# 2021-22 Annual Report

Advancing health for everyone, every day

The Royal Melbourne Hospital

# About this report

**This annual report outlines the operational and financial performance for the Royal Melbourne Hospital from 1 July 2021 to 30 June 2022.**

**The relevant Ministers for the reporting period were:**

From 1 July 2021 to 27 June 2022
**The Hon Martin Foley MP**
Minister for Health
Minister for Ambulance Services
Minister for Equality

**The Hon James Merlino MP**
Minister for Mental Health

From 27 June 2022 to 30 June 2022
**The Hon Mary-Anne Thomas MP**
Minister for Health
Minister for Ambulance Services

**The Hon Gabrielle Williams MP**
Minister for Mental Health
Minister for Treaty and First Persons

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

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.

Our cover features Emergency Department registered nurse Alysse Tranter, who was awarded the RMH Margaret Havard and Assumpta Lee Award in May. This award is given to a Registered Nurse during their Post Graduate Nursing program who has displayed a strong commitment to study and a consistently high standard of nursing care in their speciality area. Margaret and Assumpta previously worked for many years in the Nursing Education Department.

The Emergency team recognised Alysse's commitment to the care of both her patients and team, which included organising wellbeing packages for colleagues in isolation.

Alysse is an example of the way RMH staff have lived the values across a particularly challenging year of the pandemic and healthcare demand – always putting people first, leading with kindness and working to achieve excellence, together.

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# Report from the Chair and Chief Executive

On behalf of the Board of Directors and Executive, we are pleased to present our 2021-22 Annual Report.

This past financial year began with lockdowns, as our state and health services were hit by another surge in COVID-19 cases. However, the challenges this presented were also coupled with hope as vaccination programs were well underway for our healthcare workers, and our community.

The Royal Melbourne Hospital (RMH) was proud to deliver 320,000 vaccinations to the public at the state's largest vaccination hub at the Melbourne Convention and Exhibition Centre, and to our Parkville precinct health workforce at our City campus clinic.

When a new strain of COVID-19, Omicron, arrived in December 2021, the increase in vaccination rates was a valuable tool, along with the pathways developed through our Health Services Partnerships (HSP). These helped us work together with other health services in our community to provide care.

The COVID-19 Positive Pathway, created with our partner cohealth, has been adopted across Victoria, and continued across the financial year as a strong partnership aimed at providing the best care for patients, while ensuring health resources could be focused on those who need these most. This has included successful implementation of the COVID-19 monitoring system platform that enabled remote symptom monitoring to make sure patients received the right care at the right time, whether that was supported from their GP or hospital-based care.

Through a study with the Doherty Institute (our joint venture with the University of Melbourne), the RMH Emergency Department was the first to trial use of rapid antigen tests or RATs, which have become a cornerstone of our COVID-19 testing toolkit.

The Emergency Department also launched COVID-19 Community Navigators, an Australia-first service to assist patients from their hospital presentation and through to their return home, providing everything from connections with ongoing health monitoring in the community to everyday necessities such as meals and transport.

In the latter half of the financial year, COVID-19 hospitalisations stabilised and became part of the core day-to-day business for a major health service. However, this also coincided with a rise in high acuity patients and demand for services here at the RMH and right across the state. At the same time, our workforce was challenged by shortages due to staff being directly impacted by COVID-19 illness and fatigue after two years of heightened pandemic response.

In recognition of this whole-of-service challenge, the Victorian Government declared a Code Brown for the state health system in January 2022. Even in these circumstances, our people have worked hard to ensure patients have been able to access the care they need. Over the past year, the RMH has treated 2,221 traumas, 481,144 mental health service contacts and 18,640 surgeries, including treating all Category 1 surgeries on time.

Our four residential aged care facilities were also fully accredited in testament to the high level of compliance with safety and quality standards of care.

To help realise our goal to be a great place to work, and a great place to receive care for everyone, the RMH created an Aboriginal Health Unit, including the appointment of our first Aboriginal Elder-in-Residence to help provide culturally appropriate care, and support our growing workforce of Aboriginal and Torres Strait Islander peoples.

New liaison roles were created for people with disability and those who identify as LGBTQIA+. These new services not only support patients, but are helping to educate our workforce to improve our delivery of person-centred care.

Our RMH@Home service has continued to grow, with an additional 30 acute and eight sub-acute beds across the financial year, allowing more patients than ever to access hospital-quality care from the comfort and convenience of their home.

In collaboration with our partners, Peter MacCallum Cancer Centre and the Royal Women's Hospital, new pathways were also created to support the delivery of at-home care to patients with more complex care needs, including patients post-breast surgery and at-home rehabilitation after cancer treatment.

Telehealth services have also grown with 60 per cent of patient appointments now attended via phone or video appointments. Telehealth has not only reduced the risks of infection during COVID-19, it's also reduced barriers for patients to access care, including for linguistically diverse communities. In the past financial year 116,000 appointments have used telehealth, and 5,000 of these appointments have been supported with interpreter services.

Our digital health excellence continued through the Parkville Electronic Medical Record (EMR), a collaboration between the RMH, Peter MacCallum Cancer Centre, the Royal Women's Hospital and the Royal Children's Hospital.

In April 2022 the Health Information Management Systems Society (HIMSS) awarded the Parkville EMR Stage 6 certification, an international standard that recognised the improved patient safety, patient satisfaction, clinical support and security achieved by the Parkville EMR.

The RMH has also made every effort to make sustainable financial decisions, focused on growing our capacity to care for more patients now and into the future. These efforts, and the support of additional government investment in public health, have also enabled us to close the financial year without a deficit in our operating budget.

Despite the restrictions of the past year, our Board has continued to meet, along with our many committees of staff and consumers. We would like to thank each and every one of our Board directors for your contribution to the RMH over the past 12 months.

Our people have always been our greatest resource, and that's why the health and wellbeing for our staff has never been more important. Over the past year the RMH increased our wellbeing services, including training and support, to ensure we are providing care to the caregivers.

The RMH has also been the recipient of the Government's Be Well, Be Safe funding, which has been put towards team building activities, care packs, personal development and improvements to break spaces. The incredible dedication, commitment, expertise and care that our staff provide to our patients, and each other, has been truly remarkable.

We would like to thank you all again for your service. In one of the most challenging periods for healthcare in our 174-year history, you have continued to put people first and lead with kindness to excel together as one Royal Melbourne Hospital.

**Linda Bardo Nicholls AO**
Board Chair

**Professor Christine Kilpatrick AO**
Chief Executive


ABOUT THE

# Royal Melbourne Hospital

**The RMH began 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.**

**KEY**

- RMH City
- RMH Royal Park
- RMH NorthWestern Mental Health

Since those early years, we've moved forward with purpose. Always at the forefront, leading the way on improving the quality of life for all. Today the RMH is one of the largest health providers in the state, providing a comprehensive range of specialist medical, surgical, and mental health services; as well as rehabilitation, aged care, outpatient and community programs.

Our care extends from the City hospital campus through Royal Park and mental health services across the north-western suburbs of Melbourne. We are a designated state-wide provider for services including trauma, and we lead centres of excellence for tertiary services in several key specialties including neurosciences, nephrology, oncology, cardiology and virtual health. We are surrounded by a precinct of brilliant thinkers, and we're constantly collaborating to set new benchmarks in health excellence – benchmarks that impact across the globe. This includes the world-renowned Peter Doherty Institute for Infection and Immunity, our joint venture with the University of Melbourne.

And while the work we're doing takes us in inspiring new directions, we lead with kindness that defines a better standard of care. Our people of more than 11,000 strong, embody who we are and what we stand for. Our reputation for caring for all Melburnians is as essential to who we are as any scientific breakthrough we make. We're here when it matters most, and we'll continue to be the first to speak out for our diverse community's wellbeing.

**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**

# Board of Directors

The Board comprises up to nine independent non-executive directors. The Directors are elected for a term of up to three years, and may be re-elected to serve for up to nine years. The Board is accountable to the Minister for Health.

## The Directors for 2021-22 were:

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

Mr Eugene Arocca
Appointed to the RMH Board in July 2016

Ms Kylie Bishop
Appointed to the RMH Board in July 2021

Ms Philippa Connolly
Appointed to the RMH Board in July 2018

Mr Peter Funder
Appointed to the RMH Board in July 2019

Professor Jane Gunn
Appointed to the RMH Board in February 2021

Mr Sam Lobley
Appointed to the RMH Board in July 2021

Professor Harvey Newnham
Appointed to the RMH Board in August 2017

Ms Emma Skinner
Appointed to the RMH Board in July 2021

Mr Gregory Tweedly
Appointed to the RMH Board in July 2016

## Board Committees

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

### Audit Committee

**Current board members:**
Mr Sam Lobley (Chair)
Mr Harvey Newnham
Ms Emma Skinner
Mr Peter Funder
Frequency of meetings: Quarterly

### Community Advisory Committee

**Current board members:**
Professor Harvey Newnham (Chair)
Mr Greg Tweedly
Frequency of meetings: Bi-monthly

### Finance Committee

**Current board members:**
Ms Phillippa Connolly (Chair)
Ms Kylie Bishop
Mr Peter Funder
Ms Emma Skinner
Mr Greg Tweedly
Frequency of meetings: Bi-monthly

### People, Culture and Remuneration Committee

**Current board members:**
Mr Eugene Arocca (Chair)
Ms Kylie Bishop
Ms Phillippa Connolly
Frequency of meetings: Quarterly

### Quality and Population Health Committee

**Current board members:**
Mr Greg Tweedly (Chair)
Mr Eugene Arocca
Mr Sam Lobley
Professor Harvey Newnham
Frequency of meetings: Bi-monthly

### RMH Foundation Committee

**Current board members:**
Mr Eugene Arocca (Chair)
Ms Kylie Bishop
Ms Emma Skinner
Frequency of meetings: Quarterly

### Membership of other committtees

The **Walter and Eliza Hall Institute for Medical Research Committee** is attended by Ms Phillippa Connolly

The **Parkville EMR Board Governance Committee** is attended by Chair Mrs Linda Bardo Nicholls AO and Mr Eugene Arocca

# Organisation structure

As at 30 June 2022

## Board

- Executive Director, West Metro Health Service Partnership
- Director, Strategic Communications and Media
- General Counsel
- Chief Information Officer
- Director, Research
- Director, RMH Foundation

**CHIEF EXECUTIVE**

**Professor Christine Kilpatrick AO**
(she/her)

| CHIEF OPERATING OFFICER | EXECUTIVE DIRECTOR | EXECUTIVE DIRECTOR | EXECUTIVE DIRECTOR | EXECUTIVE DIRECTOR | EXECUTIVE DIRECTOR |
|---|---|---|---|---|---|
| **Jackie McLeod**<br>she/her | Finance and Logistics<br>**Paul Urquhart**<br>he/him | Nursing Services and Residential Aged Care<br>**Associate Professor Denise Heinjus**<br>she/her | Clinical Governance and Medical Services and Chief Medical Officer<br>**Dr Cate Kelly**<br>she/her | People, Culture and Safety<br>**Ellen Flint**<br>she/her | Quality, Informatics & Improvement<br>**Samantha Plumb**<br>she/her |
| Home First, Ambulatory and Complex Care Services | Group Reporting & Analytics | Nursing Workforce | Medical Workforce Unit | HR Business Partnering | Risk Management |
| Surgical Services | Financial Accounting | Nursing Education | Medical Governance | Health, Safety and Wellbeing | Quality and Improvement |
| Medical Services | Finance Partnering and Revenue Services | Nurse Bank | Medical Education | Safety Culture | Community Engagement |
| Access, Critical Care and Investigative Services | Payroll | Emergency Management Planning | Medicolegal | Leadership and Learning | Health Intelligence |
| Mental Health Services | Procurement and Supply Chain | Simulation Education | Library | Diversity and Inclusion | Guidance |
| Allied Health | Facilities Management | Residential Aged Care | Infection Prevention and Surveillance Service | Recruitment Services | Health Information Services |
| Clinical Services Planning | Capital Works | Aboriginal Health Unit | VIDRL | Employee Services | EMR |
| | | | VICNISS | Security and OVA Service | |

# Our care at a glance

**83,635**
Emergency Department presentations (excluding COVID-19 screening clinic)

**6,193**
Emergency surgeries

**4,424**
Mental health inpatient admissions

**105,246**
Inpatient admissions across our services

**95**
Kidney transplants

**481,144**
Mental health service contacts in the community

**2,221**
Trauma patients treated

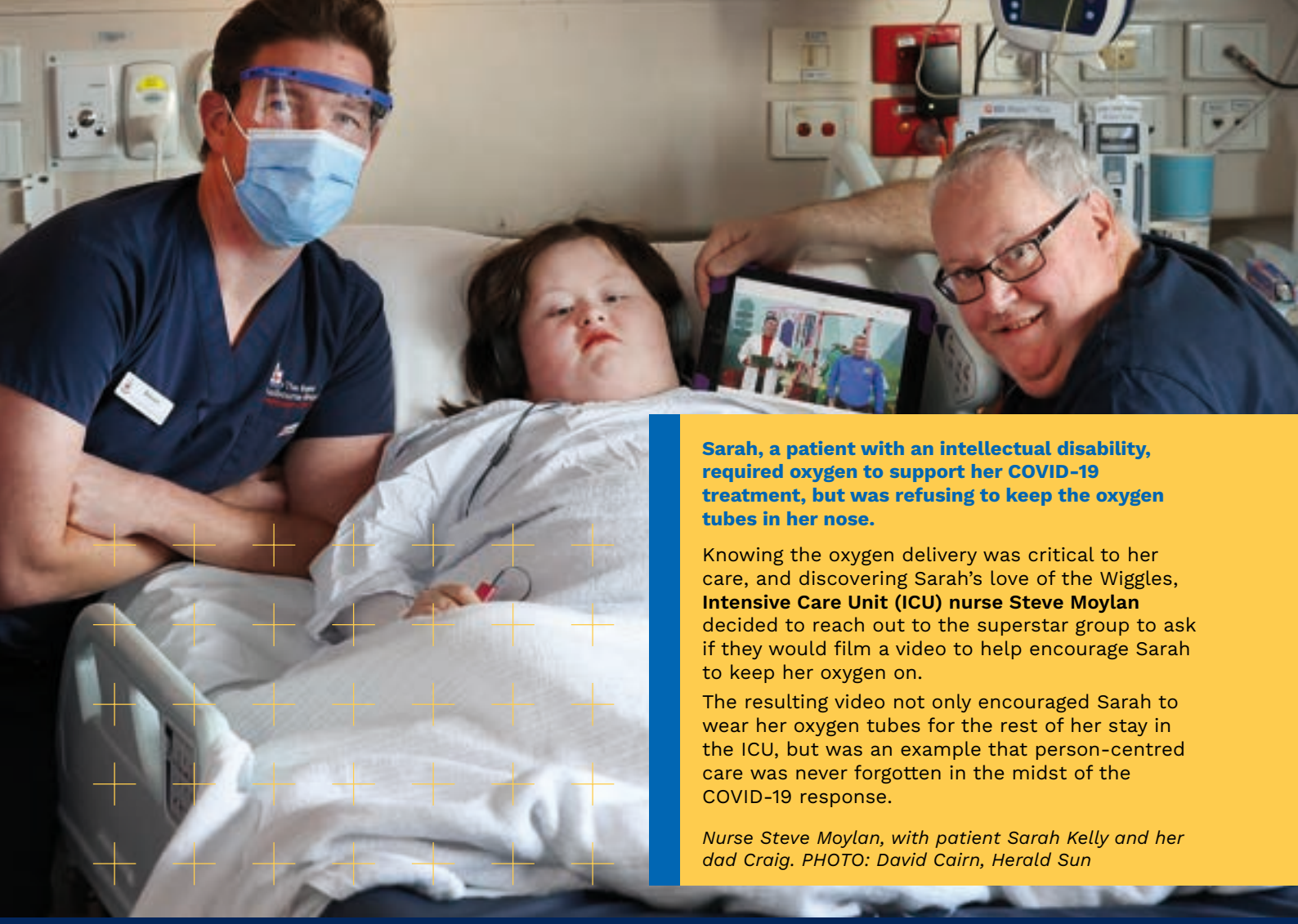
**217,984**
Outpatient appointments

**519**
Arrivals by air

**12,447**
Elective surgeries

**116,226**
Telehealth appointments

**4,312**
Patients cared for in RMH@Home



**Sarah, a patient with an intellectual disability, required oxygen to support her COVID-19 treatment, but was refusing to keep the oxygen tubes in her nose.**

Knowing the oxygen delivery was critical to her care, and discovering Sarah's love of the Wiggles, **Intensive Care Unit (ICU) nurse Steve Moylan** decided to reach out to the superstar group to ask if they would film a video to help encourage Sarah to keep her oxygen on.

The resulting video not only encouraged Sarah to wear her oxygen tubes for the rest of her stay in the ICU, but was an example that person-centred care was never forgotten in the midst of the COVID-19 response.

*Nurse Steve Moylan, with patient Sarah Kelly and her dad Craig. PHOTO: David Cairn, Herald Sun*

# COVID-19 by the numbers

**3,010**
patient admissions

**3,337**
episodes of care

**78,782**
patients through the West Metro HSP COVID-19 positive pathway

**181,870**
tests conducted by RMH Microbiology

**42,030**
presentations to public COVID-19 screening clinic

**83,840**
presentations to staff screening and surveillance clinics

**231,865**
vaccinations provided by RMH staff at state-run vaccination centres and on-site at RMH City

**25,459**
infectious cleans conducted

# Advancing COVID-19 care

**Watch RMH clinicians deliver COVID-19 health messages in 12 languages**

In September 2021, there were a rising number of presentations to the RMH Emergency Department (ED) of severely unwell COVID-19 patients from non-English speaking communities, many of them from the City of Hume, which had the lowest vaccination rate in Melbourne.

**To combat this, the RMH created a series of videos featuring hospital clinicians speaking in their own community languages, aligning with the top languages spoken in Hume. These videos provided factual information and were shared via social media, community groups and on news outlets. In less than a month, the City of Hume transformed its vaccination rate from 48 per cent to more than 80 per cent in October – the same month the videos were released.**

**In an Australian-first, the RMH introduced the COVID-19 Community Navigators to provide care for patients who didn't require hospital admission, but needed support.**
Launched in September 2021 at the peak of the sixth COVID-19 wave, the two-person team of Allied Health professionals offers a **24/7 service in the Emergency Department (ED)** and has helped reduce length-of-stay to patients by 400 minutes, while also giving patients educational material, reassurance and links to community services.

**The RMH was also the first hospital to trial the use of rapid antigen tests (RATs) in the ED.**
Developed by the Doherty Institute (a joint venture between the RMH and University of Melbourne), the RATs helped staff immediately diagnose people presenting to ED who may have been unaware of their COVID-19 status. This early study not only allowed the RMH to provide safe care to patients, but to contribute to the evidence of efficacy, with RATs now becoming standard in the diagnosis of COVID-19.

**After recognising the same people were presenting to the ED months after contracting COVID-19, Australia's first Post-COVID Clinic was established at the RMH in March 2021.**
The multidisciplinary clinic includes respiratory, psychiatry and allied health specialists, including music therapy. Since its establishment the clinic has seen more than **550 patients** for 'long' COVID-19 recovery and care.

**With our West Metro Health Services Partnership agencies, the COVID Home Monitoring Service was launched in response to rising case numbers in September 2021, following a pilot in 2020.**
The **telehealth service supported COVID-positive people in the community** who were at risk of deterioration, ensuring a rapid escalation of care through the COVID Positive Pathway. By the end of the month, 568 calls had been made to 178 patients, and the service continued to operate during the subsequent waves of demand through the financial year.

**The RMH vaccination team - made up of 275 nurses, 40 pharmacist, 60 pharmacy technicians and 70 support staff - vaccinated up to 2000 Victorians a day** at the Melbourne Convention and Exhibition Centre (MCEC) and supported Parkville healthcare workers at a hosptial-based hub. The MCEC vaccination hub closed in December 2021 after providing **320,000 vaccinations to Victorians.**

# Year in review

The RMH is working across ***five bold strategic pillars*** to advance health for everyone, every day.

## A GREAT PLACE TO WORK, A GREAT PLACE TO RECEIVE CARE

- The past financial year has seen a number of key projects underway to build improved services to work in and care for our community. This has included works starting on the state-wide P144 project, which will create an extra 22 mental health beds at the RMH alone.
- The RMH Flying Squad, a team of allied health professionals, was created to help clinicians remove any barriers that prevent discharging patients safely.

  From driving patients to the airport, to organising a locksmith to help get a patient home, the team is prepared to take on any challenge, drawing on its multidiscipline expertise. The Flying Squad also works closely with other health and community services, playing a vital role in complex discharge planning. Early data indicates the average length of stay has nearly halved compared to long-stay patients from two years ago.
- The RMH Aboriginal Health Unit was established this past financial year. Staffed by Aboriginal healthcare workers, the service supports Aboriginal patients on their care journey, and is helping to increase education and awareness of culturally-safe care among staff.

  The RMH also appointed its first Elder-in-Residence, Aunty Marlene Burchill, to support this new Aboriginal workforce and provide cultural guidance to all staff.
- Australia's first First Nations Dermatology Clinic was also launched and led-by Dr Crystal Williams, a Wiradjuri woman and dermatologist. The clinic offers telehealth and drop-in services, providing culturally-safe care and removing barriers to accessing dermatology services in regional and rural Victoria.
- In what's thought to be another Australian-first, the RMH created a LGBTIQA+ Patient Liaison service to make sure people who identify as LGBTIQA+ feel safe and respected when accessing care. Both liaisons bring lived experience to their roles as members of the community, and have been active in supporting patients and providing education to staff, along with the RMH LGBTIQA+ Working Group.

  This has included 20 training sessions, a pronoun champion program, patient resources and a clinical practice guide developed in partnership with the Zoe Belle Gender Collective. Although it is in its infancy, this new model has had great engagement and is now focused on increasing referral pathways and safe disclosure for patients. Some of the key outcomes at the RMH have been a reduction of 26 per cent in medication errors, an increased capacity for outpatients appointments to be offered through telehealth and real-time COVID-19 monitoring across the health service.

**Steve, Moira and Lani are part of the new Aboriginal Health Unit.**

## GROW OUR HOME FIRST APPROACH

- As part of our mission to create increased capacity and capability across the health service, the RMH has invested substantially in RMH@Home services, offering 113 beds in the community, and supporting at-home care provision in our Health Services Partnerships to make sure our patients can receive great care in their own home.
- The state-wide Palliative Care Advice Service was launched at the RMH to offer telephone support to people living with a life-limiting illness. Available from 7am to 10pm, seven days a week, the service was particularly important during the Victorian Government's Code Brown, allowing a vulnerable community to receive support and alleviating system demand. During this time the service had a 75 per cent increase of calls, diverting 16 per cent of callers from Triple 000 and emergency presentations who did not require these services. The service was also able to connect 22 per cent of callers with community services.
- The RMH Cardiology team created an innovative new model for patients with a cardiac implanted electronic device, which allowed regional and rural patients to have their devices tested locally, avoiding an unnecessary trip to hospital. The Australian-first model saw the team partner with pharmacies across Victoria to offer a remote device interrogation kiosk. The kiosk enabled RMH clinicians to assess devices such as pacemakers or implantable defibrillators to review battery longevity, lead function and arrhythmias. This allowed Cardiology to review results and provide an assessment to patients with something as simple as a trip to the local pharmacy. More than 450 patients have benefitted from this service, which has not only been important during COVID-19 restrictions, but has now been rolled out at additional metropolitan pharmacies for patient convenience.

**The Australian-first model saw Cardiology partner with pharmacies across Victoria to offer a remote device interrogation kiosk.**

## REALISE THE POTENTIAL OF THE MELBOURNE BIOMEDICAL PRECINCT

- The Health Service Partnership, developed through COVID-19, has strengthened ties across the precinct and north-west metro corridor between the RMH and major public and private hospitals, primary health and community health networks.

  From the ongoing response to the pandemic, to the Better at Home program, elective surgery reform and the creation of Pathology Network West, the RMH has played a leading role in this collaboration to ensure our resources can be directed to where they are needed most by our community.

- A grant from the Medical Research Future Fund Targeted Translation Research Accelerator will establish a national diabetes research centre, led by the RMH Diabetes and Endocrinology Department, in partnership with the University of Melbourne.

  This will support trials in painful peripheral neuropathy and diabetic kidney disease, as well as a trial of a new digital model of care to assist with treating people with diabetes admitted to hospital. The acceleration of research in these three key priority areas will improve clinical outcomes for people with diabetes.

## BECOME A DIGITAL HEALTH SERVICE

- The RMH Telehealth services have continued to grow, supporting great care to all patients, wherever they are. Across the financial year, 53 per cent of appointments have been conducted by telehealth services. In just one month, telehealth saved patients travelling an estimated distance of 384,627 kilometres – that's as far as Earth to the moon.

  Telehealth services were also expanded to RMH In-Reach, supporting residents in residential aged care facilities, Interventional Radiology and Hospital Admission Risk Program (HARP) services for some of our most vulnerable patients to support them with the post-discharge care.

  A Diabetes and Endocrinology telehealth rapid access clinic was also established, partnering with primary care to provide specialist access to patients in need.

- In March 2022, the Parkville Electronic Medical Record (EMR) – shared by the RMH, Peter MacCallum Cancer Centre, the Royal Women's Hospital and the Royal Children's Hospital – was assessed by international organisation, the Health Information Management Systems Society (HIMSS), benchmarking the EMR on a global scale.

  As part of this, the RMH achieved Stage 6 certification, the highest recognition on a first assessment. This significant achievement recognises the improved patient safety, patient satisfaction, clinical support and security achieved by the Parkville EMR.


**Hear more about the new Health Hub app for patients and consumers**

- Health Hub, a mobile patient portal app that connects patients with their information from the Parkville EMR, was also launched this past financial year. The app allows patients to see details of their upcoming appointments, keep track of medications, read notes from their healthcare team, view test results and answer questions about their care before their next appointment.

  The app was co-designed with consumers across the Parkville EMR project and has been well-received by patients, with 29,344 activations (around 18 per cent of all RMH patients). More virtual care pilot projects are underway to support patients while admitted to RMH services, and to manage and monitor their health at home.

- The computer-aided facilities management system (CAFM) has continued to assist the RMH Facilities Management team to respond quickly to issues and requests for assistance. In the past 12 months, CAFM records included 132,998 patient transfers completed by clinical assistants, 5,884 biomedical equipment repairs processed by clinical engineers, 24,442 infectious waste bins collected and replaced by cleaning services and 9,960 corrective repairs carried out by maintenance staff.
- As digital technologies have increased, the RMH has also focused on the importance of privacy and safety through a dedicated cybersecurity training program, with 75 per cent of staff undertaking education this past financial year.

## STRIVE FOR SUSTAINABILITY

- Lighting across Royal Park Campus was transitioned to LED lighting, resulting in a 79 per cent reduction in energy usage – the equivalent of saving 135 tonnes of greenhouse gas.
- Waste injection trays made of sugarcane, a biodegradable product, were introduced in both the Emergency Department and Pathology. These are not only projected to save $1300 per year, but will remove an estimated 45,000 pieces of plastic from landfill annually.
- The RMH Foundation facilitated the establishment of Victoria's 'Virtual Biobank' for low-survival cancers, a partnership between the Royal Melbourne Hospital Tissue Bank and the Victorian Cancer Biobank consortium; and funded by The Ian Potter Foundation and the Victorian Government through the Victorian Cancer Agency. This digital solution builds Victoria's cancer research sector capability and collaborative potential with an accessible digital image library of well-annotated and characterised tissue biospecimens that can be shared electronically by the wider biomedical research community, reducing time and transport costs, and increasing opportunities for achieving breakthroughs in cancer research.
- The RMH Foundation also helped to secure a grant from the Ramsay Hospital Research Foundation for an RMH Neuropsychiatry and Ramsay Health Care mental health research collaboration. This research will see a simple screening blood test developed to help in the early identification of neurological and neurodegenerative disorders in people presenting with mood and anxiety disorders.

# Awards, recognition and accolades

**Professor Christobel Saunders AO** was appointed to the James Stewart Chair of Surgery, a position established in 1955 with the University of Melbourne Medical School.

Infectious diseases physician and medical epidemiologist at the Peter Doherty Institute for Infection and Immunity, **Professor Ben Cowie**, was appointed to the World Health Organisation's Global Validation Advisory Committee on the validation of mother-to-child transmission of HIV, syphilis and hepatitis B virus.

**Professor Finlay Macrae AO** was awarded the 2021 Gastroenterological Society of Australia (GESA) Distinguished Researcher Prize. Professor Macrae also celebrated his 20th year as Head of Colorectal Medicine and Genetics at the RMH in February 2022.

Cardiac rehabilitation nurse **Kath Kelly** was presented with a Merit Award from the Australian Cardiovascular Health and Rehabilitation Association (ACRA) for her contributions to ACRA, cardiac rehabilitation and cardiovascular health.

Cardiac Research Nurse Coordinator **Lynda Tivendale** was awarded the Cardiovascular Nursing Prize by the Cardiac Society of Australia and New Zealand.

**Professor Ingrid Winship AO, Professor Kanta Subbarao, Professor Karin Leder and Professor Jodie McVernon** were elected as new Fellows of the Australian Academy of Health and Medical Sciences.

**Kath Feely, Dr Kudzai Kanhutu and the First Nations Dermatology Service team of Dr Crystal Williams, Dr Vanessa Morgan, Dr Rebecca Dunn, Gabrielle Ebsworth, Barbara Ioppi and Kate Scholtens,** were recognised with two awards at 2021 Brilliant Women in Digital Health, presented by Telstra Health.

**Associate Professor Luke Burchill** won the Knowledge and Innovation Award at the City of Melbourne's 2021 Melbourne Awards for the RMHive app.

**Professor Ben Thomson** was named the new Victorian Chief Surgical Advisor.

**Associate Professor Leeanne Grigg, Professor Fary Khan and Professor Peter Morley, as well as former Director of Anatomical Pathology Professor Prithi Bhathal** were appointed Members of the Order of Australia (AM) in the 26 January Honours' List.

**Professor Alistair Royse** was awarded the Royal Australasian College of Surgeons' 2022 Sir Louis Barnett Medal.

**Professor Peter Revill and Professor Clare Scott** were made members of the Order of Australia in the Queen's Birthday Honours.

**Dr Kudzai Kanhutu** was appointed to the position of Dean of the Royal Australasian College of Physicians.

**Professor Rinaldo Bellomo** received a prestigious honorary doctorate from the University of Helsinki.

# Significant supporters

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

## Trusts & Foundations

Annie Josephine Wellard Charitable Trust, managed by Equity Trustees
Circle of Latitude Foundation
Dry July Foundation
Felice Rosemary Lloyd Trust
The Alan and Elizabeth Finkel Foundation
Guthrie Family Foundation
Highlands Foundation
Jack Ma Foundation
Lord Mayor's Charitable Foundation
Mazzei Foundation
Movember Foundation
MRB Foundation
Perpetual Foundation – C M Herd Endowment
Spencer Gibson Foundation
Sydney Maxwell Wellard Charitable Trust, managed by Equity Trustees
Passe & Williams Foundation
The Honda Foundation
The Hugh D T Williamson Foundation
The Ian Potter Foundation
The J & Hope Knell Trust Fund
The Leona M and Harry B Helmsley Charitable Trust
The Sylvia and Charles Viertel Charitable Foundation
The Trounson Family Foundation
The William Buckland Foundation

## Gifts in Wills

**Estate of:**
Peter Augustes
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Thi Long Dang
Ashley Ewart
Ronald Charles Forsythe

**Estate of:**
Giovanni Grescini
Pauline Jean Hart
Lynette Carol Keogh
Winifred Murrells
John James Perrett
Leslie Richards
Claire Patricia Joy Trevare

## Endowments

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

## Gifts in Perpetuity

Albert Spatt Charitable Trust
Alexander Clarke MacBean Bequest
Anderson Gray Fund
Andrew James Schreuder Foundation
Charles Wright Trust
Doris & Rupert Joseph Charitable Trust
E C Blackwood Charitable Trust
Eliza Wallis Charitable Trust
Ernest & Letitia Wears Memorial Trust

**Estate of:**
John Anderson
Amelia Batten
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Dorothy Winifred Dike
Irene Daisy Dike
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Grant Bequest
Haydn & Henrietta Williams Memorial Trust
John Henry James Symon Charitable Trust
John Lambrick Charitable Trust
Joseph Herman Charitable Trust
Joseph Kronheimer Charitable Fund
Louis Berner Charitable Trust
Louis John Wahlers Trust Fund
Martha Miranda Livingstone Fund
Mary Evelyn Bowley Charitable Trust
Mary MacGregor Trust
Mary Symon Charitable Trust
Mr & Mrs Simon Rothberg Charitable Trust
Thomas B Payne Fund
Werge Batters Perpetual Charitable Fund
William & Mary Ievers & Sons Maintenance Fund

## Major Benefactors

Mr Andreas Andrianopoulos
Mr Paul & Mrs Francesca Di Natale
The Fox Family Foundation
Mrs Barbara Haynes OAM
Ms Katy Honig
Johnson Family Foundation
Dr Jean Low
Mrs Helen LaManna & Mr Pat LaManna OAM
McNally Family Foundation
Diana Morgan AM
Prof Brendan Murphy AC
Mr Mark Robertson OAM & Mrs Anne Robertson
Dr Allison Rose
Mr Wahid Tawaf
Victorian Medical Research Acceleration Fund
Mr Lloyd & Mrs Suzie Williams

## Major Benefactors (Lifetime)

Mrs Eleanor Allan
Mr Eugene Arocca
Mr Stefan & Mrs Nevenka Bradica
Chinese Masonic Society
Mrs Sue Clifton
Mr Andy & Mrs Rebecca Drewitt
FCG Property
Dr John & Mrs Diana Frew
Mrs Greta Goldblatt
Mrs Kerry Goldsworthy

Mr Darren & Mrs Helen Green
Mr Geoffrey & Mrs Jan Hamilton
Mrs Margaret Irvine
Ms Chi Lu
Family of the Late Rosalie Mordech
Ms Linda Nicholls AO
Mr Phuc Nguyen
Ms Nancy Price
Price Family Foundation
Mr John Richards OAM
Prof Andrew Roberts AM
Mr Edward Smith & Ms Cecilia Fan

## Major Donors

Mrs Kathy & Mr Peter Agardy
Mrs Roseanne Amarant
Mr Srinivas Anand
Mr John Argote
Mrs Jacinta Banks
Mr James Barber
Mr Cameron Bertalli
Ms Kylie Bishop
Mr Warwick & Mrs Paulette Bisley
Mr Graeme Blair
Mr John Boykett
Dr Catherine Brennan
Mr Andrew & Mrs Robina Brookes
Mr William Bulling
Mr Kenneth R Burge
Mr Ray & Mrs Orianne Burton
Mr Anthony Calabrese
Dr Catherine Cherry
Mr Raymond Clarke
Prof Peter Colman
Mr Nigel Dymond
Prof Robert Dixon
Mr & Mrs N Do
Mr Lindsay Douglas
Prof Jo Douglass
Miss Ybinh Duong
Mr Neville Elliott
Mr Phillip Elkins
Ms Ellen Flint
Ms Kelly Fong
Prof Richard Fox
Mr Theo Franken
Ms Mas Generis
Mr Neil Gerhard
Mr Kerin & Mrs Karen Glennen
Mrs Merrilyn Grant
Miss Sam Grapsas-Ekperuoh
Mrs Debbie Gutteridge
Mr Michael Halfpenny
Miss Jennifer Harvie
Ms Rosemary Hawke
Ms Natasha Holmes
Mr Doug Hooley
Ms Nicole Hopkinson
Mr Xin Huang
Dr Chris Hughes
Ms Elizabeth Hurley
Ms Andrea James
Mr Nabil Kadour
Mr John Kaufman
Mr Shainal Kavar
Mr Michael Khavounitis
Mr B Khoo
Dr Leslie Kilmartin
Prof Christine Kilpatrick AO
Mr David Koadlow
Ms Betty La
Dr Irena Laska
Mr & Mrs Peter Lawford
Ms Angela Lee
Mr Peter Lemon
Mrs Laura Lewis
Mr Paul Lightfoot
Mrs Tran H Lim & Mr Ky Lim
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Dr Julie Lokan
Mr Nunzio Lucarelli
Dr John & Mrs Netta Lynch
Mrs Lorraine Macartney
Dr Mathew Maiden
Mr Michael Mak
Mr Andrew Markin
Mrs Megan Martin
Dr Jean McMullin
Mr Ron & Mrs Victoria McNeilly
Mr Paul McSweeney
Mr Colin & Mrs Joceyln Mead
Mr Michael & Mrs Susan Minshall
Ms Marlene Mogford
Mr Doug Nash
Prof Harvey Newnham
Mr Tung Ngo & Mrs Thuy Ho
Duc Toan Nguyen
Mrs Anne Nolan
Ms Kate O'Brien
Mr David Oakley
Ms Sue Oakley
Mr Russell Peters
Ms Lynne Pilkington
Mr David Pilley
Mr Russell Peters
Mr William Power
Ms Muoi Quach
Mr William Robertson
Prof Jeffrey Rosenfeld
Mr Kerryn Ruthven
Mr Bruce Sanderson
Mr Martin Shelvey
Ms Emma Skinner
Ms Carol Soderstrom
Mr Larry Stewart
Mr Richard Stradwick
Ms Cheryl Swanton
Mr Barrie & Mrs Helen Tassell
Mr Binh Thai
Ms Carina Thomas
Mr Gary & Mrs Judith Thomson
Mrs Amy To
Ms Jessica To
Mr Craig Van Tooren
Mrs Thuy Tran
Ms Jill Turpin
Mr Greg Tweedly
Ms Irene Ung
Mr Carlo Ursida
Mrs Louisa Vass
Prof Dennis & Mrs Jenny Velakoulis
Mrs Kamalpreet Waraich
Mr Philip & Mrs Patricia Weickhardt
Mr John Wilde
The Hon Richard Wynne MP
Mr Kenneth Yap
Ms Beryl Zakharov
Ms Xiaolin Zhai
Mr Minghui Zheng
Mr Charles Zika
Mrs Alexandra Zografos

## Corporate Partners

Alexion Pharmaceuticals Australasia
Androgogic
BankVic
Becton Dickenson Australia
Biogen Australia
Boston Scientific Pty Ltd
Cheng Investment Aust Pty Ltd
Coregas Pty Ltd
deGroots Media
EPIC Systems Melbourne Pty Ltd
Factory X
Finlease
Gastroenterology Society of Australia (GESA)
Gillette Australia Pty Ltd
Gordon Legal
HESTA
Hewlett Packard
Janssen - Cilag Pty Ltd
Intact Media (Vic) Pty Ltd
Janssen - Cilag Pty Ltd
Johnson & Johnson Medical Pty Ltd
KLS Martin
LEO Pharma Pty Ltd
Maurice Blackburn Lawyers
McDermott Richards Lawyers
Medtronic Australasia Pty Ltd
Melbourne Recital Centre
Mykonos Restaurant Bar
NAB Docklands Branch
OPTUS Enterprise
Outsource Financial
PACCAR Australia
Powercor Australia Ltd
PwC Australia
Randles Cooper & Co Pty Ltd
Right Brain Insights
Ritchies Stores Pty Ltd
S O Asher Consultants Pty Ltd
Westward Investments Pty Ltd
WTFN Entertainment Pty Ltd
Wormald Pty Ltd

## Community Fundraising

Mr Alexandros Koniditsiotis
Cardillo Builders
CFMEU
Country Women's Association Umina (Toorak) Branch
Mr Nathan Burley
Ms Candice Bigham
Ms Annette Chaitman
Ms Melissa Chen / Mills Kitchen

**Family & Friends of:**

Don Brown
Judex Edouard Henri
Neeaamuthkan
Jon (Han) Tan
Ms Georgie Gall
Ms Mikka Hendra & Mr Jonathan Hallinan
Ms Katie Hudson
Mr Myk Lievchuk
Lodge Marshall Royal Antediluvian
Matty's Soldiers
Mrs Gina Mifsud
Otway Districts Football Club
Mr George Ramsey
Mr Deane Reynolds & Mrs Maxine Quinlan
Ms Barbara Rozenes OAM
Ms Eliza Strauss
Mrs Sara Taji
The Hive Gallery
The Rangers Foundation Inc
Treasure Chest

## Friends of the RMH

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

# Occupational health, safety and wellbeing

During 2021-22, the RMH continued its commitment to promoting and sustaining a safe and healthy workplace when faced with the continued impacts of COVID-19.

In 2021-22, the RMH continued to implement measures to support the physical and mental health of staff during a dynamic and rapidly changing period of time, working with key internal and external stakeholders to ensure prompt communication and implementation of advice issued by the Department of Health. Numerous Workforce Wellbeing programs have been utilised through this period of time providing support to staff as impacts of COVID-19 remained.

In November 2021, the Occupational Violence and Aggression (OVA) Consultancy merged with the MOCA (OVA Education) service to provide a comprehensive education and support model for staff in the prevention, early intervention and management of OVA.

The implementation of the Behaviours of Concern Rapid Response Team (BOC RRT) commenced in March 2022 comprising of senior clinicians (mental health clinical nurse consultant and medical registrar) to attend units to address immediate risk, assess for an organic cause, and proactively support the development of a plan of care, and where needed, address behaviours of concern. Weekly 'Your Safety First' huddles also continued as an escalation pathway for managers to raise safety issues and speak up for safety.

This combined work has led to an increase in the reporting of incidents, with 4549 hazards and incidents reported in our reporting tool, Riskman across the financial year. The impacts of the pandemic on staff is also reflected in the increase of WorkCover claims, with increased numbers of long-COVID claims, psychological injury claims, and a reduced capacity of the organisation to return staff to work or alternative duties due to a change of WorkSafe rules during this period.

A Workforce Ombuds was introduced in March 2022 to provide support for staff who have experienced or witnessed bullying, harassment, discrimination or other inappropriate behaviour at work. Designed from an international model, this role is an independent, impartial, confidential and informal resource for all staff. In addition to providing staff with an independent avenue for support to address workplace issues, the role also provides senior leadership with aggregated and de-identified information about the use of the service, systemic issues and opportunities for improvement and independently promote a safe, fair, positive and respectful workplace.

Another new role – the Sexual Safety Nurse Consultant – was introduced in April 2022 to create better ways to manage unwanted sexual behaviours and harassment of staff by patients and visitors. Working closely with the OVA team, the role supports staff, informs policy development and provides education.

| Occupational Health and Safety Statistics | 2021-22 | 2020-21 | 2019-20 |
|---|---|---|---|
| The number of reported hazards / incidents for the year per 100 FTE | 58.59 | 42.72 | 33.4 |
| The number of "lost time" standard WorkCover claims for the year per 100 FTE | 0.69 | 0.83 | 0.86 |
| The average cost per WorkCover claim for the year ('000) | $163,064 | $72,455 | $83,565 |

| Occupational Violence Statistics | 2021-22 |
|---|---|
| Accepted WorkCover claims with an occupational violence cause per 100 FTE | 0.09 |
| Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 0.56 |
| Number of occupational violence incidents reported in Riskman | 2515 |
| Number of occupational violence incidents reported in Riskman per 100 FTE | 32.39 |
| Percentage of occupational violence incidents reported in Riskman resulting in a staff injury, illness or condition | 0.40% |

**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 2021-22.

**Lost time** – is defined as greater than one day.

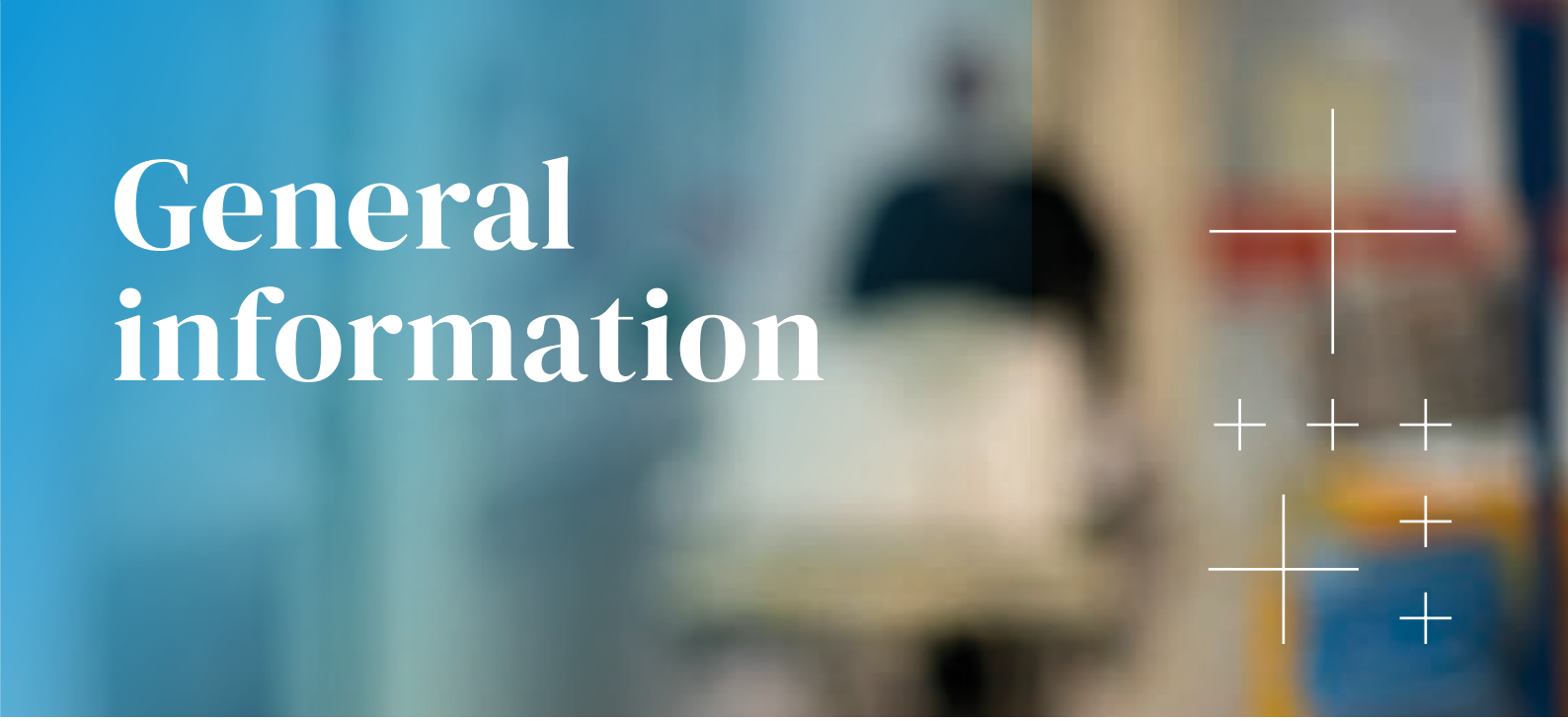
**Injury, illness or condition** – This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

## Workforce information

The RMH is an equal opportunity employer, committed to providing a safe workplace that is free of harassment or discrimination. Staff 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 RMH as at June 2022 and year to date (YTD), with 2021 data shown for comparative purposes.

| Labour category | June current month FTE | | Average monthly FTE | |
|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 |
| Nursing | 3194 | **3287** | 3065 | **3211** |
| Administration/Clerical | 1164 | **1232** | 1148 | **1205** |
| Medical Support | 961 | **958** | 923 | **962** |
| Hotel/Allied | 547 | **554** | 559 | **540** |
| Medical | 147 | **157** | 151 | **155** |
| HMO's | 665 | **692** | 647 | **674** |
| Sessional Clinical | 256 | **266** | 251 | **263** |
| Allied Health | 711 | **801** | 696 | **754** |
| **Total FTE** | **7645** | **7946** | **7440** | **7764** |



# General information

## Carers Recognition Act 2012

At the RMH, we believe that patients, consumers and their families and carers have the right to play active roles in their healthcare journeys. We know that by empowering and by partnering together, we can improve the quality and safety of our services, and the overall healthcare experience. This inclusive and collaborative approach is represented in our strategic plan Towards 2025.

We take all practicable measures to ensure our staff 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. Staff also undertake our Partnering with Consumers education package, which incorporates principles of inclusive practice and person-centred care, identifying our role in treating carers as equals and as partners. Consumer and carer consultants have been key partners in developing this work.

Carers are also a core part of our growing Lived Experience Workforce across RMH mental health services. The Royal Commission into Victoria's Mental Health System has recognised this workforce as a central pillar of the future mental health system and its unique perspective as integral to mental health reform.

In the past 12 months, the RMH NorthWestern Mental Health (RMH NWMH) developed a Carer Lived Experience Perspective Supervision Framework for statewide mental health services, in partnership with Bouverie Centre, Tandem, the Centre for Mental Health Learning and Department of Health. Using case studies and practical tools, this important piece of work supports the development of the carer lived experience discipline, and showcases the importance of this role to drive cultural change in mental health. While initially developed to support the carer workforce in Victoria, the framework has now been shared internationally and a training module is currently being co-designed.

## Safe Patient Care Act 2015

The RMH 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 RMH under the Freedom of Information Act 1982 were processed in accordance with that Act. The RMH provides a report on these requests to the Freedom of Information (FOI) Commissioner.

Applications and requests for information about making applications, under the Act can be made via

### Postal application

**Freedom of Information Officer**
Health Information Services
PO Box 2155
The Royal Melbourne Hospital
Victoria 3050
Telephone: (03) 9342 7224
Facsimile: (03) 9342 8008
Email: FOIrequest@mh.org.au

The cost of making an FOI application is $30.60.

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

## Freedom of Information applications 2021-22

| | |
|---|---|
| Received during the year | 3816 |
| In progress at the start of the year | 216 |
| Granted in full | 2744 |
| Denied in part | 345 |
| Denied in full | 10 |
| Withdrawn/not proceeded with | 381 |
| In progress at the end of the year | 113 |
| Transferred to or from another service | 16 |
| No record* | 93 |

*No record refers to situations where an FOI request was received relating to a patient who did not attend the RMH

## Public Interest Disclosure Act 2012

The RMH 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 RMH intranet site and to the public at thermh.org.au

## Gender Equality Act 2020

The RMH is committed to providing a great place to work and a great place to receive care for people of all genders, backgrounds and identities. We are on track to meet the requirements of the Gender Equality Act 2020, which aims to support equal outcomes in employment and community services for people of all genders.

The first RMH Workforce Equity Audit was completed in 2021 to help identify strengths and areas for improvement in relation to the experience of diversity, equity and inclusion for those who work at RMH. The Commission for Gender Equality in the Public Sector reviewed the audit and determined it to be compliant.

The results of the audit were shared with staff and feedback sought through a range of mechanisms. A Workforce Diversity, Equity, and Inclusion Strategy and Action Plan 2022-26 was developed in response to the audit findings and has also been approved by the Commission.

It takes an intersectional approach and builds on existing work including our Reconciliation Action Plan, LGBTIQA+ Action Plan and Disability Action Plan. It reflects our commitment to drive continual improvement across seven areas:

1. Engage hearts and minds
2. Build leadership and organisational capability
3. Partner with and elevate the voice of staff to co-design responses to issues identified through the audit
4. Develop, implement and continue to improve our approach to communications and engagement in regards to Equity, Inclusion and Diversity
5. Strengthen our responses to micro-aggression, racism, bullying, harassment and sexual harassment
6. Investigate pay inequality in relevant areas and identify opportunities for improvement
7. Improve workforce reporting systems to capture relevant data including workforce demographics, promotion and access to professional development to allow comprehensive analysis for future Equity Audits

We have also begun to pilot Equitable Impact Assessments through our service improvement grants. These seek to enhance our ability to consider the diverse needs of our consumers and design programs, policies and services that deliver equitable outcomes.

The RMH celebrated International Women's Day with a panel of esteemed speakers exploring the gendered impacts of COVID-19, which generated much interest and discussion. In addition, we have continued to strengthen our capacity building for staff with the addition of a trans and gender diverse inclusive care training package, developed in partnership with Zoe Belle Gender Collective and supported by the new LGBTQIA+ Patient Liaison service.

## Building Act 1993

As required under the Building Act 1993, the RMH 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 RMH Capital Works also seek compliance with other regulatory bodies and codes, such as the Australasian Health Facility Design Guidelines, the Victorian Department of Health Fire Risk Management Guidelines, Disability Discrimination Act regulations, Cladding Safety Victoria and Victorian Health 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 RMH Capital Projects Department and/or independent project managers. Each building practitioner has supplied the required Building Registration Number.

### Building contractors include:

- Alchemy
- Building Engineering
- MAW Building and Maintenance
- Lendlease
- PlanGroup

## National Competition Policy

The RMH 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 First Act 2003

The RMH 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 RMH 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 RMH commenced ten standard and one strategic project with a total combined value of $109.8 million for which the LJF policy applied. The projects were registered with the Industry Capability Network (ICN) and were assessed by ICN to determine whether the projects had contestable inputs.

**In the last 12 months, the following metropolitan items were deemed to have contestable inputs by ICN and therefore required Local Industry Development Plans (LIDP's) to be submitted:**

- Magnetic resonance imaging (MRI) Level 6 Construction
- Print Managed Services
- Transit Lounge Works
- MRI Equipment
- Pathology Integrated Track and Analysers
- Rostering System
- Supply and Distribution of Tuberculosis Pharmaceuticals
- 3rd Cath Lab Project
- Lottery Management Services
- Theatres Works
- Workcover 2021

Major Projects Skills Guarantee (MPSG) applied to one project over the last 12 months. This project is still active, therefore the percentage of local content and total LIDP commitments (local content, employment and engagement of apprentices, trainees and cadets) are yet to be determined.

## Car parking fees

The RMH complies with the Department of Health hospital circular on car parking. Fees and details of car parking fees and concession benefits can be viewed at https://www.thermh.org.au/locations/rmh-parkville/getting-to-the-rmh-parkville/parking-near-the-rmh-parkville

## Environmental performance

In 2021-22, the RMH continued to implement the actions and strive towards the targets set out in the RMH Environmental Sustainability Strategy 2020-25. This includes the creation of a Sustainability Working Group and several departmental sub-groups, engaging a network of more than 200 Green Champions.

Waste reduction initiatives were impacted this financial year by the COVID-19 pandemic. However, despite a higher volume of clinical activity, the RMH was able to maintain waste generation at a similar level to previous years.

For more detailed information about environmental performance, please read the RMH Environment, Social and Governance report at thermh.org.au, available in October 2022.

## Information and communication technology (ICT) expenditure

The total ICT expenditure incurred during 2021-22 is $58.3m (excluding GST) with the details shown below.

| Business as Usual (BAU) ICT expenditure | Non Business as Usual (non BAU) ICT expenditure | | |
|---|---|---|---|
| Total (excluding GST) | Total=Operational and Capital Expenditure (excluding GST) | Operational Expenditure (excluding GST | Capital Expenditure (excluding GST) |
| **$49.198 million** | **$9.127 million** | **$0 million** | **$9.127 million** |

## Consultancies information

### Details of consultancies (under $10,000)

In 2021-22, 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 2021-22, there were three consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2021-22 in relation to these consultancies is $132,000 (excl. GST). Details are provided in the table below:

| Consultant | Purpose of consultancy | Start date | End date | Total approved project fee $'000 (excluding GST) | Expenditure 2021-22 $'000 (excluding GST) | Future expenditure $'000 (excluding GST) |
|---|---|---|---|---|---|---|
| ANGEG BUSINESS CONSULTING | Review of best-practice private practice arrangements | 01/12/2021 | 31/01/2022 | 15 | 15 | - |
| NOUS GROUP PTY LTD | Strategic review of the Victorian Infectious Diseases Reference Laboratory (VIDRL) | 07/02/2022 | 01/07/2022 | 195 | 117 | 78 |
| NOUS GROUP PTY LTD | Development of the Better@Home outcomes framework | 25/03/2022 | 31/12/2022 | 145 | - | 145 |

## Additional information available on request

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by senior officers as nominee or held beneficially in a statutory authority of subsidiary;
- Details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- Details of any major external reviews carried out on the Health Service;
- Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- A general statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations;
- A list of major committees sponsored by the Health Service, including any Aboriginal advisory or governance committees, the purposes of each committee and the extent to which those purposes have been achieved;
- Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

# Attestations and declarations

## 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
31 August 2022

## Data integrity declaration

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
31 August 2022

## Conflict of interest declaration

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
31 August 2022

## Integrity, fraud and corruption declaration

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
31 August 2022

# 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 2022.

**Linda Bardo Nicholls AO**
Board Chair
Melbourne
31 August 2022

# Disclosure index

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

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# Financial summary

**The key financial performance measure monitored by the Department of Health and the RMH management is the *Operating result*. The RMH recorded a surplus Operating result of $0.4m in 2021-22 which is in line with the Statement of Priorities breakeven target.**

The RMH's operations were, however, significantly impacted by the COVID-19 pandemic throughout the financial year. While COVID-19 restricted the amount of clinical activity able to be carried out in 2021-22, demand for clinical services continued to grow. This continued growth in demand was managed through a combination of outsourcing services and ongoing productivity improvements including expansion of virtual and Hospital in the Home services.

The Department of Health provided additional grant revenue to support the RMH's ability to respond to the COVID-19 pandemic. This response included the rollout of vaccination hubs for precinct staff and public, additional COVID-19 testing capacity for Pathology, COVID-19 dedicated wards and expanded ICU capacity, increased telehealth consultations, additional personal protective equipment, testing and research, and also support for staff impacted by the virus through paid COVID-19 leave, surge allowance and other staff wellbeing initiatives.

Overall, revenue increased by $91.9m (5.9 per cent) and enabled costs to be funded with a minor operating surplus position of $0.4m.

| | 2022 $m | 2021 $m | 2020 $m | 2019 $m | 2018 $m |
|---|---|---|---|---|---|
| **Operating Result*** | **0.4** | **0.2** | **0.08** | **0.05** | **0.04** |
| Total Revenue | 1,652.1 | 1,560.2 | 1,445.5 | 1,352.7 | 1,230.3 |
| Total Expenses | 1,681.9 | 1,576.0 | 1,452.4 | 1,313.2 | 1,205.9 |
| **Net Result from transactions** | **(29.8)** | **(15.8)** | **(6.8)** | **39.5** | **24.4** |
| Other economic flows | 2.3 | 23.5 | (16.2) | (28.3) | (4.6) |
| **Net Result** | **(27.5)** | **7.7** | **(23.0)** | **11.3** | **19.8** |
| Total Assets | 1,490.8 | 1,409.5 | 1,321.8 | 1,275.8 | 1,004.7 |
| Total Liabilities | 686.0 | 577.2 | 521.9 | 430.0 | 380.7 |
| **Net Assets/Total equity** | **804.8** | **832.3** | **799.9** | **845.7** | **623.9** |

* 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

| | 2021-22 $m |
|---|---|
| **Operating Result** | **0.4** |
| Capital purpose income | 85.6 |
| COVID-19 State Supply Arrangements | |
| — Assets received free of charge or for nil consideration under the State Supply Arrangements | 18.4 |
| — State supply items consumed up to 30 June 2022 | (18.4) |
| Expenditure for capital purposes | (15.3) |
| Depreciation and amortisation | (99.1) |
| Finance costs | (1.4) |
| Net Gain/(Loss) on Non-Financial Assets | (0.2) |
| Net Gain/(Loss) on Financial Instruments | (6.3) |
| Other Gains/(Losses) from Other Economic Flows | 8.8 |
| **Net Result** | **(27.5)** |

# Statement of priorities

The Statement of Priorities is the key accountability agreement between the RMH 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.

## STATEMENT OF PRIORITIES: Part A

Part A of the Statement of Priorities usually sets our strategic goals and are aligned with Department of Health directives/reforms and healthcare policy. For 2021-2022 the Minister requested the RMH focus on six immediate and ongoing priorities:

| Priority | The RMH YTD response |
|---|---|
| **Maintain your robust COVID-19 readiness and response, working with my department to ensure we rapidly respond to outbreaks, if and when they occur, which includes providing to testing for your community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of our COVID-19 vaccine immunisation program rollout, ensuring your local community's confidence in the program.** | • The RMH has been a designated COVID-19 Health Service providing care for adult COVID-19 cases throughout the pandemic.<br>• RMH has provided COVID-19 screening services for staff and the community with the hours and capacity extended to meet demand, as required.<br>• Mask fit testing has been provided to all staff who require this service including clinical and non-clinical staff.<br>• COVID-19 vaccination hubs at RMH City and the Melbourne Convention and Exhibition Centre have supported vaccinations for staff and the community of Victoria.<br>• COVID-19 Safe Plans have been developed and are in place at each RMH facility.<br>• The RMH COVID-19 bed plan developed, outlining the wards dedicated to COVID-19 care, with the number of COVID-19 beds/wards increasing to meet demand, as required.<br>• The RMH was one of two Health Services that opened the "COVID-19 hospitals in hotels program" to support additional COVID-19 bed capacity.<br>• In collaboration with the West Metro Health Service Partnership (HSP), the COVID-19 pathway provided support for patients with COVID-19 to remain in the community where possible.<br>• The RMH infrastructure is being reviewed as part of the plan for additional facilities to care for patients with infectious diseases. |

| Priority | The RMH YTD response |
|---|---|
| Drive improvements in access to emergency services by reducing emergency department four-hour wait times, improving ambulance to health service handover times, and implementing strategies to reduce bed-blockage to enable improved whole of hospital system flow. | • Additional roles implemented to support emergency department four-hour wait times and ambulance off-load including a doctor at triage, ambulance queue nurse, waiting room nurse and mental health navigator.<br>• Additional roles implemented to reduce bed blocks including discharge coordinators, disability liaison officer and seven-day allied health trauma team.<br>• Established an ambulance offload area in the emergency department to improve offload performance.<br>• Developed a three-year RMH Access and Flow Strategic Plan: 2022-2025.<br>• Participated in the Safer Care Victoria / Institute for Healthcare Improvement Timely Care Collaborative.<br>• Increased the number of Hospital in the Home beds (acute and subacute) to improve patient access and hospital flow.<br>• Established the Young Persons Disability Transition Program to support discharge for people under 65 waiting for National Disability Insurance Scheme (NDIS).<br>• The RMH engaged with Brunswick Private Hospital for the provision of geriatric evaluation and management (GEM) and rehabilitation beds.<br>• The RMH engaged with Baptcare for the provision of Transitional Care Program beds. |
| Lead and engage all members of your Health Service Partnership to build a culture of collaboration, forge consensus in decision-making, ensure that any initiatives (in addition to the four priority reforms within your Health Service Partnership Policy and Guidelines) are clearly defined and agreed by members, and account to the department for planning and reporting requirements on behalf of the collective membership. | • As part of the West Metro HSP – applications for funding by the Department of Health for Better@Home and Elective Surgery were submitted and funding received.<br>• RMH City established a screening clinic hub and vaccination hub for staff from the HSP partners.<br>• The RMH developed the COVID-19 Care Pathway and worked with the HSP to care and monitor patients with COVID-19 in their home with an escalation pathway into the hospital when required.<br>• HSP partners participated in two planning workshops: how we work together and setting our priorities.<br>• Members of the HSP, specifically the four Parkville Precinct health services, are working together to create a coordinated and integrated service – Parkville Pathology. |
| Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track. Work collaboratively with your Health Service Partnership to:<br>• implement the Better at Home initiative to enhance in-home and virtual models of patient care when it is safe, appropriate and consistent with patient preference.<br>• improve elective surgery performance and ensure that patients who have waited longer than clinically recommended for treatment have their needs addressed as a priority. | • Through the Better@Home project, the RMH Hospital in the Home services are provided for patients of other Parkville Precinct Health Services (PMCC and RWH).<br>• Planning is underway for the 24/7 City Hub with West Metro HSP as part of the 'Better@Home' program.<br>• Implementation of the elective surgery reform program which includes:<br>– Reassessment clinics for patients on the Orthopaedics, Vascular, Neurosurgery, Plastics, Colorectal, Hepatobiliary and Upper GI surgical waitlists.<br>– Introduction of new advance practice allied health clinics for review of hands, backs and feet to divert appropriate patients to non-surgical pathways.<br>– Clerical audit of people on the elective surgery waitlist.<br>• The RMH engaged with private hospitals including Melbourne Private Hospital and Epworth to assist with elective surgery deferred care.<br>• Ongoing support for telehealth for outpatient appointments to ensure continuation of service delivery.<br>• Continued focus to reduce endoscopy waitlist with Saturday sessions and private hospitals. |

| Priority | The RMH YTD response |
|---|---|
| Address critical mental health demand pressures and support the implementation of mental health system reforms to embed integrated mental health and suicide prevention pathways for people with, or at risk of, mental illness or suicide through a whole-of- system approach as an active participate in your Health Service Partnership and through your Partnership's engagement with Regional Mental Health and Wellbeing Boards | • Disaggregation of Northern and North West Area Mental Health Services and two residential aged care services occurred on 1 July 2022.<br>• Meetings commenced with Western Health and Orygen National on the disaggregation of services.<br>• Plans underway for the additional mental health beds for the RMH City.<br>• Orygen Hospital in the Home beds opened.<br>• Support provided to Orygen National for opening of their YPARC beds.<br>• Additional beds opened for Orygen inpatient services.<br>• Ongoing collaboration with the University of Melbourne and other key stakeholders on a proposal for the establishment of the Victorian Collaborative Centre for Mental Health and wellbeing. |
| Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into your organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination, to ensure delivery of culturally safe care to Aboriginal patients and families, and to provide culturally safe workplaces for Aboriginal employees. | • Monthly Aboriginal and Torres Strait Islander KPIs are in place and monitored across inpatient, outpatient and emergency attendance types.<br>• Aboriginal Cultural Awareness Training e-learning package is now optional for Aboriginal and Torres Strait Islander staff members and mandatory for all other staff members.<br>• The "Ask the question" project has raised awareness of how to ask patients whether they identify as Aboriginal and Torres Strait Islander and provides frontline staff with access to appropriate training.<br>• The Reconciliation Action Plan (RAP) is in place and monitored through various governance committees. The RAP includes actions for strengthening relationships with Aboriginal and Torres Strait Islander stakeholders and organisations.<br>• The RMH Aboriginal and Torres Strait Islander Governance Committee is Aboriginal-led and incorporates Aboriginal workers from the RMH.<br>• A memorandum of understanding has been established with the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation to ensure cultural needs are continuously in place and we are engaging with our traditional owners.<br>• Appointed an Aboriginal Elder-in-Residence as part of the RMH Aboriginal and Torres Strait Islander unit. |

## STATEMENT OF PRIORITIES: Part B

### Key Performance Indicators

Our operations this financial year were significantly impacted by COVID-19.

However, there was also a significant increase in demand on our services as many Victorians delayed healthcare, resulting in a surge in demand for access to acute care, and a Code Brown called by the Government statewide in January 2022. These resulted in several of our KPIs not being met.

### High quality and safe care

| Key performance measure | Target | 2021-22 result |
|---|---|---|
| Infection prevention and control | | |
| Compliance with the Hand Hygiene Australia program | 85% | 86.1% |
| Percentage of healthcare workers immunised for influenza | 92% | 89.2% |

| Key performance measure | Target | 2021-22 result |
|---|---|---|
| **Patient experience** | | |
| Victorian Healthcare Experience Survey – percentage of positive patient experience responses | 95% | Q1 93.7%<br>Q2 93.5%<br>Q3 96%<br>Q4 data not available |
| Percentage of mental health consumers reporting a 'very good' or 'excellent' experience of care in the last 3 months or less | 80% | 62.5% |
| Percentage of mental health consumers reporting they 'usually' or 'always' felt safe using this service | 90% | 85.7% |
| **Healthcare associated infections (HAI's)** | | |
| (SOP Rate) Number of patients with surgical site infection | No outliers | Q1 no outliers<br>Q2 not collected due to COVID<br>Q3 & 4 no outliers to date |
| (SOP Rate) Number of patients with ICU central-line-associated bloodstream infection (CLABSI) | Nil | 1 (0.3/1000 device days) |
| Rate of patients with SAB per 10,000 occupied bed days | ≤ 1 | Q1, Q2 & Q3 0.7 to date<br>Q4 data not available |
| **Unplanned readmissions** | | |
| Unplanned readmissions to any hospital following a hip replacement | ≤ 6% | Q1 13.5%<br>Q2 11%<br>Q3 8.5%<br>Q4 7.3% |
| **Mental health** | | |
| Percentage of closed community cases re-referred within six months: adults and aged persons | < 25% | 33.8% |
| Rate of seclusion events relating to an adult acute mental health admission per 1,000 occupied bed days | ≤ 10 | 9.2 |
| Rate of seclusion events relating to an aged acute mental health admission per 1,000 occupied bed days | ≤ 5 | 0.6 |
| Percentage of adult acute mental health inpatients who have a post-discharge follow-up within seven days | 88% | 80.7% |
| Percentage of aged acute mental health inpatients who have a post-discharge follow-up within seven days | 88% | 89.5% |
| Percentage of adult acute mental health inpatients who are readmitted within 28 days of discharge | <14% | 13.4% |
| Percentage of aged acute mental health inpatients who are readmitted within 28 days of discharge | <14% | 5.9 |
| **Continuing care** | | |
| Functional independence gain from an episode of rehabilitation admission to discharge relative to length of stay | ≥ 0.645 | 0.81 |

## Strong governance, leadership and culture

| Key performance measure | Target | 2021-22 result |
|---|---|---|
| **Organisational culture** | | |
| People matter survey – Percentage of staff with an overall positive response to safety culture survey questions | 62% | 63% |

## Timely access to care

| Key performance measure | Target | 2021-22 result |
|---|---|---|
| **Emergency care** | | |
| Percentage of patients transferred from ambulance to emergency department within 40 minutes | 90% | 57.2% |
| 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% | 73.9% |
| Percentage of emergency patients with a length of stay in the emergency department of less than four hours | 81% | 55.7% |
| Number of patients with a length of stay in the emergency department greater than 24 hours | 0 | 57 |
| **Mental health** | | |
| Percentage of 'crisis' (category 'C') mental health triage episodes with a face- to-face contact received within 8 hours | 80% | 35% |
| Percentage of mental health-related emergency department presentations with a length of stay of less than 4 hours | 81% | 34.2% |
| **Elective surgery** | | |
| Number of patients on the elective surgery waiting list as at 30 June 2022 (currently report monthly) | 5350 | 5307 |
| Number of patients admitted from the elective surgery waiting list | 7015 | 7127 |
| 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% | 80.6% |
| Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category | 5% or 15% proportional improvement from prior year | 54.6% |
| Number of hospital-initiated postponements per 100 scheduled elective surgery admissions | ≤ 7 | 5.6% |
| **Specialist clinics** | | |
| Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days | 100% | 85.2% |
| Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days | 90% | 88.6% |

| Key performance measure | Target | 2021-22 result |
|---|---|---|
| **Finance** | | |
| Operating result ($m) | 0 | 0.4 |
| Average number of days to paying trade creditors | 60 days | 20 |
| Average number of days to receiving patient fee debtors | 60 days | 31 |
| Adjusted current asset ratio | 0.7 or 3% improvement from health service base target | 0.81 |
| 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 | 34 |
| Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June. | Variance ≤250,000 | Not achieved |

## STATEMENT OF PRIORITIES: Part C

| Funding type | 2021-22 Activity achievement |
|---|---|
| **Consolidated Activity Funding** | |
| Acute admitted, subacute admitted, emergency services, non-admitted NWAU | 119,506 |
| **Acute Admitted** | |
| National Bowel Cancer Screening Program NWAU | 4 |
| Acute admitted DVA | 315 |
| Acute admitted TAC | 5,901 |
| **Acute Non-Admitted** | |
| Genetic services | 283 |
| Home Enteral Nutrition NWAU | 75 |
| Home Renal Dialysis NWAU | 1,651 |
| Specialist Clinics | 65,559 |
| Total Perinatal Nutrition NWAU | 279 |
| **Subacute/Non-Acute, Admitted & Non-admitted** | |
| Subacute WIES - DVA | 13 |
| Transition Care - Bed days | 4,687 |
| Transition Care - Home days | 12,985 |
| **Aged Care** | |
| Residential Aged Care | 19,705 |
| HACC | 2,717 |
| **Mental Health and Drug Services** | |
| Mental Health Ambulatory | 253,504 |
| Mental Health Inpatient - Available bed days | 70,510 |
| Mental Health Inpatient - Secure Unit | 8,985 |
| Mental Health Residential | 20,272 |
| Mental Health Service System Capacity | 3 |
| Mental Health Subacute | 33,967 |
| **Primary Health** | |
| Community Health / Primary Care Programs | 1 |

# 2021-22 Financial statements

## How this report is structured

Melbourne Health presents its audited general purpose financial statements for the financial year ended 30 June 2022 in the following structure to provide users with the information about Melbourne Health's stewardship of the resources entrusted to it.

| | | |
|---|---|---|
| **Declarations** | Board member's, accountable officer's, and chief finance and accounting officer's declaration | |
| | Victorian Auditor-General's report | |
| **Financial Statements** | Comprehensive operating statement | |
| | Balance sheet | |
| | Statement of changes in equity | |
| | Cash flow statement | |
| **Notes to the Financial Statements** | **1** | **Basis of preparation** |
| | 1.1 | Basis of preparation of the financial statements |
| | 1.2 | Impact of COVID-19 pandemic |
| | 1.3 | Abbreviations and terminology used in the financial statements |
| | 1.4 | Joint arrangements |
| | 1.5 | Key accounting estimates and judgements |
| | 1.6 | Accounting standards issued but not yet effective |
| | 1.7 | Goods and Services Tax (GST) |
| | 1.8 | Reporting entity |
| | 1.9 | Comparatives |
| | **2** | **Funding delivery of our services** |
| | 2.1 | Revenue and income from transactions |
| | **3** | **The cost of delivering our services** |
| | 3.1 | Expenses from transactions |
| | 3.2 | Other economic flows included in net result |
| | 3.3 | Employee benefits |
| | 3.4 | Superannuation |
| | **4** | **Key assets to support service delivery** |
| | 4.1 | Investments and other financial assets |
| | 4.2 | Property, plant and equipment |
| | 4.3 | Right-of-use assets |
| | 4.4 | Revaluation surplus |
| | 4.5 | Intangible assets |
| | 4.6 | Depreciation and amortisation |
| | 4.7 | Inventories |
| | 4.8 | Impairment of assets |
| | **5** | **Other assets and liabilities** |
| | 5.1 | Receivables |
| | 5.2 | Payables and contract liabilities |
| | 5.3 | Other liabilities |
| | **6** | **How we finance our operations** |
| | 6.1 | Borrowings |
| | 6.2 | Cash and cash equivalents |
| | 6.3 | Commitments for expenditure |
| | **7** | **Risks, contingencies and valuation uncertainties** |
| | 7.1 | Financial instruments |
| | 7.2 | Financial risk management objectives and policies |
| | 7.3 | Fair value determination |
| | **8** | **Other disclosures** |
| | 8.1 | Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities |
| | 8.2 | Responsible persons disclosures |
| | 8.3 | Remuneration of executives |
| | 8.4 | Related parties |
| | 8.5 | Remuneration of auditors |
| | 8.6 | Events occurring after the balance sheet date |
| | 8.7 | Jointly controlled operations |
| | 8.8 | Equity |
| | 8.9 | Economic dependency |

# Declaration

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and the financial position of Melbourne Health at 30 June 2022.

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
31 August 2022

**Professor Christine Kilpatrick AO**
Chief Executive
Melbourne
31 August 2022

**Paul Urquhart**
Executive Director
Finance & Logistics
Melbourne
31 August 2022

# Independent Auditor's Report

***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 2022
- 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 2022 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.

**Auditor's responsibilities for the audit of the financial report**

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

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

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

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

MELBOURNE
2 September 2022

Dominika Ryan
*as delegate for the Auditor-General of Victoria*

## Comprehensive Operating Statement
For the Financial Year Ended 30 June 2022

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Revenue and income from transactions** | | | |
| Operating activities | 2.1 | 1,624,006 | 1,527,573 |
| Non-operating activities | 2.1 | 8,354 | 5,693 |
| Revenue from inter hospital inventory sale | 2.1 | 19,756 | 26,911 |
| **Total revenue and income from transactions** | | **1,652,116** | **1,560,177** |
| | | | |
| **Expenses from transactions** | | | |
| Employee expenses | 3.1 | (1,142,247) | (1,063,946) |
| Supplies and consumables | 3.1 | (242,146) | (197,040) |
| Finance costs | 3.1 | (1,429) | (1,004) |
| Other administrative expenses | 3.1 | (61,419) | (54,807) |
| Other operating expenses | 3.1 | (115,763) | (131,598) |
| Depreciation and amortisation | 3.1, 4.6 | (99,155) | (99,422) |
| Expenses from inter hospital inventory purchase | 3.1 | (19,756) | (26,911) |
| Other non-operating expenses | 3.1 | - | (1,265) |
| **Total expenses from transactions** | | **(1,681,915)** | **(1,575,993)** |
| | | | |
| **Net result from transactions - net operating balance** | | **(29,799)** | **(15,816)** |
| | | | |
| **Other economic flows included in net result** | | | |
| | | | |
| Net gain/(loss) on non-financial assets | 3.2 | (180) | (118) |
| Net gain/(loss) on financial instruments | 3.2 | (6,310) | (3,060) |
| Other gains/(losses) from other economic flows | 3.2 | 8,794 | 26,731 |
| **Total other economic flows included in net result** | | **2,304** | **23,553** |
| | | | |
| **Net result for the year** | | **(27,495)** | **7,737** |
| | | | |
| **Other economic flows - other comprehensive income** | | | |
| | | | |
| **Items that will not be reclassified to net result** | | | |
| Changes in property, plant and equipment revaluation surplus | 4.2(b) | - | 24,721 |
| | | | |
| **Total other economic flows - other comprehensive income** | | **-** | **24,721** |
| **Comprehensive result for the year** | | **(27,495)** | **32,458** |

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

## Balance Sheet
As at 30 June 2022

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6.2 | 251,714 | 182,173 |
| Receivables | 5.1 | 51,927 | 63,878 |
| Investments and other financial assets | 4.1 | 400 | - |
| Inventories | 4.7 | 9,563 | 10,980 |
| Prepayments | | 22,210 | 19,819 |
| **Total current assets** | | **335,814** | **276,850** |
| | | | |
| **Non-current assets** | | | |
| Receivables | 5.1 | 52,841 | 49,318 |
| Investments and other financial assets | 4.1 | 16,069 | 2 |
| Property, plant and equipment | 4.2 (a) | 918,512 | 946,846 |
| Right-of-use assets | 4.3 (a) | 117,296 | 79,911 |
| Intangible assets | 4.5 (a) | 50,285 | 56,656 |
| **Total non-current assets** | | **1,155,003** | **1,132,733** |
| **Total assets** | | **1,490,817** | **1,409,583** |
| | | | |
| **Current liabilities** | | | |
| Payables and contract liabilities | 5.2 | 283,200 | 229,081 |
| Borrowings | 6.1 | 5,676 | 6,632 |
| Employee benefits | 3.3 | 278,784 | 256,302 |
| Other liabilities | 5.3 | 8,523 | 8,650 |
| **Total current liabilities** | | **576,183** | **500,665** |
| | | | |
| **Non-current liabilities** | | | |
| Payables and contract liabilities | 5.2 | 2,006 | 3,000 |
| Borrowings | 6.1 | 73,141 | 30,773 |
| Employee benefits | 3.3 | 34,637 | 42,804 |
| **Total non-current liabilities** | | **109,784** | **76,577** |
| **Total liabilities** | | **685,967** | **577,242** |
| **Net assets** | | **804,850** | **832,341** |
| | | | |
| **Equity** | | | |
| Property, plant and equipment revaluation surplus | 4.4 | 631,455 | 631,455 |
| Restricted specific purpose surplus | SCE | 1,050 | 603 |
| Contributed capital | SCE | 374,204 | 374,204 |
| Accumulated surplus/(deficit) | SCE | (201,859) | (173,921) |
| **Total equity** | | **804,850** | **832,341** |

*This balance sheet should be read in conjunction with the accompanying notes.*

# Statement of Changes in Equity
For the Financial Year Ended 30 June 2022

| | Property, plant and equipment revaluation surplus | Restricted specific purpose surplus | Contributed capital | Accumulated surplus/ (deficit) | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2020** | **606,734** | **1,065** | **374,204** | **(182,120)** | **799,883** |
| Net result for the year | - | - | - | 7,737 | 7,737 |
| Other comprehensive income for the year | 24,721 | - | - | - | 24,721 |
| Transfer from/(to) accumulated surplus/(deficit) | - | (462) | - | 462 | - |
| **Balance at 30 June 2021** | **631,455** | **603** | **374,204** | **(173,921)** | **832,341** |
| Net result for the year | - | - | - | (27,495) | (27,495) |
| Transfer from/(to) accumulated surplus/(deficit) | - | 447 | - | (447) | - |
| Other - VCCC[(i)] | - | - | - | 4 | 4 |
| **Balance at 30 June 2022** | **631,455** | **1,050** | **374,204** | **(201,859)** | **804,850** |

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

*[(i)] Represents adjustment related to the finalisation of the prior year results of the jointly controlled operation, Victorian Comprehensive Cancer Centre (VCCC).*

# Cash Flow Statement
For the Financial Year Ended 30 June 2022

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating grants from State Government | | 1,313,900 | 1,168,492 |
| Operating grants from Commonwealth Government | | 54,958 | 47,123 |
| Capital grants from State Government | | 39,854 | 58,290 |
| Capital grants from Commonwealth Government | | 300 | 246 |
| Patient and resident fees received | | 38,909 | 36,202 |
| Private practice fees received | | 35,046 | 28,622 |
| Donations and bequests received | | 6,480 | 13,426 |
| GST received from/(paid to) ATO[1] | | 45,492 | 38,713 |
| Interest received | | 928 | 777 |
| Dividend received | | 126 | 88 |
| Other capital receipts | | 258 | 267 |
| External recoveries | | 36,915 | 36,811 |
| Car park income received | | 7,745 | 6,244 |
| Other receipts | | 167,969 | 172,724 |
| **Total receipts** | | ***1,748,880*** | ***1,608,025*** |
| Employee expenses | | (1,103,223) | (984,897) |
| Non salary labour costs | | (23,059) | (23,117) |
| Payments for supplies and consumables | | (241,108) | (209,271) |
| Payments for medical indemnity insurance | | (10,891) | (9,711) |
| Payments for repairs and maintenance | | (42,089) | (38,032) |
| Finance costs | | (1,429) | (1,004) |
| Other payments | | (204,268) | (172,973) |
| **Total payments** | | ***(1,626,067)*** | ***(1,439,005)*** |
| **Net cash flows from/(used in) operating activities** | 8.1 | **122,813** | **169,020** |
| **Cash flows from investing activities** | | | |
| Purchase of non-financial assets | | (30,090) | (49,992) |
| Purchase of financial assets | | (18,149) | - |
| Proceeds from disposal of non-financial assets | | 1,047 | 44 |
| Proceeds from disposal of financial assets | | - | 10,695 |
| **Net cash flows from/(used in) investing activities** | | **(47,192)** | **(39,253)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings and repayment of principal portion of lease liabilities | | (5,954) | (46,569) |
| Receipt of accommodation deposits | | 2,374 | 2,906 |
| Repayment of accommodation deposits | | (2,500) | (587) |
| **Net cash flows from/(used in) financing activities** | | **(6,080)** | **(44,250)** |
| **Net increase/(decrease) in cash and cash equivalents held** | | **69,541** | **85,517** |
| **Cash and cash equivalents at beginning of financial year** | | **182,173** | **96,656** |
| **Cash and cash equivalents at end of financial year** | 6.2 | **251,714** | **182,173** |

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

[1] *GST received from/paid to the Australian Taxation Office is presented on a net basis.*

# Note 1: Basis of preparation

These annual financial statements represent the audited general purpose financial statements for Melbourne Health for the year ended 30 June 2022. The report provides users with information about Melbourne Health's stewardship of resources entrusted to it.

This section explains the basis of preparing the financial statements.

## Structure

**1.1 Basis of preparation of the financial statements**

**1.2 Impact of COVID-19 pandemic**

**1.3 Abbreviations and terminology used in the financial statements**

**1.4 Joint arrangements**

**1.5 Key accounting estimates and judgements**

**1.6 Accounting standards issued but not yet effective**

**1.7 Goods and Services Tax (GST)**

**1.8 Reporting entity**

**1.9 Comparatives**

## Note 1.1: Basis of preparation of the financial statements

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

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance (DTF) 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 Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

The 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. The financial statements are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These financial statements are presented in Australian dollars, the functional and presentation currency of Melbourne Health.

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

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

The annual financial statements were authorised for issue by the Board of Melbourne Health on 31 August 2022.

## Note 1.2: Impact of COVID-19 pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. On 2 August 2020 a state of disaster was added with both operating concurrently. The state of disaster in Victoria concluded on 28 October 2020 and the state of emergency concluded on 15 December 2021. The ongoing COVID-19 pandemic continues to impact Melbourne Health operations.

The COVID-19 pandemic has created economic uncertainty. Actual economic events and conditions in the future may be materially different from those anticipated by Melbourne Health at the reporting date. Management recognises that it is difficult to reliably forecast with certainty, the potential impact of the pandemic after the reporting date on Melbourne Health, its operations, its future results and financial position.

In response to the ongoing COVID-19 pandemic, Melbourne Health introduced a range of measures in both the prior and current year, including:

- restrictions on non-essential visitors and reduced visitor hours
- greater utilisation of telehealth services
- increase in care provided at home
- deferring elective surgery and reducing activity
- transferring inpatients to private health facilities
- performing COVID-19 testing
- establishing and operating vaccine clinics
- changing infection control practices
- implementing work from home arrangements, where appropriate.

Where financial impacts of the COVID-19 pandemic are material to Melbourne Health, they are disclosed in the explanatory notes. For Melbourne Health, this includes:

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering our services
- Note 6: How we finance our operations.

## Note 1.3: Abbreviations and terminology used in the financial statements

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

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

## Note 1.4: Joint arrangements

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 8.7 Jointly controlled operations).

## Note 1.5: Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

The accounting policies and significant management judgements and estimates used, and any changes thereto, are identified at the beginning of the following sections and are disclosed in further detail throughout the accounting policies:

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering our services
- Note 4: Key assets to support service delivery
- Note 5: Other assets and liabilities
- Note 6: How we finance our operations
- Note 7: Risks, contingencies and valuation uncertainties

## Note 1.6: Accounting standards issued but not yet effective

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

| Standard/Interpretation | Adoption date | Impact |
|---|---|---|
| AASB 17: *Insurance Contracts* | Reporting periods on or after 1 January 2023 | Adoption of this standard is not expected to have a material impact. |
| AASB 2020-1: *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* | Reporting periods on or after 1 January 2023 | Adoption of this standard is not expected to have a material impact. |
| AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* | Reporting periods on or after 1 January 2022. | Adoption of this standard is not expected to have a material impact. |
| AASB 2021-2: *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.* | Reporting periods on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |

| Standard/Interpretation | Adoption date | Impact |
|---|---|---|
| AASB 2021-5: *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | Reporting periods on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |
| AASB 2021-6: *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* | Reporting periods on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |
| AASB 2021-7: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* | Reporting periods on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |

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

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

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

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

Cash flows are included in the cash flow statement on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO. These GST components are disclosed as operating cash flows.

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

## Note 1.8: Reporting entity

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

Its principal address is:

c/o The Royal Melbourne Hospital
300 Grattan St
Parkville
VIC 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.

## Note 1.9: Comparatives

Where applicable, the comparative figures have been reclassified to align with the presentation in the current year.

# 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 from transactions**

## Impact of COVID-19 pandemic

Revenue recognised to fund the delivery of our services increased during the financial year which was partially attributable to the COVID-19 pandemic.

Activity Based Funding (ABF) decreased as the level of activity agreed in the Statement of Priorities could not be delivered due to restrictions in the number of patients being treated at various times throughout the financial year.

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

- increased staffing costs to service the vaccination hubs and the in-house contact tracing unit
- pathology testing costs due to COVID-19 tests
- increased personal protective equipment costs
- increased cost of clinical waste
- costs related to the expansion of emergency services

Additional funding provided included:

- COVID-19 Grants and State Repurposed Grants – funding provided to support the impact of COVID-19 on operational requirements.
- Elective Surgery Blitz Funding – provided to support elective surgery activity.
- Better @ Home Funding – provided to support the delivery of more healthcare within the patients' homes.
- Mental Health Capacity Funding – provided to support delivery of key clinical mental health service initiatives which aimed to address immediate surge demands resulting from the COVID-19 pandemic.
- Pathology Laboratory Capital Works, Equipment and Testing Funding – provided to support the expansion of COVID-19 testing capacity.
- Minor capital items purchased to support COVID-19 activity.

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| Identifying performance obligations | Melbourne Health applies judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations.<br><br>If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring Melbourne Health to recognise revenue as or when the health service transfers promised goods or services to customers. |

| Key judgements and estimates | Description |
|---|---|
| | If this criteria is not met, funding is recognised immediately in the net result from operations. |
| Determining timing of revenue recognition | Melbourne Health applies judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time. |
| Determining timing of capital grant income recognition | Melbourne Health applies judgement to determine when its obligation to construct an asset is satisfied. Costs incurred is used to measure the health service's progress as this is deemed to be the most accurate reflection of the stage of completion. |

## Note 2.1: Revenue and income from transactions

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| **Revenue from contracts with customers** | | | |
| Government grants (State) - Operating | | 630,864 | 592,658 |
| Government grants (Commonwealth) - Operating | | 52,279 | 45,868 |
| Patient and resident fees | | 40,115 | 38,362 |
| Private practice fees | | 36,089 | 29,653 |
| Commercial activities[1] | | 20,310 | 21,164 |
| **Total revenue from contracts with customers** | 2.1 (a) | **779,657** | **727,705** |
| **Other sources of income** | | | |
| Government grants (State) - Operating | | 621,175 | 542,306 |
| Government grants (State) - Capital | | 60,558 | 64,361 |
| Government grants (Commonwealth) - Capital | | 300 | 244 |
| Other capital purpose income | | 23,652 | 40,835 |
| Salaries and wages recoveries from external organisations | | 27,385 | 27,822 |
| Fair value of assets and services received free of charge or for nominal consideration | 2.1(b) | 25,720 | 40,858 |
| Research income | | 13,542 | 13,767 |
| Other income from operating activities | | 72,017 | 69,675 |
| **Total other sources of income** | | **844,349** | **799,868** |
| **Total revenue and income from operating activities** | | **1,624,006** | **1,527,573** |
| **Non-operating activities** | | | |
| **Income from other sources** | | | |
| Interest | | 928 | 777 |
| Dividends | | 126 | 88 |
| Rental income | | 7,300 | 4,828 |
| **Total other sources of income** | | **8,354** | **5,693** |
| **Total income from non-operating activities** | | **8,354** | **5,693** |
| **Revenue from inter hospital inventory sale** | | | |
| Revenue from inter hospital inventory sale | | 19,756 | 26,911 |
| **Total revenue from inter hospital inventory sale** | | **19,756** | **26,911** |
| **Total revenue and income from transactions** | | **1,652,116** | **1,560,177** |

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

## Note 2.1 (a): Timing of revenue from contracts with customers

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Melbourne Health disaggregates revenue by the timing of revenue recognition. | | |
| **Goods and services transferred to customers:** | | |
| At a point in time | 698,860 | 658,453 |
| Over time | 80,797 | 69,252 |
| **Total revenue from contracts with customers** | **779,657** | **727,705** |

### Income from operating activities

**Government operating grants**

To recognise revenue, Melbourne Health assesses each grant to determine whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15: *Revenue from Contracts with Customers*.

When both these conditions are satisfied, Melbourne Health:

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

If a contract liability is recognised, Melbourne Health recognises revenue in profit or loss as and when it satisfies its obligations under the contract, unless a contract modification is entered into between all parties. A contract modification may be obtained in writing, by oral agreement or implied by customary business practices.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, in accordance with AASB 1058: *Income for not-for-profit entities*, Melbourne Health:

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

In contracts with customers, the ‘customer’ is typically a funding body, who is the party that promises funding in exchange for Melbourne Health’s goods or services. Melbourne Health funding bodies often direct that goods or services are to be provided to third party beneficiaries, including individuals or the community at large. In such instances, the customer remains the funding body that has funded the program or activity, however the delivery of goods or services to third party beneficiaries is a characteristic of the promised good or service being transferred to the funding body.

This policy applies to each of Melbourne Health’s revenue streams, with information detailed below relating to Melbourne Health’s significant revenue streams:

| Government grant | Performance obligation |
|---|---|
| Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix | The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities.<br><br>Revenue is recognised at a point in time, which is when a patient is discharged.<br><br>WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group (DRG).<br><br>WIES was superseded by NWAU from 1 July 2021, for acute, sub-acute and state-wide (which includes specified grants, state-wide services and teaching and training). Services not transitioning at this time include mental health and small rural services. |
| Activity Based Funding (ABF) paid as National Weighted Activity Unit (NWAU) | NWAU funding commenced 1 July 2021 and supersedes WIES for acute, sub-acute and state-wide services (which includes specified grants, state-wide services and teaching and training). Services not transitioning at this time include mental health and small rural services.<br><br>NWAU is a measure of health service activity expressed as a common unit against which the national efficient price (NEP) is paid.<br><br>The performance obligations for NWAU are the number and mix of admissions, emergency department presentations and outpatient episodes, and is weighted for clinical complexity.<br><br>Revenue is recognised at point in time, which is when a patient is discharged. |
| Elective Surgery Blitz Funding | Part of NWAU acute admitted funding provided to support elective surgery activity. Melbourne Health is required to provide a set number of elective surgery procedures.<br><br>Revenue is recognised over time, as and when the services are delivered. |
| Mental Health Capacity Funding | Funding provided to support the delivery of mental health service key clinical initiatives which aimed to address immediate surge demands resulting from the COVID-19 coronavirus pandemic. Melbourne Health is required to provide a set number of hours of service delivery.<br><br>Revenue is recognised over time, as and when the services are delivered. |
| Better @ Home Funding | Funding provided to support the delivery of more healthcare within the patient's homes by expanding access to services and investing in workforce skills to deliver care in the home.<br><br>Revenue is recognised over time, as and when the services are delivered. |

**Capital grants**

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

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

**Non-cash contributions from the Department of Health**

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

| Supplier | Description |
|---|---|
| Victorian Managed Insurance Authority | The Department of Health purchases non-medical indemnity insurance for Melbourne Health which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions. |
| Department of Health | Long Service Leave (LSL) funding is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements with the Department of Health. |
| Construction Costs Paid on behalf of Health Services (CCPH) | The Department of Health pays certain construction costs on behalf of health services. |

**Patient and resident fees**

Patient and resident fees are charges that can be levied on patients for some services they receive. Patient and resident fees are recognised at a point in time when the performance obligation, the provision of services, is satisfied, except where the patient and resident fees relate to accommodation charges. Accommodation charges are calculated daily and are recognised over time, to reflect the period accommodation is provided.

**Private practice fees**

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

**Commercial activities**

Revenue from commercial activities includes items such as car park income, clinical trial income, breast-screen service and external supply agreements. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

**Other revenue from operating activities**

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

## Income from non-operating activities

**Interest income**

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

**Dividend income**

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

**Property rental income**

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

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

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

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Undiscounted future lease payments receivable** | | |
| Within one year | 5,257 | 5,347 |
| Within one to two years | 4,496 | 5,257 |
| Within two to three years | 4,077 | 4,492 |
| Within three to four years | 33 | 4,099 |
| Within four to five years | 33 | 33 |
| After five years | 13 | 46 |
| **Total undiscounted future lease payments receivable** | **13,909** | **19,274** |

## Revenue from inter hospital inventory purchase

Revenue from inter hospital inventory purchase represents income received from other hospitals for procurement services provided. Effective from March 2022 procurements services have transitioned to HealthShare Victoria.

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

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Cash donations and gifts* | 6,480 | 22,952 |
| Plant and equipment | 106 | 420 |
| Land at fair value | - | 770 |
| Buildings at fair value | - | 70 |
| Personal protective equipment and other consumables | 19,134 | 16,646 |
| **Total fair value of assets and services received free of charge or for nominal consideration** | **25,720** | **40,858** |

*The movement in Cash Donations and Gifts is impacted by a one off gift from the John Perrett Estate received during 2020-21 financial year.

### Donations and bequests

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

**Plant and equipment**

Melbourne Health received plant and equipment from Queen Victoria Market during 2021-22.

**Personal protective equipment**

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

The general principles of the State Supply Arrangement were that Melbourne Health sourced, secured and agreed terms for the purchase of the PPE products, funded by the Department of Health, while Monash Health took delivery, and distributed an allocation of the products to Melbourne Health as resources provided free of charge. Health Share Victoria and Monash Health were acting as an agent of the Department of Health under this arrangement.

**Voluntary services**

Melbourne Health receives volunteer services from members of the community mainly for guiding patients to appointments and providing hospitality services.

Contributions by volunteers, in the form of services, are only recognised when fair value can be reliably measured, and the services would have been purchased if they had not been donated. Melbourne Health has considered the services provided by volunteers and has determined the value of volunteer services cannot be readily determined and therefore it has not recorded any income related to volunteer services.

# 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 Employee benefits**

**3.4 Superannuation**

## Impact of COVID-19 pandemic

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 pandemic.

Additional costs were incurred to deliver the following additional services:

- Establishment of dedicated COVID-19 wards – dedicated wards and ICU capacity were established to care for suspected and admitted COVID-19 patients in isolation with negative pressure individual rooms, resulting in an increase in employee costs and additional equipment purchases.
- Expansion of Hospital in the Home program – to preserve hospital capacity for the patients of most need.
- COVID-19 positive pathways were introduced under the Health Service Partnership program to provide virtual care at home for COVID-19 positive patients.
- Implementation of COVID-19 safe practices throughout Melbourne Health – redesigning work space following COVID-19 social distancing rules, setting up remote working/collaborating facilities using information technology, additional cleaning (according to the infection prevention standards), security support to protect staff and to prevent the spread of COVID-19 and provision of personal protective equipment free of charge.
- Establishment of COVID-19 testing facilities – provision of dedicated COVID-19 screening clinic for public and staff at the City Campus and in the community. Melbourne Health Pathology was also tasked with setting up additional (high volume) testing capacity to address the increased demand of COVID-19 testing across the state. These activities resulted in an increase in employee costs and additional equipment purchases.
- Increasing the capacity at Victorian Infectious Diseases Reference Laboratory (VIDRL) to manage additional testing demand and to improve testing turnaround times, resulting in an increase in employee costs and additional equipment purchases.
- Additional surge allowance and COVID-19 leave were provided to retain and support the staff during the COVID-19 pandemic.
- Establishment of vaccination clinics to administer vaccines to staff and the community – COVID-19 vaccine hubs were set up at RMH for the precinct hospital staff and an additional facility at Melbourne Convention and Exhibition Centre for the general public, resulting in an increase in employee costs and consumables.

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| Classifying employee benefit liabilities | Melbourne Health applies judgment when classifying its employee benefit liabilities.<br><br>Employee benefit liabilities are classified as a current liability if Melbourne Health does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category.<br><br>Employee benefit liabilities are classified as a non-current liability if Melbourne Health has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category. |
| Measuring employee benefit liabilities | Melbourne Health applies significant judgment when measuring its employee benefit liabilities.<br><br>Melbourne Health applies judgement to determine when it expects its employee entitlements to be paid.<br><br>With reference to historical data, if the health service does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value, being the expected future payments to employees.<br><br>Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields on government bonds at the end of the reporting period.<br><br>All other entitlements are measured at their nominal value. |

## Note 3.1: Expenses from transactions

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| Salaries and wages | | 891,737 | 828,987 |
| On-costs | | 219,994 | 205,402 |
| Agency expenses | | 20,251 | 20,289 |
| Fee for service medical officer expenses | | 2,720 | 2,938 |
| WorkCover premium | | 7,545 | 6,330 |
| **Total employee expenses** | | **1,142,247** | **1,063,946** |
| Pharmaceutical supplies | | 48,789 | 44,286 |
| Medical and surgical supplies (including prostheses) | | 90,312 | 86,511 |
| Diagnostic and radiology supplies | | 50,196 | 38,651 |
| Other supplies and consumables | | 52,849 | 27,592 |
| **Total supplies and consumables** | | **242,146** | **197,040** |
| Finance costs | | 1,429 | 1,004 |
| **Total finance costs** | | **1,429** | **1,004** |
| Other administrative expenses | | 61,419 | 54,807 |
| **Total other administrative expenses** | | **61,419** | **54,807** |
| Fuel, light, power and water | | 11,117 | 11,542 |
| Repairs and maintenance | | 6,829 | 8,158 |
| Maintenance contracts | | 33,896 | 28,850 |
| Medical indemnity insurance | | 10,891 | 9,711 |
| Expenditure for capital purposes | | 15,125 | 41,346 |
| Other operating expenses | | 37,905 | 31,991 |
| **Total other operating expenses** | | **115,763** | **131,598** |
| Depreciation and amortisation | 4.6 | 99,155 | 99,422 |
| **Total depreciation and amortisation** | | **99,155** | **99,422** |
| Expenses from inter hospital inventory purchase | | 19,756 | 26,911 |
| **Total expenses from inter hospital inventory purchase** | | **19,756** | **26,911** |
| Assets transferred for nil consideration[1] | | - | 2,759 |
| Liabilities transferred for nil consideration[2] | | - | (1,494) |
| **Total other non-operating expenses** | | **-** | **1,265** |
| **Total expenses from transactions** | | **1,681,915** | **1,575,993** |

[1] Land and buildings for supply warehouse transferred to HealthShare Victoria.
[2] Leave entitlements for supply employees transferred to HealthShare Victoria.

## 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 premium.

**Supplies and consumables**

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

**Finance costs**

Finance costs include:

- amortisation of discounts 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 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 (refer to Note 2.1).

**Depreciation and amortisation**

Represents expenses in relation to depreciation and amortisation of non-financial assets.

**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. Effective from March 2022 procurement services have transitioned to HealthShare Victoria.

**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 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Net gain/(loss) on disposal of property, plant and equipment | (180) | (118) |
| **Total net gain/(loss) on non-financial assets** | **(180)** | **(118)** |
| Allowance for impairment losses of contractual receivables | (4,561) | (4,190) |
| Net foreign exchange gain/(loss) arising from financial instruments | (67) | (40) |
| Net gain/(loss) on disposal of financial instruments | - | 1,170 |
| Net gain/(loss) arising from revaluation of financial assets at fair value through net result | (1,682) | - |
| **Total net gain/(loss) on financial instruments** | **(6,310)** | **(3,060)** |
| Net gain/(loss) arising from revaluation of long service liability | 8,794 | 26,731 |
| **Total other gains/(losses) from other economic flows** | **8,794** | **26,731** |
| **Total gains/(losses) from other economic flows** | **2,304** | **23,553** |

### 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:

- net gain/(loss) on disposal of non-financial assets. Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

**Net gain/(loss) on financial instruments**

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments; 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.

## Note 3.3: Employee benefits

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Current employee benefits and related on-costs** | | |
| Employee benefits [i] | | |
| Accrued days off | | |
| - Unconditional and expected to be settled wholly within 12 months [ii] | 3,037 | 2,454 |
| | **3,037** | **2,454** |
| Annual leave | | |
| - Unconditional and expected to be settled wholly within 12 months [ii] | 66,866 | 60,322 |
| - Unconditional and expected to be settled wholly after 12 months [iii] | 27,724 | 26,795 |
| | **94,590** | **87,117** |
| Long service leave | | |
| - Unconditional and expected to be settled wholly within 12 months [ii] | 19,088 | 17,100 |
| - Unconditional and expected to be settled wholly after 12 months [iii] | 130,476 | 123,576 |
| | **149,564** | **140,676** |
| Other employee benefits | | |
| - Unconditional and expected to be settled wholly within 12 months [ii] | 1,003 | 1,021 |
| | **1,003** | **1,021** |
| Provisions related to employee benefit on-costs | | |
| - Unconditional and expected to be settled within 12 months [ii] | 10,418 | 8,732 |
| - Unconditional and expected to be settled after 12 months [iii] | 20,172 | 16,302 |
| | **30,590** | **25,034** |
| **Total current employee benefits and related on-costs** | **278,784** | **256,302** |
| **Non-current employee benefits and related on-costs** | | |
| Conditional long service leave | 30,621 | 38,613 |
| Provisions related to employee benefit on-costs | 4,016 | 4,191 |
| **Total non-current employee benefits and related on-costs** | **34,637** | **42,804** |
| **Total employee benefits and related on-costs** | **313,421** | **299,106** |

*(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 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Current employee benefits and related on-costs** | | |
| Unconditional long service leave entitlements | 168,759 | 155,946 |
| Unconditional annual leave entitlements | 105,519 | 96,506 |
| Unconditional accrued days off | 3,387 | 2,719 |
| Unconditional substitution leave | 157 | 278 |
| Unconditional four clear days | 962 | 853 |
| **Total current employee benefits and related on-costs** | **278,784** | **256,302** |
| **Non-current employee benefits and related on costs** | | |
| Conditional long service leave entitlements | 34,637 | 42,804 |
| **Total non-current employee benefits and related on costs** | **34,637** | **42,804** |
| **Total employee benefits and related on-costs** | **313,421** | **299,106** |
| **Attributable to:** | | |
| Employee benefits | 278,815 | 269,881 |
| Provision for related on-costs | 34,606 | 29,225 |
| **Total employee benefits and related on-costs** | **313,421** | **299,106** |

**(b) Provision for related on-costs movement schedule**

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Carrying amount at start of year** | **29,225** | **29,090** |
| Additional provisions recognised | 18,946 | 12,427 |
| Amounts incurred during the year | (12,561) | (9,656) |
| Net gain/(loss) arising from revaluation of long service liability | (1,004) | (2,636) |
| **Carrying amount at end of year** | **34,606** | **29,225** |

## Employee benefit recognition

Employee benefits are accrued for 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.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

**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 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 is measured at present value and is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows in the net result.

**Termination benefits**

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

**Provision for on-costs related to employee benefits**

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

# Note 3.4: Superannuation

| | Paid contribution for the year | | Contribution outstanding at year end | | Total contribution for the year | |
|---|---|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| **Defined benefit plans[(i)]:** | | | | | | |
| Emergency Services and State Super (ESSSuper) | 496 | 574 | 7 | 7 | 503 | 581 |
| Aware Super defined benefit | 323 | 368 | 7 | 55 | 330 | 423 |
| **Defined contribution plans:** | | | | | | |
| HESTA | 27,088 | 20,247 | 503 | 2,258 | 27,591 | 22,505 |
| Aware Super | 43,964 | 39,138 | 1,154 | 4,696 | 45,118 | 43,834 |
| Other | 14,205 | 9,834 | 307 | 1,132 | 14,512 | 10,966 |
| **Total** | **86,076** | **70,161** | **1,978** | **8,148** | **88,054** | **78,309** |

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

## Superannuation recognition

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

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 defined benefit plan provides benefits based on years of service and final average salary. The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by 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. However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of Melbourne Health.

### 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 Right-of-use assets**

**4.4 Revaluation surplus**

**4.5 Intangible assets**

**4.6 Depreciation and amortisation**

**4.7 Inventories**

**4.8 Impairment of assets**

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| Estimating useful life of property, plant and equipment | Melbourne Health assigns an estimated useful life to each item of property, plant and equipment. This is used to calculate depreciation of the asset.<br><br>Melbourne Health reviews the useful life and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate. |
| Estimating useful life of right-of-use assets | The useful life of each right-of-use asset is typically the respective lease term, except where Melbourne Health is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset. |
| Estimating the useful life of intangible assets | Melbourne Health assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset. |
| Identifying indicators of impairment | At the end of each year, Melbourne Health assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, Melbourne Health tests the asset for impairment.<br><br>Melbourne Health considers a range of information when performing its assessment, including considering:<br>• If an asset's value has declined more than expected based on normal use<br>• If a significant change in technological, market, economic or legal environment which adversely impacts the way Melbourne Health uses an asset<br>• If an asset is obsolete or damaged<br>• If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life<br>• If the performance of the asset is or will be worse than initially expected. |

| Key judgements and estimates | Description |
|---|---|
| | Where an impairment trigger exists, Melbourne Health applies judgement and estimate to determine the recoverable amount of the asset. |
| Classification of land with no lease agreements in place | In the absence of formal lease agreements, Melbourne Health has recognised all Crown Land as property, plant and equipment instead of right-of-use concessionary land as:<br>• Melbourne Health is responsible for all maintenance, insurance and other holding costs;<br>• Melbourne Health has the right to use the assets indefinitely, unless a ministerial change occurs;<br>• the assets are held and used as property, plant and equipment in substance. |

## Note 4.1: Investments and other financial assets

| | Specific purpose fund | | Capital fund | | Total | |
|---|---|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| **Current** | | | | | | |
| **Current financial assets at amortised cost** | | | | | | |
| Term deposits > 3 months | 400 | - | - | - | 400 | - |
| **Total current financial assets** | **400** | **-** | **-** | **-** | **400** | **-** |
| **Non-current** | | | | | | |
| **Current financial assets at fair value through net result** | | | | | | |
| Managed investment schemes (VFMC)* | - | - | 16,069 | - | 16,069 | - |
| Equities | - | 2 | - | - | - | 2 |
| **Total non-current financial assets** | - | 2 | 16,069 | - | 16,069 | 2 |
| **Total investments and other financial assets** | **400** | **2** | **16,069** | **-** | **16,469** | **2** |
| **Represented by:** | | | | | | |
| Jointly controlled operations investments | 400 | 2 | - | - | 400 | 2 |
| Foundation investments* | - | - | 16,069 | - | 16,069 | - |
| **Total investments and other financial assets** | **400** | **2** | **16,069** | **-** | **16,469** | **2** |

* Represented by John Perrett bequest provided in 2020-21 that was invested with Victorian Funds Management Corporation (VFMC).

### Investments and other financial assets recognition

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

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

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

# Note 4.2: Property, plant and equipment

**(a) Gross carrying amount and accumulated depreciation**

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Land** | | |
| Freehold land at cost | 250 | - |
| Crown land at fair value | 241,630 | 241,630 |
| Freehold land at fair value | 21,502 | 22,272 |
| **Total land** | **263,382** | **263,902** |
| | | |
| **Buildings** | | |
| Buildings under construction at cost | 33,867 | 5,875 |
| Leasehold improvements under construction at cost | 429 | 252 |
| | | |
| Buildings at fair value | 665,903 | 661,354 |
| Less accumulated depreciation | (158,986) | (105,834) |
| | | |
| Leasehold improvements at cost | 14,860 | 13,080 |
| Less accumulated amortisation | (8,179) | (7,018) |
| **Total buildings** | **547,894** | **567,709** |
| | | |
| **Total land and buildings** | **811,276** | **831,611** |
| | | |
| **Plant and equipment** | | |
| Plant and equipment work in progress | 8,205 | 4,000 |
| | | |
| Plant and equipment at fair value | 48,448 | 46,567 |
| Less accumulated depreciation | (28,396) | (27,933) |
| **Total plant and equipment** | **28,257** | **22,634** |
| | | |
| **Medical equipment** | | |
| Medical equipment work in progress | - | 365 |
| | | |
| Medical equipment at fair value | 169,362 | 170,269 |
| Less accumulated depreciation | (105,253) | (103,863) |
| **Total medical equipment** | **64,109** | **66,771** |
| | | |
| **Computer equipment** | | |
| Computer equipment work in progress | - | 707 |
| | | |
| Computer equipment at fair value | 46,848 | 52,147 |
| Less accumulated depreciation | (33,555) | (28,406) |
| **Total computer equipment** | **13,293** | **24,448** |
| | | |
| **Furniture and fittings** | | |
| Furniture and fittings work in progress | - | 67 |
| | | |
| Furniture and fittings at fair value | 3,861 | 3,636 |
| Less accumulated depreciation | (2,293) | (2,503) |
| **Total furniture and fittings** | **1,568** | **1,200** |
| | | |
| **Motor vehicles** | | |
| Motor vehicle assets at fair value | 729 | 881 |
| Less accumulated depreciation | (720) | (699) |
| **Total motor vehicles** | **9** | **182** |
| | | |
| **Total plant, equipment, furniture, fittings and vehicles** | **107,236** | **115,235** |
| | | |
| **Total property, plant and equipment** | **918,512** | **946,846** |

## Note 4.2: Property, plant and equipment (continued)

**(b) Reconciliation of movements in carrying amount by class of asset**

| | Note | Land | Buildings | Buildings WIP | Buildings Imps L/Hold | Plant and equipment | Medical equipment | Computer equipment | Furniture and fittings | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2020** | | **240,074** | **556,231** | **55,806** | **7,269** | **23,726** | **60,318** | **32,128** | **1,317** | **361** | **977,230** |
| Additions | | - | 1,642 | 3,615 | 231 | 2,283 | 15,394 | 4,901 | 108 | 19 | 28,193 |
| Disposals | | - | - | - | - | (3) | (124) | (18) | - | - | (145) |
| Assets received/(provided) free of charge | | (893) | (1,026) | - | - | 70 | 3,139 | - | - | - | 1,290 |
| Revaluation increments/(decrements) | | 24,721 | - | - | - | - | - | - | - | - | 24,721 |
| Net transfers between classes | | - | 53,416 | (53,546) | 131 | 5 | 3 | (9) | - | - | - |
| Depreciation and amortisation | 4.6 | - | (54,743) | - | (1,317) | (3,447) | (11,959) | (12,554) | (225) | (198) | (84,443) |
| **Balance at 30 June 2021** | 4.2 (a) | **263,902** | **555,520** | **5,875** | **6,314** | **22,634** | **66,771** | **24,448** | **1,200** | **182** | **946,846** |
| Additions | | 250 | 1,747 | 32,701 | 384 | 8,218 | 9,307 | 4,007 | 625 | - | 57,239 |
| Disposals | | (770) | (70) | - | - | (187) | (165) | (4) | - | (21) | (1,217) |
| Assets received/(provided) free of charge | | - | - | - | - | 138 | 637 | - | - | - | 775 |
| Net transfers between classes | | - | 2,859 | (4,709) | 1,585 | 746 | (96) | (2,952) | - | - | (2,567) |
| Depreciation and amortisation | 4.6 | - | (53,139) | - | (1,173) | (3,292) | (12,345) | (12,206) | (257) | (152) | (82,564) |
| **Balance at 30 June 2022** | 4.2 (a) | **263,382** | **506,917** | **33,867** | **7,110** | **28,257** | **64,109** | **13,293** | **1,568** | **9** | **918,512** |

## Property, plant and equipment recognition

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

### Initial recognition

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

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

### Subsequent measurement

Items of property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment losses where applicable.

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

Further information regarding fair value measurement is disclosed below in Note 7.3.

### Revaluation

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

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

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

An independent valuation of Melbourne Health's property was performed by the VGV in May 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

As the managerial assessment performed at 30 June 2022 resulted in cumulative movement of less than 10% for both land and buildings since the last revaluation, a managerial revaluation adjustment was not required as at 30 June 2022.

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

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly to the property, plant and equipment 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, in which case the increment is recognised as income in the net result.

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

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

# Note 4.3: Right-of-use assets

**(a) Gross carrying amount and accumulated depreciation**

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Right-of-use concessionary land** | | |
| Right-of-use land | 9 | 9 |
| **Total right-of-use concessionary land** | **9** | **9** |
| | | |
| **Right-of-use buildings** | | |
| Right-of-use buildings | 124,620 | 80,099 |
| Less accumulated depreciation | (12,667) | (7,505) |
| **Total right-of-use buildings** | **111,953** | **72,594** |
| | | |
| **Total right-of-use concessionary land and buildings** | **111,962** | **72,603** |
| | | |
| **Right-of-use plant, equipment, furniture, fittings and vehicles** | | |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 9,949 | 10,103 |
| Less accumulated depreciation | (6,914) | (4,955) |
| **Total right-of-use plant, equipment, furniture, fittings and vehicles** | **3,035** | **5,148** |
| | | |
| **Right-of-use vehicles leased from VicFleet** | | |
| Right-of-use vehicles leased from VicFleet | 3,635 | 2,974 |
| Less accumulated depreciation | (1,336) | (814) |
| **Total right-of-use vehicles leased from VicFleet** | **2,299** | **2,160** |
| | | |
| **Total plant, equipment, furniture, fittings and vehicles** | **5,334** | **7,308** |
| | | |
| **Total right-of-use assets** | **117,296** | **79,911** |

**(b) Reconciliation of movements in carrying amount by class of asset**

| | Note | Right-of-use concessionary land $'000 | Right-of-use - buildings $'000 | Right-of-use - PPE, F&F & V $'000 | Right-of-use - vehicles leased from VicFleet $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | | **9** | **75,943** | **6,705** | **1,951** | **84,608** |
| Additions | | - | 371 | 818 | 665 | 1,854 |
| Disposals | | - | - | - | (17) | (17) |
| Depreciation and amortisation | 4.6 | - | (3,720) | (2,375) | (439) | (6,534) |
| **Balance at 30 June 2021** | 4.3 (a) | **9** | **72,594** | **5,148** | **2,160** | **79,911** |
| Additions | | - | 46,170 | - | 684 | 46,854 |
| Disposals | | - | (1,374) | (30) | (11) | (1,415) |
| Depreciation and amortisation | 4.6 | - | (5,437) | (2,083) | (534) | (8,054) |
| **Balance at 30 June 2022** | 4.3 (a) | **9** | **111,953** | **3,035** | **2,299** | **117,296** |

## Right-of-use assets recognition

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

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

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

| Class of right-of-use asset | Lease term |
|---|---|
| Leased land | 1 to 99 years |
| Leased buildings | 1 to 40 years |
| Leased plant, equipment, furniture, fittings and vehicles | 1 to 7 years |

### Initial recognition

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

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

- any lease payments made at or before the commencement date
- any initial direct costs incurred and
- less any lease incentive received.

Melbourne Health holds lease agreements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives. Refer to Note 6.1 for further information regarding the nature and terms of the concessional lease, and Melbourne Health's dependency on such lease arrangements.

### Subsequent measurement

Right-of-use assets are subsequently measured at fair value, with the exception of right-of-use asset arising from leases with significantly below-market terms and conditions, which are subsequently measured at cost less accumulated depreciation and accumulated impairment losses where applicable.

Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

Further information regarding fair value measurement is disclosed in Note 7.3.

## Note 4.4: Revaluation surplus

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| Balance at the beginning of the reporting period | | 631,455 | 606,734 |
| Revaluation increments/(decrements) | | | |
| - Land | 4.2 (b) | - | 24,721 |
| **Balance at the end of the reporting period*** | | **631,455** | **631,455** |
| | | | |
| * Represented by: | | | |
| - Land | | 270,392 | 270,392 |
| - Buildings | | 358,839 | 358,839 |
| - Plant and equipment, furniture and fittings and vehicles | | 2,224 | 2,224 |
| | | **631,455** | **631,455** |

# Note 4.5: Intangible assets

**(a) Gross carrying amount and accumulated amortisation**

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Post office license | 70 | 70 |
| **Total post office license** | **70** | **70** |
| Software costs capitalised | 105,901 | 100,681 |
| Less accumulated amortisation | (55,781) | (48,414) |
| Software costs work in progress | 95 | 4,319 |
| **Total software costs capitalised** | **50,215** | **56,586** |
| **Total intangible assets** | **50,285** | **56,656** |

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

| | Note | Software Costs Capitalised and Work in Progress $'000 | Post Office License $'000 | Total $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2020** | | **42,163** | **70** | **42,233** |
| Additions | | 22,868 | - | 22,868 |
| Amortisation | 4.6 | (8,445) | - | (8,445) |
| **Balance at 1 July 2021** | 4.5 (a) | **56,586** | **70** | **56,656** |
| Additions | | 3,349 | - | 3,349 |
| Net transfers between classes | | (1,183) | - | (1,183) |
| Amortisation | 4.6 | (8,537) | - | (8,537) |
| **Balance at 30 June 2022** | 4.5 (a) | **50,215** | **70** | **50,285** |

## Intangible assets recognition

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

**Initial recognition**

Purchased intangible assets are initially recognised at cost.

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

**Subsequent measurement**

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

## Note 4.6: Depreciation and amortisation

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Depreciation** | | |
| **Property, plant and equipment** | | |
| Buildings | 53,139 | 54,743 |
| Plant and equipment | 3,292 | 3,447 |
| Medical equipment | 12,345 | 11,959 |
| Computer equipment | 12,206 | 12,554 |
| Furniture and fittings | 257 | 225 |
| Motor vehicles | 152 | 198 |
| Leasehold building improvements | 1,173 | 1,317 |
| **Total depreciation - property, plant and equipment** | **82,564** | **84,443** |
| | | |
| **Right-of-use assets** | | |
| Right-of-use buildings | 5,437 | 3,720 |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 2,083 | 2,375 |
| Leased motor vehicles from VicFleet | 534 | 439 |
| **Total depreciation - right-of-use assets** | **8,054** | **6,534** |
| | | |
| **Total depreciation** | **90,618** | **90,977** |
| | | |
| **Amortisation** | | |
| Software costs capitalised and work in progress | 8,537 | 8,445 |
| **Total amortisation** | **8,537** | **8,445** |
| **Total depreciation and amortisation** | **99,155** | **99,422** |

### Depreciation and amortisation recognition

#### Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under 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 lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the health service anticipates to exercise a purchase option, the specific right-of-use asset is depreciated over the useful life of the underlying asset.

#### Amortisation

Amortisation is allocated to intangible assets 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.

| | 2022 | 2021 |
|---|---|---|
| Buildings (including leaseholds) | | |
| - 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 |
| Computers and communication | 3 years | 3 years |
| Furniture and fitting | 10 years | 10 years |
| Motor vehicles (including leased vehicles) | 3 to 4 years | 3 to 4 years |
| Intangible assets | 3 to 10 years | 3 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 4.7: Inventories

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Aids and appliances at cost | 76 | 78 |
| Medical and surgical consumables at cost | 3,986 | 3,156 |
| Pharmacy supplies at cost | 2,577 | 2,140 |
| Pathology supplies at cost | 2,924 | 5,445 |
| General stores at cost | - | 161 |
| **Total inventories** | **9,563** | **10,980** |

### 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.

Inventories are measured at the lower of cost and net realisable value.

## Note 4.8: Impairment of assets

### Impairment recognition

At the end of each reporting period, Melbourne Health reviews the carrying amount of its tangible and intangible assets that have a finite useful life, to determine whether there is any indication that an asset may be impaired.

The assessment will include consideration of external sources of information and internal sources of information.

External sources of information include but are not limited to observable indications that an asset's value has declined during the period by significantly more than would be expected as a result of the passage of time or normal use. Internal sources of information include but are not limited to evidence of obsolescence or physical damage of an asset and significant changes with an adverse effect on Melbourne Health which changes the way in which an asset is used or expected to be used. If such an indication exists, an impairment test is carried out.

When performing an impairment test, Melbourne Health compares the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in net result, unless the asset is carried at a revalued amount.

Where an impairment loss on a revalued asset is identified, this is recognised against the asset revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the cumulative balance recorded in the asset revaluation surplus for that class of asset.

Where it is not possible to estimate the recoverable amount of an individual asset, Melbourne Health estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Melbourne Health did not record any impairment losses for the year ended 30 June 2022.

# 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**

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| Estimating the provision for expected credit losses | Melbourne Health uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates. |
| Classifying a sub-lease arrangement as either an operating lease or finance lease | Melbourne Health applies judgement to determine if a sub-lease arrangement, where the health service is a lessor, meets the definition of an operating lease or finance lease.<br><br>Melbourne Health considers a range of scenarios when classifying a sub-lease. A sub-lease typically meets the definition of a finance lease if:<br>• The lease transfers ownership of the asset to the lessee at the end of the term<br>• The lessee has an option to purchase the asset for a price that is significantly below fair value at the end of the lease term<br>• The lease term is for the majority of the asset's useful life<br>• The present value of lease payments amount to the approximate fair value of the leased asset and<br>• The leased asset is of a specialised nature that only the lessee can use without significant modification.<br><br>All other sub-lease arrangements are classified as an operating lease. |
| Measuring deferred capital grant income | Where Melbourne Health has received funding to construct an identifiable non-financial asset, such funding is recognised as deferred capital grant income until the underlying asset is constructed.<br><br>Melbourne Health applies judgement when measuring the deferred capital grant income balance, which references the estimated stage of completion at the end of each financial year. |
| Measuring contract liabilities | Melbourne Health applies judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2.1. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer. |

## Note 5.1: Receivables

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Current receivables** | | | |
| **Contractual** | | | |
| Inter hospital debtors | | 11,832 | 26,207 |
| Trade receivables | | 12,067 | 7,739 |
| Patient fees | | 5,232 | 7,511 |
| Accrued revenue - other | | 14,002 | 15,997 |
| Amounts receivable from government and agencies | | 427 | 115 |
| ***Less allowance for impairment losses of contractual receivables*** | | | |
| Trade receivables | 7.2 (a) | (61) | (374) |
| Patient fees | 7.2 (a) | (800) | (1,014) |
| **Total contractual receivables** | | **42,699** | **56,181** |
| **Statutory** | | | |
| GST receivable | | 9,228 | 7,697 |
| **Total statutory receivables** | | **9,228** | **7,697** |
| **Total current receivables** | | **51,927** | **63,878** |
| **Non-current receivables** | | | |
| **Contractual** | | | |
| Long service leave - Department of Health | | 52,841 | 49,318 |
| **Total contractual receivables** | | **52,841** | **49,318** |
| **Total non-current receivables** | | **52,841** | **49,318** |
| **Total receivables** | | **104,768** | **113,196** |

**Financial assets classified as receivables**

| | | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| Total receivables | | 104,768 | 113,196 |
| Provision for impairment | | 861 | 1,388 |
| GST receivable | | (9,228) | (7,697) |
| **Total financial assets** | 7.1(a) | **96,401** | **106,887** |

**(a) Movement in the allowance for Impairment losses of contractual receivables**

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Balance at the beginning of the year** | **1,388** | **2,288** |
| Amounts written off during the year | (5,088) | (5,090) |
| Increase/(decrease) in allowance recognised in net result | 4,561 | 4,190 |
| **Balance at the end of the year** | **861** | **1,388** |

### Receivables recognition

Receivables consist of:

- **Contractual receivables**, which includes mainly debtors in relation to goods and services. 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 they are subsequently measured at amortised cost using the effective interest method, less any impairment.
- **Statutory receivables**, includes 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 counter-party or any group of counter-parties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

**Impairment losses of contractual receivables**

Refer to Note 7.2 (a) Credit Risk for Melbourne Health's contractual impairment losses.

## Note 5.2: Payables and contract liabilities

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Current payables and contract liabilities** | | | |
| **Contractual** | | | |
| Trade creditors | | 6,267 | 27,199 |
| Accrued salaries and wages | | 53,056 | 57,294 |
| Accrued expenses | | 51,283 | 50,840 |
| Deferred grant revenue | 5.2 (a), 5.2 (b) | 63,167 | 43,003 |
| Contract liabilities - income received in advance | 5.2 (c) | 15,409 | 11,754 |
| Inter - hospital creditors | | 9,883 | 4,933 |
| Amounts payable to governments and agencies | | 82,573 | 27,609 |
| **Total contractual payables** | | **281,638** | **222,632** |
| | | | |
| **Statutory** | | | |
| PAYG withholding | | 8 | 4,386 |
| GST payable | | 1,554 | 2,063 |
| **Total statutory payables** | | **1,562** | **6,449** |
| | | | |
| **Total current payables and contract liabilities** | | **283,200** | **229,081** |
| | | | |
| **Non-current payables and contract liabilities** | | | |
| Contract liabilities - income received in advance | 5.2 (c) | 2,006 | 3,000 |
| **Total non-current payables and contract liabilities** | | **2,006** | **3,000** |
| | | | |
| **Total payables and contract liabilities** | | **285,206** | **232,081** |

**Financial liabilities classified as payables and contract liabilities**

| | | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| Total payables and contract liabilities | | 285,206 | 232,081 |
| Deferred grant income | | (63,167) | (43,003) |
| Contract liabilities | | (17,415) | (14,754) |
| PAYG witholding | | (8) | (4,386) |
| GST payable | | (1,554) | (2,063) |
| **Total financial liabilities** | 7.1(a) | **203,062** | **167,875** |

### Payables and contract liabilities recognition

Payables consist of:

- **Contractual payables**, which mostly includes payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to Melbourne Health prior to the end of the financial year that are unpaid.
- **Statutory payables**, includes GST payable and PAYG. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

**Maturity analysis of payables**

Please refer to Note 7.2(b) for the ageing analysis of payables.

## Note 5.2 (a): Deferred capital grant revenue

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Opening balance of deferred capital grant income** | **20,718** | 20,419 |
| Grant consideration for capital works received during the year | 31,301 | 46,359 |
| Deferred capital grant income recognised as income due to completion of capital works | (17,633) | (46,060) |
| **Closing balance of deferred grant income** | **34,386** | **20,718** |

Grant consideration was received from the Department of Health for various capital projects.

Capital 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 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Transaction price allocated to the remaining performance obligations from contracts with customers to be recognised in: | | |
| Not longer than one year | 28,781 | 21,461 |
| Longer than one year but not longer than five years | - | 824 |
| **Total operating grant consideration** | **28,781** | **22,285** |

Grant consideration was 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 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Opening balance of contract liabilities** | **14,754** | **9,989** |
| Payments received for performance obligations not yet fulfilled | 16,306 | 20,170 |
| Revenue recognised for the completion of a performance obligation | (13,645) | (15,405) |
| **Total contract liabilities** | **17,415** | **14,754** |
| **Represented by:** | | |
| Current contract liabilities | 15,409 | 11,754 |
| Non-current contract liabilities | 2,006 | 3,000 |

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

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

## Note 5.3: Other liabilities

| | Note | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Current other liabilities** | | | |
| Monies Held in Trust* | | | |
| - Patient monies held in trust | | 192 | 193 |
| - Refundable accommodation deposits/accommodation bonds | | 8,331 | 8,457 |
| **Total current other liabilities** | | **8,523** | **8,650** |
| **Total other liabilities** | | **8,523** | **8,650** |
| | | | |
| ***Represented by:** | | | |
| Cash assets | 6.2 | 8,523 | 8,650 |
| **Total** | | **8,523** | **8,650** |

### Other liabilities recognition

**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**

## Impact of COVID-19 pandemic

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

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| Determining if a contract is or contains a lease | Melbourne Health applies judgement to determine if a contract is or contains a lease by considering if the health service:<br>• has the right-to-use an identified asset<br>• has the right to obtain substantially all economic benefits from the use of the leased asset and<br>• can decide how and for what purpose the asset is used throughout the lease. |
| Determining if a lease meets the short-term or low value asset lease exemption | Melbourne Health applies judgement when determining if a lease meets the short-term or low value lease exemption criteria.<br><br>Melbourne Health estimates the fair value of leased assets when new. Where the estimated fair value is less than $10,000, the health service applies the low-value lease exemption.<br><br>Melbourne Health also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months, Melbourne Health applies the short-term lease exemption. |
| Discount rate applied to future lease payments | Melbourne Health discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the health service's lease arrangements, Melbourne Health uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. |
| Assessing the lease term | The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if Melbourne Health is reasonably certain to exercise such options. |

| Key judgements and estimates | Description |
|---|---|
| | Melbourne Health determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:<br>• If there are significant penalties to terminate (or not extend), Melbourne Health is typically reasonably certain to extend (or not terminate) the lease.<br>• If any leasehold improvements are expected to have a significant remaining value, Melbourne Health is typically reasonably certain to extend (or not terminate) the lease.<br>• Melbourne Health considers historical lease durations and the costs and business disruption to replace such leased assets. |

# Note 6.1: Borrowings

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Current borrowings** | | |
| Lease liability [(i)] | | |
| Motor vehicles leased from VicFleet | 1,354 | 1,084 |
| Other leases | 4,322 | 3,954 |
| Loans and advances from Department of Health [(ii)] | - | 1,594 |
| **Total current borrowings** | **5,676** | **6,632** |
| | | |
| **Non-current borrowings** | | |
| Lease liability [(i)] | | |
| Motor vehicles leased from VicFleet | 949 | 1,089 |
| Other leases | 72,192 | 29,684 |
| **Total non-current borrowings** | **73,141** | **30,773** |
| | | |
| **Total borrowings** | **78,817** | **37,405** |

(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 provided Melbourne Health with the following two loans:

a) A loan of $1.9m in June 2014 to implement a laboratory information system for its Pathology Department. The loan was repayable over five years commencing from June 2018, paid annually, with the final loan repayment made on 30 June 2022.

b) A loan of $4.9m in October 2016 for an enterprise billing system. The loan was repayable over five years commencing from July 2018, paid monthly (over 9 months each financial year), with the final loan repayment made on 31 March 2022.

## Borrowings recognition

Borrowings refer to interest bearing liabilities mainly raised through lease liabilities and non-interest bearing loans and advances from Department of Health.

### Initial recognition

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

### Subsequent measurement

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

### Maturity analysis of borrowings

Please refer to Note 7.2 (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.

## Note 6.1 (a): Lease liabilities

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Total undiscounted lease liabilities | 93,681 | 43,291 |
| Less unexpired finance expenses | (14,864) | (7,480) |
| **Net lease liabilities** | **78,817** | **35,811** |

**Maturity analysis of lease liabilities**

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Not longer than one year | 7,828 | 5,942 |
| Longer than one year but not longer than five years | 34,397 | 13,615 |
| Longer than five years | 51,456 | 23,734 |
| **Minimum future lease liability** | **93,681** | **43,291** |
| Less unexpired finance expenses | (14,864) | (7,480) |
| **Present value of lease liability** | **78,817** | **35,811** |
| | | |
| **Represented by:** | | |
| Current liabilities | 5,676 | 5,038 |
| Non-current liabilities | 73,141 | 30,773 |
| **Total liabilities** | **78,817** | **35,811** |

The weighted average interest rate implicit in the lease for motor vehicles from VicFleet is 2.76% (2021: 3.03%).

The weighted average interest rate implicit in other leases is 2.15% (2021: 2.14%).

### Lease liabilities recognition

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 ensures the contract meets the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to 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.

Melbourne Health's lease arrangements consist of the following:

| Type of asset leased | Lease term |
|---|---|
| Leased land | 1 to 99 years* |
| Leased buildings | 1 to 40 years* |
| Leased plant, equipment, furniture, fittings and vehicles | 1 to 7 years |

* Refer to 'Leases with significantly below market terms and conditions' section below for details.

Melbourne Health holds motor vehicle leases with VicFleet 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.

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. Low value and short term lease payments recognised in profit or loss relate to lease of property and IT equipment.

**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.

**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. Our lease liability has been discounted by rates of between 0% to 3.5%.

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.

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

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

**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.

**Leases with significantly below market terms and conditions**

Melbourne Health holds lease arrangements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives. These are commonly referred to as a peppercorn or concessionary lease arrangement.

The nature and terms of such lease arrangements, including Melbourne Health's dependency on such lease arrangements is described below:

| Description of leased asset | Our dependence on lease | Nature and terms of lease |
|---|---|---|
| Leasing Parkville campus site from The Minister for Environment and Climate Change on behalf of the Crown in right of the State of Victoria | Melbourne Health's dependence on this lease is considered low. | The lease duration is 99 years starting from 23/11/2011 with an annual peppercorn rental of $104.00 payable at the request of the landlord. |
| Leasing part of Level 10 of the Peter McCallum Cancer Centre Building | The leased property is used for a scientific laboratory.<br><br>Melbourne Health's dependence on this lease is considered low. | The lease duration is 25 years starting from 14/06/2016 with an annual peppercorn rental of $1.00 payable at the request of the landlord. |

## Note 6.2: Cash and cash equivalents

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Cash on hand (excluding monies held in trust) | 35 | 35 |
| Cash at bank (excluding monies held in trust) | 415 | 10,286 |
| Cash at bank - central banking system (excluding monies held in trust) | 242,741 | 163,202 |
| **Total cash held for operations** | **243,191** | **173,523** |
| | | |
| Cash at bank (monies held in trust) | 24 | 193 |
| Cash at bank - central banking system (monies held in trust) | 8,499 | 8,457 |
| **Total cash held as monies held in trust** | **8,523** | **8,650** |
| | | |
| **Total cash and cash equivalents** | **251,714** | **182,173** |

### Cash and cash equivalents recognition

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.

The cash flow statement includes monies held in trust.

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 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| Less than one year | 38,845 | 24,558 |
| **Total capital expenditure commitments** | **38,845** | **24,558** |
| | | |
| **Operating expenditure commitments** | | |
| Less than one year | 67,627 | 52,303 |
| Longer than one year but not longer than five years | 110,710 | 65,015 |
| Five years or more | 718 | 1,065 |
| **Total operating expenditure commitments** | **179,055** | **118,383** |
| | | |
| **Non-cancellable short term and low value lease commitments** | | |
| Less than one year | 283 | 307 |
| Longer than one year but not longer than five years | 113 | 396 |
| **Total non-cancellable short term and low value lease commitments** | **396** | **703** |
| **Total commitments for expenditure (inclusive of GST)** | **218,296** | **143,644** |
| Less GST recoverable from the Australian Tax Office | (19,845) | (13,059) |
| **Total commitments for expenditure (exclusive of GST)** | **198,451** | **130,585** |

*All amounts shown in the commitments note are nominal amounts.*

### Disclosure of commitments

#### Expenditure commitments

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.

#### Short term and low value leases

Melbourne Health discloses short term and low value lease commitments which are excluded from the measurement of right-of-use assets and lease liabilities. Refer to Note 6.1 for further information.

# 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**

**7.2 Financial risk management objectives and policies**

**7.3 Fair value determination**

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| Measuring fair value of non-financial assets | Fair value is measured with reference to highest and best use, that is, the use of the asset by a market participant that is physically possible, legally permissible, financially feasible, and which results in the highest value, or to sell it to another market participant that would use the same asset in its highest and best use.<br><br>In determining the highest and best use, Melbourne Health has assumed the current use is its highest and best use. Accordingly, characteristics of the health service's assets are considered, including condition, location and any restrictions on the use and disposal of such assets.<br><br>Melbourne Health uses a range of valuation techniques to estimate fair value, which include the following:<br>• Market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The fair value of Melbourne Health's specialised land, non-specialised land and non-specialised buildings are measured using this approach.<br>• Cost approach, which reflects the amount that would be required to replace the service capacity of the asset (referred to as current replacement cost). The fair value of Melbourne Health's specialised buildings, furniture, fittings, plant, equipment and vehicles are measured using this approach.<br>• Income approach, which converts future cash flows or income and expenses to a single undiscounted amount. Melbourne Health does not use this approach to measure fair value.<br><br>Melbourne Health selects a valuation technique which is considered most appropriate, and for which there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.<br><br>Subsequently, Melbourne Health applies judgement to categorise and disclose such assets within a fair value hierarchy, which includes:<br>• Level 1, using quoted prices (unadjusted) in active markets for identical assets that the health service can access at measurement date. Melbourne Health does not categorise any fair values within this level. |

| Key judgements and estimates | Description |
|---|---|
| | • Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Melbourne Health categorises non-specialised land and non-specialised buildings in this level.<br>• Level 3, where inputs are unobservable. Melbourne Health categorises specialised land, specialised buildings, plant, equipment, furniture, fittings, vehicles, right-of-use concessionary land right-of-use buildings and right-of-use plant, equipment, furniture and fittings in this level. |

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

## Note 7.1 (a): Categorisation of financial instruments

| 30 June 2022 | 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 | 251,714 | - | - | 251,714 |
| Receivables | | | | | |
| - Trade debtors | 5.1 | 12,067 | - | - | 12,067 |
| - Other receivables | 5.1 | 84,334 | - | - | 84,334 |
| Investments and other financial assets | 4.1 | 400 | 16,069 | - | 16,469 |
| **Total financial assets** [(i)] | | **348,515** | **16,069** | **-** | **364,584** |
| | | | | | |
| **Financial liabilities** | | | | | |
| Payables | 5.2 | - | - | 203,062 | 203,062 |
| Borrowings | 6.1 | - | - | 78,817 | 78,817 |
| Other financial liabilities | | | | | |
| - Refundable accommodation deposits | 5.3 | - | - | 8,331 | 8,331 |
| - Patient monies held in trust | 5.3 | - | - | 192 | 192 |
| **Total financial liabilities** [(ii)] | | **-** | **-** | **290,402** | **290,402** |

| 30 June 2021 | 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 | 182,173 | - | - | 182,173 |
| Receivables | | | | | |
| - Trade debtors | 5.1 | 7,739 | - | - | 7,739 |
| - Other receivables | 5.1 | 99,148 | - | - | 99,148 |
| Investments and other financial assets | 4.1 | - | 2 | - | 2 |
| **Total financial assets** [(i)] | | **289,060** | **2** | **-** | **289,062** |
| | | | | | |
| **Financial liabilities** | | | | | |
| Payables | 5.2 | - | - | 167,875 | 167,875 |
| Borrowings | 6.1 | - | - | 37,405 | 37,405 |
| Other financial liabilities | | | | | |
| - Refundable accommodation deposits | 5.3 | - | - | 8,457 | 8,457 |
| - Patient monies held in trust | 5.3 | - | - | 193 | 193 |
| **Total financial liabilities** [(ii)] | | **-** | **-** | **213,930** | **213,930** |

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

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

## Categories of financial assets

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

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

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

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

**Financial assets at amortised cost**

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

These assets are initially recognised at fair value plus any directly attributable transaction costs and 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, at initial recognition, irrevocably designates financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

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

Melbourne Health has designated all managed investment schemes as fair value through net result.

## Categories of financial liabilities

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

**Financial liabilities at 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
- other liabilities (including monies held in trust).

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

### Derecognition of financial liabilities

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

### Reclassification of financial instruments

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

A financial liability reclassification is not permitted.

## Note 7.2: Financial risk management objectives and policies

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

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

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

## Note 7.2 (a): Credit risk

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

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

In addition, Melbourne Health does not engage in hedging for its contractual financial assets and mainly holds cash and deposits at bank.

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

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

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

There has been no material change to Melbourne Health's credit risk profile in 2021-22.

### 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.

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

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

### Contractual receivables at amortised cost

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.

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

| 30 June 2022 | 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 | | 790 | 382 | 150 | 105 | 119 | 1,546 |
| **Loss allowance** | 5.1 | **-** | **191** | **150** | **105** | **119** | **565** |
| **Other patient fees receivables** | | | | | | | |
| Expected loss rate | | 2% | 6% | 9% | 12% | 24% | |
| Gross carrying amount of contractual receivables | | 1,722 | 914 | 466 | 305 | 279 | 3,686 |
| **Loss allowance** | 5.1 | **34** | **55** | **42** | **37** | **67** | **235** |
| **Trade debtors (sundry debtors only)** | | | | | | | |
| Expected loss rate | | 0% | 0% | 0% | 0% | 39% | |
| Gross carrying amount of contractual receivables | | 12,747 | 1,015 | 608 | 357 | 156 | 14,883 |
| **Loss allowance** | 5.1 | **-** | **-** | **-** | **-** | **61** | **61** |
| **Total loss allowance** | | **34** | **246** | **192** | **142** | **247** | **861** |

| 30 June 2021 | 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 | | 610 | 260 | 354 | 66 | 41 | 1,331 |
| **Loss allowance** | 5.1 | **-** | **130** | **354** | **66** | **41** | **591** |
| **Other patient fees receivables** | | | | | | | |
| Expected loss rate | | 2% | 6% | 9% | 12% | 24% | |
| Gross carrying amount of contractual receivables | | 2,855 | 1,338 | 762 | 631 | 594 | 6,180 |
| **Loss allowance** | 5.1 | **57** | **80** | **69** | **76** | **141** | **423** |
| **Trade debtors (sundry debtors only)** | | | | | | | |
| Expected loss rate | | 0% | 0% | 0% | 0% | 33% | |
| Gross carrying amount of contractual receivables | | 12,317 | 512 | 600 | 333 | 1,122 | 14,884 |
| **Loss allowance** | 5.1 | **-** | **-** | **-** | **-** | **374** | **374** |
| **Total loss allowance** | | **57** | **210** | **423** | **142** | **556** | **1,388** |

### 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, no loss allowance has been recognised.

## Note 7.2 (b): Liquidity risk

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

Melbourne Health is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The health service manages its liquidity risk by:

- providing ongoing cash forecasts to the Department of Health to ensure additional funding cash flows are available if required.
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations.
- holding investments that are readily tradeable in the financial markets.
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

Melbourne Health's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Refer to Note 8.9 Economic dependency.

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 |
| **30 June 2022** | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial liabilities at amortised cost** | | | | | | | | |
| Payables | 5.2 | 203,062 | 203,062 | 202,042 | 840 | 180 | - | - |
| Borrowings | 6.1 | 78,817 | 78,817 | 1,032 | 588 | 3,955 | 27,229 | 46,013 |
| Other financial liabilities | | | | | | | | |
| - Refundable accommodation deposits | 5.3 | 8,331 | 8,331 | 3,534 | 1,119 | 1,744 | 1,934 | - |
| - Patient monies held in trust | 5.3 | 192 | 192 | 192 | - | - | - | - |
| **Total financial liabilities** [(i)] | | **290,402** | **290,402** | **206,800** | **2,547** | **5,879** | **29,163** | **46,013** |
| | | | | | | | | |
| **30 June 2021** | | | | | | | | |
| **Financial liabilities at amortised cost** | | | | | | | | |
| Payables | 5.2 | 167,875 | 167,875 | 166,289 | 1,097 | 489 | - | - |
| Borrowings | 6.1 | 37,405 | 37,405 | 442 | 1,159 | 5,031 | 10,890 | 19,883 |
| Other financial liabilities | | | | | | | | |
| - Refundable accommodation deposits | 5.3 | 8,457 | 8,457 | 714 | 432 | 2,921 | 4,390 | - |
| - Patient monies held in trust | 5.3 | 193 | 193 | 193 | - | - | - | - |
| **Total financial liabilities** [(i)] | | **213,930** | **213,930** | **167,638** | **2,688** | **8,441** | **15,280** | **19,883** |

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

## Note 7.2 (c): Market risk

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

**Sensitivity disclosure analysis and assumptions**

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

- a change in interest rates of 1.35% up or down and
- a change in the top ASX 200 index of 20% up or down.

### Interest rate risk

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

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

### Equity risk

Melbourne Health is exposed to equity price risk through its investments in managed investment schemes. Such investments are allocated and traded to match Melbourne Health's investment objectives.

Melbourne Health's sensitivity to equity price risk is set out below.

| | | -20% | +20% |
|---|---|---|---|
| **30 June 2022** | **Carrying amount $'000** | **Net result $'000** | **Net result $'000** |
| Contractual financial assets | | | |
| Investments and other financial assets | 16,069 | (3,214) | 3,214 |
| **Total impact** | **16,069** | **(3,214)** | **3,214** |

| | | -20% | +20% |
|---|---|---|---|
| **30 June 2021** | **Carrying amount $'000** | **Net result $'000** | **Net result $'000** |
| Contractual financial assets | | | |
| Investments and other financial assets | 2 | - | - |
| **Total impact** | **2** | **-** | **-** |

### Foreign currency risk

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

Melbourne Health has minimal exposure to foreign currency risk.

# Note 7.3: Fair value determination

## 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.

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through net result
- Financial assets and liabilities at fair value through other comprehensive income
- Property, plant and equipment
- Right-of-use assets

In addition, the fair value of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure.

### 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.

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. There have been no transfers between levels during the period.

Melbourne Health monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. The Valuer-General Victoria (VGV) is Melbourne Health's independent valuation agency for property, plant and equipment.

### 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 7.3 (a): Fair value determination hierarchy of investments and other financial assets

| | Note | Carrying amount 30 June 2022 $'000 | Fair value measurement at end of reporting period using: Level 1 [i] $'000 | Level 2 [i] $'000 | Level 3 [i] $'000 |
|---|---|---|---|---|---|
| Managed investment schemes | 4.1 | 16,069 | - | 16,069 | - |
| **Total financial assets held at fair value through net result** | | **16,069** | **-** | **16,069** | **-** |
| **Total investments and other financial assets at fair value** | | **16,069** | **-** | **16,069** | **-** |

| | | Carrying amount 30 June 2021 $'000 | Fair value measurement at end of reporting period using: Level 1 [i] $'000 | Level 2 [i] $'000 | Level 3 [i] $'000 |
|---|---|---|---|---|---|
| Equities | 4.1 | 2 | 2 | - | - |
| **Total financial assets held at fair value through other comprehensive income** | | **2** | **2** | **-** | **-** |
| **Total investments and other financial assets at fair value** | | **2** | **2** | **-** | **-** |

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

### Fair value measurement of investments and other financial assets

#### Management investment schemes

Melbourne Health invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions.

Melbourne Health considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate. The net asset value of these funds is used as an input into measuring their fair value, and is adjusted as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund.

Melbourne Health classifies these funds as Level 2.

# Note 7.3 (b): Fair value determination of non-financial physical assets

| | Note | Carrying amount 30 June 2022 $'000 | Fair value measurement at end of reporting period using: Level 1 (i) $'000 | Level 2 (i) $'000 | Level 3 (i) $'000 |
|---|---|---|---|---|---|
| Non-specialised land | | 250 | - | 250 | - |
| Specialised land | | 263,132 | - | - | 263,132 |
| **Total land at fair value** | 4.2 (a) | **263,382** | **-** | **250** | **263,132** |
| Specialised buildings | | 506,917 | - | - | 506,917 |
| **Total building at fair value** | 4.2 (a) | **506,917** | **-** | **-** | **506,917** |
| Plant and equipment | 4.2 (a) | 20,052 | - | - | 20,052 |
| Medical equipment | 4.2 (a) | 64,109 | - | - | 64,109 |
| Computer equipment | 4.2 (a) | 13,293 | - | - | 13,293 |
| Furniture and fittings | 4.2 (a) | 1,568 | - | - | 1,568 |
| Motor vehicles | 4.2 (a) | 9 | - | - | 9 |
| **Total plant, equipment, furniture, fittings and vehicles at fair value** | | **99,031** | **-** | **-** | **99,031** |
| Right-of-use concessionary land | 4.3 (a) | 9 | - | - | 9 |
| Right-of-use buildings | 4.3 (a) | 111,953 | - | - | 111,953 |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 4.3 (a) | 3,035 | - | - | 3,035 |
| Right-of-use vehicles leased from VicFleet | 4.3 (a) | 2,299 | - | - | 2,299 |
| **Total right-of-use assets at fair value** | | **117,296** | **-** | **-** | **117,296** |
| **Total non-financial physical assets at fair value** | | **986,626** | **-** | **250** | **986,376** |

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

| | Note | Carrying amount 30 June 2021 $'000 | Fair value measurement at end of reporting period using: Level 1 (i) $'000 | Level 2 (i) $'000 | Level 3 (i) $'000 |
|---|---|---|---|---|---|
| Non-specialised land | | 770 | - | 770 | - |
| Specialised land | | 263,132 | - | - | 263,132 |
| **Total land at fair value** | 4.2 (a) | **263,902** | **-** | **770** | **263,132** |
| Non-specialised buildings | | 70 | - | 70 | - |
| Specialised buildings | | 555,450 | - | - | 555,450 |
| **Total building at fair value** | 4.2 (a) | **555,520** | **-** | **70** | **555,450** |
| Plant and equipment | 4.2 (a) | 18,634 | - | - | 18,634 |
| Medical equipment | 4.2 (a) | 66,406 | - | - | 66,406 |
| Computer equipment | 4.2 (a) | 23,741 | - | - | 23,741 |
| Furniture and fittings | 4.2 (a) | 1,133 | - | - | 1,133 |
| Motor vehicles | 4.2 (a) | 182 | - | - | 182 |
| **Total plant, equipment, furniture, fittings and vehicles at fair value** | | **110,096** | **-** | **-** | **110,096** |
| Right-of-use concessionary land | 4.3 (a) | 9 | - | - | 9 |
| Right-of-use buildings | 4.3 (a) | 72,594 | - | - | 72,594 |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 4.3 (a) | 5,148 | - | - | 5,148 |
| Right-of-use vehicles leased from VicFleet | 4.3 (a) | 2,160 | - | - | 2,160 |
| **Total right-of-use assets at fair value** | | **79,911** | **-** | **-** | **79,911** |
| **Total non-financial physical assets at fair value** | | **1,009,429** | **-** | **840** | **1,008,589** |

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

## Fair value measurement of non-financial physical assets

The fair value measurement of non-financial physical assets takes into account the market participant's ability to use the asset in its highest and best use, or to sell it to another market participant that would use the same asset in its highest and best use.

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.

Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

**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. A managerial assessment was performed at 30 June 2021 for non-specialised land.

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.

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. A managerial assessment was performed at 30 June 2021 for specialised land.

**Furniture, fittings, plant and equipment**

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

There were no changes in valuation techniques throughout the period to 30 June 2022.

## Reconciliation of level 3 fair value measurement

| | Land | Buildings | Plant and equipment | Medical equipment | Computer equipment | Furniture and fittings | Motor vehicles | Right-of-use concessionary land | Right-of-use buildings | Right-of-use plant, equipment, furniture, fittings and vehicles | Right-of-use vehicles leased from VicFleet |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2020** | **238,411** | **555,107** | **18,028** | **59,145** | **3,635** | **1,238** | **361** | **9** | **75,943** | **6,705** | **1,951** |
| Purchases | - | 1,641 | 1,620 | 14,295 | 4,102 | 107 | 19 | - | 371 | 818 | 665 |
| Net transfers between classes | - | 53,415 | 2,436 | 1,910 | 28,575 | 13 | - | - | - | - | - |
| Assets received/(provided) free of charge | - | - | - | 3,139 | - | - | - | - | - | - | - |
| Gains/(losses) recognised in net result | | | | | | | | | | | |
| - Depreciation | - | (54,713) | (3,447) | (11,959) | (12,553) | (225) | (198) | - | (3,720) | (2,375) | (439) |
| - Disposals | - | - | (3) | (124) | (18) | - | - | - | - | - | (17) |
| Items recognised in other comprehensive income | | | | | | | | | | | |
| - Revaluation | 24,721 | - | - | - | - | - | - | - | - | - | - |
| **Balance at 1 July 2021 [ii]** | **263,132** | **555,450** | **18,634** | **66,406** | **23,741** | **1,133** | **182** | **9** | **72,594** | **5,148** | **2,160** |
| Purchases | - | 6,199 | 4,731 | 9,580 | 1,756 | 692 | - | - | 46,170 | - | 684 |
| Net transfers between classes | - | (1,591) | 60 | (4) | - | - | - | - | - | - | - |
| Assets received/(provided) free of charge | - | - | 106 | 637 | - | - | - | - | - | - | - |
| Gains/(losses) recognised in net result | | | | | | | | | | | |
| - Depreciation | - | (53,141) | (3,292) | (12,345) | (12,200) | (257) | (152) | - | (5,437) | (2,083) | (534) |
| - Disposals | - | - | (187) | (165) | (4) | - | (21) | - | (1,374) | (30) | (11) |
| **Balance at 30 June 2022 [ii]** | **263,132** | **506,917** | **20,052** | **64,109** | **13,293** | **1,568** | **9** | **9** | **111,953** | **3,035** | **2,299** |

(i) Classified in accordance with the fair value hierarchy, refer note 7.3.

(ii) Excludes assets under construction and leasehold assets.

## Fair value determination of level 3 fair value measurement

| Asset class | Likely valuation approach | Significant inputs (Level 3 only) |
|---|---|---|
| Non-specialised land | Market approach | Not applicable |
| Specialised land | Market approach | Community Service Obligation (CSO) adjustment (0% to 50%) |
| Specialised buildings | Depreciated replacement cost | Direct cost per square metre<br>Useful life of specialised buildings |
| Plant and equipment at fair value | Depreciated replacement cost | Cost per unit<br>Useful life of PPE |
| Medical equipment at fair value | Depreciated replacement cost | Cost per unit<br>Useful life of medical equipment |
| Computer equipment at fair value | Depreciated replacement cost | Cost per unit<br>Useful life of computer equipment |
| Furnitures and fittings at fair value | Depreciated replacement cost | Cost per unit<br>Useful life of furnitures & fittings |
| Motor vehicles at fair value | Depreciated replacement cost | Cost per unit<br>Useful life of motor vehicles |

# 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 2022 $'000 | Total 2021 $'000 |
|---|---|---|---|
| **Net result for the year** | OS | (27,495) | 7,737 |
| **Non-cash movements:** | | | |
| Net (gain)/loss from disposal of non-financial assets | 3.2 | 180 | 118 |
| Net (gain)/loss from disposal of financial assets | 3.2 | - | (1,170) |
| Revaluation of financial assets at fair value through profit or loss | 3.2 | 1,682 | - |
| Depreciation and amortisation | 4.6 | 99,155 | 99,422 |
| Allowance for impairment losses of contractual receivables | 5.1 (a) | (527) | (900) |
| Discounting of DH loan | | - | 8 |
| DH non cash grants | | (24,758) | (1,062) |
| Assets provided free of charge | | - | 2,759 |
| Assets received free of charge | | (775) | (13,575) |
| Leases provided free of charge | | (69) | - |
| **Movements in assets and liabilities:** | | | |
| Change in operating assets and liabilities | | | |
| (Increase)/Decrease in receivables | 5.1 | 8,955 | (13,821) |
| (Increase)/Decrease in inventories | 4.7 | 1,417 | (881) |
| (Increase)/Decrease in prepayments | | (2,391) | (5,236) |
| Increase/(Decrease) in payables and contract liabilities | 5.2 | 53,125 | 91,440 |
| Increase/(Decrease) in employee benefits | 3.3 | 14,315 | 4,178 |
| Increase/(Decrease) in other liabilities | 5.3 | (1) | 3 |
| **Net cash inflow/(outflow) from operating activities** | | **122,813** | **169,020** |

## 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 Mary-Anne Thomas : | |
| Minister for Health | 27 Jun 2022 - 30 Jun 2022 |
| Minister for Ambulance Services | 27 Jun 2022 - 30 Jun 2022 |
| The Honourable Gabrielle Williams: | |
| Minister for Mental Health | 27 Jun 2022 - 30 Jun 2022 |
| The Honourable Colin Brooks: | |
| Minister for Disability, Ageing and Carers | 27 Jun 2022 - 30 Jun 2022 |
| The Honourable Martin Foley: | |
| Former Minister for Health | 01 Jul 2021 - 27 Jun 2022 |
| Former Minister for Ambulance Services | 01 Jul 2021 - 27 Jun 2022 |
| The Honourable James Merlino: | |
| Former Minister for Mental Health | 01 Jul 2021 - 27 Jun 2022 |
| Former Minister for Disability, Ageing and Carers | 11 Oct 2021 - 06 Dec 2021 |
| The Honourable Luke Donnellan: | |
| Former Minister for Disability, Ageing and Carers | 01 Jul 2021 - 11 Oct 2021 |
| The Honourable Anthony Carbines: | |
| Former Minister for Disability, Ageing and Carers | 06 Dec 2021 - 27 Jun 2022 |
| **Governing Board** | |
| Ms Linda Bardo Nicholls AO (Chair of the Board) | 01 Jul 2021 - 30 Jun 2022 |
| Ms Emma Skinner | 01 Jul 2021 - 30 Jun 2022 |
| Mr Eugene Arocca | 01 Jul 2021 - 30 Jun 2022 |
| Mr Gregory Tweedly | 01 Jul 2021 - 30 Jun 2022 |
| Professor Harvey Newnham* | 01 Jul 2021 - 30 Jun 2022 |
| Professor Jane Gunn* | 01 Jul 2021 - 30 Jun 2022 |
| Ms Kylie Bishop | 01 Jul 2021 - 30 Jun 2022 |
| Mr Peter Funder | 01 Jul 2021 - 30 Jun 2022 |
| Ms Philippa Connolly | 01 Jul 2021 - 30 Jun 2022 |
| Mr Sam Lobley | 01 Jul 2021 - 30 Jun 2022 |
| **Accountable Officer** | |
| Professor Christine Kilpatrick AO (Chief Executive Officer) | 01 Jul 2021 - 30 Jun 2022 |

## Remuneration of responsible persons

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

| Income band | Total 2022 No. | Total 2021 No. |
|---|---|---|
| $0 - $9,999* | 2 | 3 |
| $50,000 - $59,999 | 7 | 7 |
| $100,000 - $109,999 | 1 | 1 |
| $520,000 - $529,999 | - | 1 |
| $550,000 - $559,999 | 1 | - |
| **Total numbers** | **11** | **12** |

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:** | **1,057** | **1,038** |

* 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

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

| **Remuneration of executive officers (including Key Management Personnel disclosed in note 8.4)** | **Total remuneration** | |
|---|---|---|
| | **Total 2022 $'000** | **Total 2021 $'000** |
| Short-term employee benefits | 2,222 | 2,350 |
| Post-employment benefits | 173 | 148 |
| Other long-term benefits | 85 | 62 |
| **Total remuneration** [(i)] | **2,480** | **2,560** |
| | | |
| **Total number of executives** | **8** | **7** |
| **Total annualised employee equivalent (AEE)** [(ii)] | **6.2** | **5.8** |

(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 (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

### Other long-term benefits

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

### 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 and renegotiated and one executive officer 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 and personal business interests;
- Cabinet ministers (where applicable) and their close family members;
- Jointly controlled operations - A member of the Victorian Comprehensive Cancer Centre Joint Venture; and
- All health services 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.

### Key management personnel

Portfolio Ministers, the Governing Board and the Executive Directors of Melbourne Health are deemed to be KMPs. This includes the following:

**Ministers**

The Honourable Mary-Anne Thomas, Minister for Health, Minister for Ambulance Services (appointed 27 Jun 2022)
The Honourable Gabrielle Williams, Minister for Mental Health (appointed 27 Jun 2022)
The Honourable Colin Brooks, Minister for Disability, Ageing and Carers (appointed 27 Jun 2022)
The Honourable Martin Foley, former Minister for Health and former Minister for Ambulance Services (resigned 27 Jun 2022)
The Honourable James Merlino, former Minister for Mental Health (resigned 27 Jun 2022) and former Minister for Disability, Ageing and Carers (resigned 06 Dec 2021)
The Honourable Luke Donnellan, former Minister for Disability, Ageing and Carers (resigned 11 Oct 2021)
The Honourable Anthony Carbines, former Minister for Disability, Ageing and Carers (resigned 27 Jun 2022)

**Melbourne Health Board**

Ms Linda Bardo Nicholls AO (Chair)
Ms Emma Skinner
Mr Eugene Arocca
Mr Gregory Tweedly
Professor Harvey Newnham*
Professor Jane Gunn*
Ms Kylie Bishop
Mr Peter Funder
Ms Philippa Connolly
Mr Sam Lobley

**Executive**

Professor Christine Kilpatrick AO - Chief Executive Officer
Dr Cate Kelly - Executive Director, Clinical Governance and Medical Services
A/Professor Denise Heinjus - Executive Director, Nursing Services
Ms Ellen Flint - Executive Director, People and Culture
Ms Fleur Katsmartin - General Counsel and Corporate Secretary (appointed 25 Aug 2021)
Professor George Braitberg AM - Executive Director, Strategy, Quality and Improvement (resigned 29 Aug 2021)
Ms Jackie McLeod - Chief Operating Officer
Mr Paul Urquhart - Executive Director, Finance and Logistics

Ms Samantha Plumb - Executive Director Quality, Informatics and Improvement (appointed 14 Feb 2022)

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 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| Short-term employee benefits | 3,191 | 3,309 |
| Post-employment benefits | 243 | 214 |
| Other long-term benefits | 103 | 75 |
| **Total** [(i)] | **3,537** | **3,598** |

[(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 of $1,344.9m and indirect contributions of $5.5m. The Department of Health also paid $24.8m of construction costs on behalf of Melbourne Health.

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

Goods and services including meals and multi-site operational support are provided by 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 HealthShare Victoria and Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with Melbourne Health, all other related party transactions that involved KMPs, their close family members or their personal business interests 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 2022 (2021: none).

There were no related party transactions required to be disclosed for Melbourne Health Board of Directors, Chief Executive Officer and Executive Directors in 2022 (2021: none).

## Note 8.5: Remuneration of auditors

| | Total 2022 $'000 | Total 2021 $'000 |
|---|---|---|
| **Victorian Auditor-General's Office** | | |
| Audit of the financial statements | 226 | 226 |
| **Total remuneration of auditors** | **226** | **226** |

## Note 8.6: Events occurring after the balance sheet date

**NorthWestern Mental Health disaggregation**

As an outcome of the recommendations from the Royal Commission into Victoria's Mental Health System, the governance of Northern Area Mental Health Service and two residential aged care facilities (McLellan House and Merv Irvine Nursing Home) which are operated by Royal Melbourne Hospital will be transferred to Northern Health. Transfer of Northern Area Mental Health Service took effect from 1 July 2022 and the transfer of the two residential aged care facilities is expected to occur at some stage during 2022-23.

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 8.7: Jointly controlled operations

| Name of entity | Principal activity | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| 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 assets and liabilities of the above jointly controlled operations are detailed below. The amounts are included in Melbourne Health's financial statements under their respective categories:

| | 2022 $'000* | 2021 $'000* |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 415 | 559 |
| Investments and other financial assets | 400 | - |
| Receivables | 61 | 16 |
| Prepayments and other assets | 86 | 8 |
| **Total current assets** | **962** | **583** |
| | | |
| **Non-current assets** | | |
| Investments and other financial assets | - | 2 |
| Property, plant and equipment | 44 | 17 |
| **Total non-current assets** | **44** | **19** |
| **Total assets** | **1,006** | **602** |
| | | |
| **Current liabilities** | | |
| Payables and contract liabilities | 104 | 43 |
| Income in advance | 16 | 18 |
| Employee benefits | 32 | 39 |
| **Total current liabilities** | **152** | **100** |
| | | |
| **Non-current liabilities** | | |
| Employee benefits | 15 | 9 |
| Income in advance | 6 | - |
| **Total non-current liabilities** | **21** | **9** |
| **Total liabilities** | **173** | **109** |
| **Net assets** | **833** | **493** |
| | | |
| **Equity** | | |
| Accumulated surplus/(deficit) | 833 | 493 |
| **Total equity** | **833** | **493** |

Melbourne Health's interest in revenues and expenses resulting from jointly controlled operations are detailed below. The amounts are included in Melbourne Health's financial statements under their respective categories:

| | 2022 $'000* | 2021 $'000* |
|---|---|---|
| **Revenue and income from transactions** | | |
| Operating activities | 1,361 | 841 |
| Non-operating activities | 25 | 2 |
| **Total revenue and income from transactions** | **1,386** | **843** |
| | | |
| **Expenses from transactions** | | |
| Employee expenses | (520) | (440) |
| Depreciation and amortisation | (6) | (6) |
| Other operating expenses | (523) | (852) |
| **Total expenses from transactions** | **(1,049)** | **(1,298)** |
| **Comprehensive result for the year** | **337** | **(455)** |

## 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.

| | 2022 $'000* | 2021 $'000* |
|---|---|---|
| **Other expenditure commitments** | | |
| Less than one year | 480 | 48 |
| Longer than one year but not longer than five years | 372 | 21 |
| **Total expenditure commitments** | **852** | **69** |
| | | |
| **Total commitments (inclusive of GST)** | **852** | **69** |
| less GST recoverable from the ATO | (77) | (6) |
| **Total commitments (exclusive of GST)** | **775** | **63** |

* Figures obtained from the unaudited Victorian Comprehensive Cancer Centre joint venture annual report.

## Note 8.8: Equity

### Contributed capital

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

The specific restricted purpose reserve 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.

## 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.

The Department of Health has provided confirmation in a letter dated 6 April 2022, that it will continue to provide Melbourne Health adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to 30 September 2023. On that basis, the financial statements have been prepared on a going concern basis.

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