable Martin Foley, Minister for Mental Health
The Honourable Luke Donnellan, Minister for Disability, Ageing and Carers

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
Mr Peter Funder
Mr Leigh Hocking

Executive

Professor Christine Kilpatrick AO - Chief Executive Officer
Mr Adam Horsburgh - Deputy Chief Executive / Chief Operating Officer (resigned 14 June 2020)
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 Kemsley Fairhurst - Interim Executive Director, Finance and Logistics (resigned 23 September 2019)
Mr Paul Urquhart - Executive Director, Finance and Logistics (appointed 23 September 2019)
A/Professor Chris MacIsaac - Interim Chief Operating Officer (appointed 15 June 2020)

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

Compensation - KMPs	Total 2020 $'000	Total 2019 $'000
Short-term employee benefits	3,145	3,782
Post-employment benefits	193	235
Other long-term benefits	70	82
Termination benefits	-	53
Total [(i)]	**3,408**	**4,152**

[(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 $1,156.76m and indirect contributions of $7.7m. The Department of Health and Human Services also paid $3.8m of construction costs on behalf of Melbourne Health.

During the financial year, Melbourne Health received $59.2m of capital grants from Department of Health and Human Services (included in the funding received figure above) for the Parkville Precinct Electronic Medical Record Project on behalf of all hospitals involved in the project, of which $22.4m was received on behalf of other hospitals.

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.

Melbourne Health procured some of its essential personal protective equipment during the COVID-19 pandemic through the State Supply Arrangement at no cost. Refer to Note 2.1 (b) for more details in relation to the State Supply Arrangement.

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

The Standing Directions 2018 under the *Financial Management Act 1994* 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 2020.

There were no related party transactions required to be disclosed for Melbourne Health Board of Directors, Chief Executive Officer and Executive Directors in 2020.

Note 8.5: Remuneration of auditors

	Total 2020 $'000	Total 2019 $'000
Victorian Auditor-General's Office		
Audit and review of financial statements	235	236
Total remuneration of auditors	**235**	**236**

Note 8.6: Ex-gratia expenses

Melbourne Health has made the following ex gratia expenses:	Total 2020 $'000	Total 2019 $'000
Compassionate payment	10	5
Total ex-gratia expenses	**10**	**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

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by Melbourne Health at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on Melbourne Health, its operations, its future results and financial position. The state of emergency in Victoria was extended on 16 August 2020 until 13 September 2020 and the state of disaster is still in place.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of Melbourne Health, the results of the operations or the state of affairs of Melbourne Health in the future financial years.

Note 8.8: Jointly controlled operations

Name of Entity	Principal Activity	Ownership Interest 2020 %	Ownership Interest 2019 %
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:

	2020 $'000*	2019 $'000*
Current Assets		
Cash and Cash Equivalents	1,057	1,457
Receivables	31	20
Prepayments and Other Assets	34	122
Total Current Assets	**1,122**	**1,599**
Non Current Assets		
Investments and Other Financial Assets	2	2
Property, Plant and Equipment	17	22
Total Non Current Assets	**19**	**24**
TOTAL ASSETS	**1,141**	**1,623**
Current Liabilities		
Payables	121	131
Income in Advance	21	2
Provisions	41	25
Total Current Liabilities	**183**	**158**
Non-Current Liabilities		
Provisions	10	11
Total Non-Current Liabilities	**10**	**11**
TOTAL LIABILITIES	**193**	**169**
NET ASSETS	**948**	**1,454**
EQUITY		
Accumulated Surpluses/(Deficits)	948	1,454
TOTAL EQUITY	**948**	**1,454**

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

	2020 $'000*	2019 $'000*
Revenues		
Grants	1,024	999
Other - Interest	14	32
Other - Revenue	93	26
Total Revenue	**1,131**	**1,057**
Expenses		
Employee Benefits	(502)	(410)
Depreciation	(7)	(5)
Other expenses	(1,129)	(838)
Total Expenses	**(1,638)**	**(1,253)**
Net Result	**(507)**	**(196)**

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.

	2020 $'000*	2019 $'000*
Other expenditure commitments		
Not later than one year	316	599
Later than one year but not later than 5 years	189	204
Total expenditure commitments	**505**	**803**
Total commitments (inclusive of GST)	**505**	**803**
less GST recoverable from the ATO	(46)	(73)
Total commitments (exclusive of GST)	**459**	**730**

* 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 have provided confirmation in a letter dated August 18 2020, that it will continue to ensure the immediate cash needs of Melbourne Health are met and will continue to support Melbourne Health financially in the year ahead. With these assurances, the financial statements have been prepared on a going concern basis.

Note 8.10: Changes in accounting policy

Leases

Melbourne Health has applied AASB 16 with a date of initial application of 1 July 2019 and has elected to use the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee.

On transition to AASB 16, Melbourne Health has reviewed all lease contracts and assessed whether a contract is or contains a lease based on the definition of a lease as explained in Note 6.1.

Leases classified as operating leases under AASB 117

As a lessee, Melbourne Health previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Melbourne Health. Under AASB 16, Melbourne Health recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases.

On adoption of AASB 16, Melbourne Health recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Melbourne Health incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Melbourne Health has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term and/or low value leases where the underlying asset's fair value is less than $10,000;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases as a Lessor

Melbourne Health is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. Melbourne Health accounted for its leases in accordance with AASB 16 from the date of initial application.

Impacts on financial statements

On transition to AASB 16, Melbourne Health recognised $88.8m of right-of-use assets, $41.1m of lease liabilities and a reduction of prepaid rent of $47.7m previously classified as prepayments.

When measuring lease liabilities, Melbourne Health discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.66%.

	1-Jul-19 $'000
Total Operating lease commitments disclosed at 30 June 2019	40,226
Discounted using the incremental borrowing rate at 1 July 2019	41,266
Recognition exemption for:	
Short-term and low value leases	(177)
Additional lease liabilities recognised at 1 Jul 2019 under AASB 16	41,089
Finance Lease liabilities as at 30 June 2019	1,250
Lease liabilities recognised at 1 July 2019	42,339

Income of Not-for-Profit Entities

In accordance with FRD 122 requirements, Melbourne Health has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Melbourne Health applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated.

Note 2.1 Income from transactions includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have an impact on other comprehensive income and the Statement of Cash flows for the financial year.

Transition impact on financial statements.

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*; and
- AASB 16 *Leases*.

Impact on Balance Sheet due to the adoption of AASB 15, AASB 1058 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards (AASB 15 and AASB 16) at 1 July 2019:

Balance sheet	Notes	Before new accounting standards Opening 1 July 2019 $'000	Impact of new accounting standards - AASB 16, 15 & 1058 $'000	After new accounting standards Opening 1 July 2019 $'000
Property, Plant and Equipment	4.2b	986,750	88,773	1,075,523
Payables and Contract Liabilities	5.2	158,579	23,268	181,847
Borrowings	6.1	5,997	41,089	47,086
Accumulated Surplus/(Deficit)	BS	134,958	23,268	158,226
Prepayments and Other Assets	BS	51,784	(47,684)	4,100

Note 8.11: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2020 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises Melbourne Health of their applicability and early adoption where applicable.

As at 30 June 2020, 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 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 January 2020	The standard is not expected to have a significant impact on the public sector.
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on the public sector.

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