# 2022-23 Annual Report

Advancing health for everyone, every day since 1848


ADVANCING HEALTH FOR EVERYONE
175th ANNIVERSARY
SINCE 1848

The Royal Melbourne Hospital

# About this report

**This annual report outlines the operational and financial performance for the Royal Melbourne Hospital (RMH) from 1 July 2022 to 30 June 2023.**

**The relevant ministers of the reporting period were:**

**The Hon Mary-Anne Thomas**
Minister for Health
(from 1 July 2022 to 30 June 2023)
Minister for Ambulance Services
(from 1 July 2022 to 5 December 2022)

**The Hon Gabrielle Williams**
Minister for Mental Health
(from 1 July 2022 to 30 June 2023)
Minister for Ambulance Services
(from 5 December 2022 to 30 June 2023)

**The Hon Colin Brooks**
Minister for Disability, Ageing and Carers
(from 1 July 2022 to 5 December 2022)

**The Hon. Lizzie Blandthorn**
Minister for Disability, Ageing and Carers
(from 5 December 2022 to 30 June 2023)

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 RMH 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 First Nations peoples.

Our cover features nurse Allie Lockhart, clinical assistant Naima Rhayem, radiographer Deborah Fanucchi and General Medicine consultant Alan Tran, who were all nominated for or received You Made a Difference Awards in 2022-23. The You Made a Difference Awards recognise and celebrate staff who show commitment to patient care and live the RMH values in their work – People First, Lead with Kindness, Excellence Together. Allie, Naima, Deborah, and Alan are examples of our continuing commitment to advance health for everyone, every day, just as we have done for 175 years, and to always be there when it matters most to our community long into the future.

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# Report from the Chair and Chief Executive

On behalf of the Board of Directors and Executives of the Royal Melbourne Hospital (RMH), we are pleased to present our 2022-23 Annual Report. In March of this year, the RMH proudly celebrated its 175th anniversary as the oldest public hospital in Victoria.

**This has been an occasion to appreciate our rich heritage and seize the opportunities to shape the future of healthcare. A core value of our heritage remains relevant today: to be there when it matters most. To deliver on that promise now and in the future demands new infrastructure, new models of care, new digital tools, and new approaches to staff wellbeing. Our approach is continuous improvement as we implement ideas that are relevant for today and improve tomorrow.**

## Building for the future

The 2022-23 financial year has been pivotal for infrastructure development. We added 'Build for the future' as a new strategic goal within our *Towards 2025 Strategic Plan*. In October 2022, the Victorian Government committed to building the RMH Arden, a new campus co-located with the Royal Women's Hospital that will create more than 400 beds and treatment spaces. The project will also enable the upgrade of the RMH Parkville to create a modern facility that reflects the world-class care our people already deliver.

The imperative of building for the future is evident as the demand for our services has never been higher. In 2022-23 the RMH treated 2245 traumas, 14,573 planned surgeries, 217,326 specialist clinic appointments, 360,488 mental health contacts in the community, and was named the top donation centre in the country in February, with 123 kidney transplants performed at the RMH across the year.

In this past year alone, we added the 27-bed Transit Lounge, which helps free up ward beds while safely preparing patients for discharge; we upgraded the specialist clinic area with 66 new consulting rooms and patient waiting areas; we built and opened a third cardiac catheter lab to provide more patients with cardiology care; and we opened a state-of-the-art MRI suite, including a functional MRI for both patient care and research – the only model of its kind in Australia.

Aboriginal and Torres Strait Islander patients have been provided with a culturally safe space with the opening of the First Nations Health Unit in the RMH Parkville in March. Located at the front entrance of the campus, the visibility of the space has helped increase staff cultural awareness and address patient needs, with 439 referrals over the past financial year.

The P144 mental health bed expansion program is coming to fruition at the RMH Parkville and will soon open 22 new mental health beds in a modern facility informed by best practice and consumer-led design. Construction is almost complete too on a mental health crisis hub, co-located with the Emergency Department, to ensure those with mental illnesses, drug or alcohol problems receive the support and treatment they need.

The disaggregation of northern and western suburbs-based mental health services to Northern Health and Western Health was completed in line with the recommendations of the Royal Commission into Victoria's Mental Health System. This was no small undertaking, and we thank all those who are moving across to those organisations for their great work. Mental health will continue to be a key service of the RMH including as a lead partner in the Victorian Mental Health Collaborative.

## Innovative new models of care

New models of care that allow some surgical patients to return home within 48 hours of their procedure with the support of our RMH@Home teams have been introduced and are working well. Patients enjoy a safe recovery, while freeing up hospital beds for the next inpatient.

Collaboration through the West Metro Health Service Partnership (West Metro HSP) has continued to drive new ways of working that make the most of the collective expertise and resources across our health sector to improve patient care. One such initiative, the introduction of the enhanced recovery after surgery (ERAS) guidelines, has standardised perioperative care and reduced hospital length-of-stay and readmission for a safer, more effective care experience.

Although the RMH is always there when it matters most, we know most people don't want to be in hospital. Our Hospital Admission Risk Program's 'HARP 100' project worked closely with the top 100 patients most likely to re-present at hospital, supporting them with at-home care, GP visits and specialist appointments that aligned with their care goals to help them stay safely at home and out of hospital.

## Creating a digital health service

New infrastructure and new models of care deliver even more when paired with digital technologies designed to ensure patient needs are at the heart of care. A new cardiac re-admission prevention program that supports discharged patients on a 12-week program with a mix of telehealth appointments from a multidisciplinary team, group online education sessions and at-home visits is but one example. Patients that don't have access to digital technologies are provided with the tools they need, from iPads to heart rate monitors, to reduce the barriers to digital healthcare.

The 'Health Hub' patient portal, a precinct-wide tool for patients cared for within the Parkville Electronic Medical Record (EMR), has been enhanced, with new features such as questionnaires and education tasks that empower patients to understand and take greater control of their care. New updates to the Parkville EMR have been made to enable more inclusive care, including the ability to better record details around sexual orientation, gender identity and disability.

The next big step on our digital healthcare journey is also underway, with plans to open the first Digital Command Centre in Victoria from August 2023. This is a dedicated centre at the RMH Parkville campus focused on organisation-wide operational efficiency and quality improvement, using the power of our information tools to provide a bird's-eye view of what's happening across the RMH. With real-time data on every patient, procedure and theatre for the first time, the RMH will have information and situational awareness to make sure each patient receives the right care at the right time.

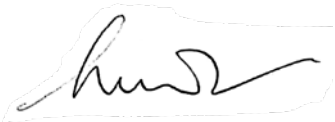
## Celebrating our people

Pleasingly, and in a climate of workforce challenges across most of the sector, the RMH has achieved remarkable success in filling clinical vacancies and recruitment, underscoring our commitment to living our values of People First, Lead with Kindness and Excellence Together. Our culture and wellbeing programs helped to improve staff retention and attracted new staff, reducing the gap in clinical vacancies.

The RMH's leading role in public health was recognised in October when we were named the Premier's Large Health Service of the Year at the Victorian Public Health Awards. This award recognised the outstanding efforts of our staff and volunteers who worked tirelessly through pandemic and demand challenges, delivering person-centred care, and advancing health for everyone, every day. Thank you to all our staff for all that you do.

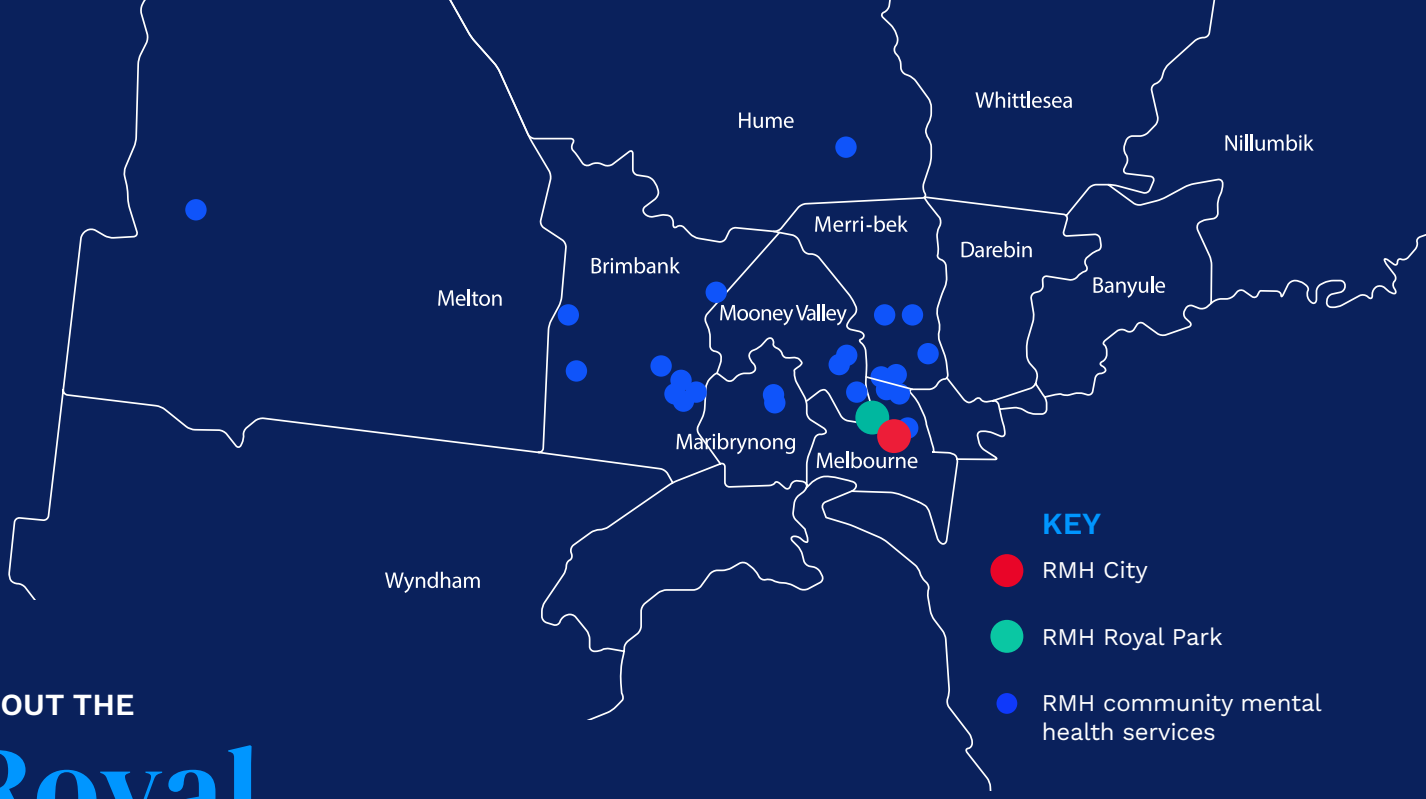
On 30 June 2023 we bid farewell to our highly respected and much-loved Chief Executive, Professor Christine Kilpatrick. Christine's contribution over six years and especially through the pandemic has been immeasurable. She led culture change, introduced the governance model of safe, timely, effective and person-centred care, delivered the EMR, secured the funding for building the RMH Arden and re-building the RMH Parkville, championed the Digital Command Centre, and much more. In the words of Board members, 'Christine is professional, very capable and a respected leader who leaves a lasting legacy.' We thank her for her extraordinary service and wish her every success in the future. Christine's successor is Professor Shelley Dolan who joins us from Peter McCallum Cancer Centre where she was Chief Executive.

We would also like to acknowledge and thank retiring Board member Professor Harvey Newnham for his contribution, particularly in chairing the Community Advisory Committee.



**Linda Bardo Nicholls AO**
Board Chair

**Professor Shelley Dolan**
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.**

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 Parkville hospital campus through Royal Park, and mental health and community health services across the inner west and 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 10,000 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 health, 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 2022-23 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 AO
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 (term ended 30 June 2023)

Ms Emma Skinner
Appointed to the RMH Board in July 2021

Mr Gregory Tweedly
Appointed to the RMH Board in July 2016

## The RMH Board Committees

The Board has established a number of committees, which are also attended by members of the RMH Executive. The Board Chair is an ex-officio of each committee. Below are the members of the Board committees for 2022-23.

**Audit Committee**
Mr Sam Lobley (Chair)
Professor Harvey Newnham
Ms Emma Skinner
Mr Peter Funder
Frequency of meetings: Quarterly

**Community Advisory Committee**
Professor Harvey Newnham (Chair)
Mr Greg Tweedly
Frequency of meetings: Bi-monthly

**Finance Committee**
Ms Philippa Connolly (Chair)
Ms Kylie Bishop
Mr Peter Funder
Ms Emma Skinner
Mr Greg Tweedly
Frequency of meetings: Bi-monthly

**People, Culture and Remuneration Committee**
Mr Eugene Arocca (Chair)
Ms Kylie Bishop
Ms Philippa Connolly
Frequency of meetings: Quarterly

**Quality and Population Health Committee**
Mr Greg Tweedly (Chair)
Mr Eugene Arocca
Mr Sam Lobley
Professor Harvey Newnham
Frequency of meetings: Bi-monthly

**The RMH Foundation Committee**
Mr Eugene Arocca (Chair)
Ms Kylie Bishop
Ms Emma Skinner
Frequency of meetings: Quarterly

**Redevelopment Committee**
Mr Peter Funder (Chair)
Ms Philippa Connolly
Frequency of meetings: As and when required

THE ROYAL MELBOURNE HOSPITAL

# Organisation structure

As at 30 June 2023

## Board

**CHIEF EXECUTIVE**
**Christine Kilpatrick** (she/her)

- Executive Director, West Metro Health Service Partnership
- Director, Strategic Communications and Media
- Director, Research
- Director, RMH Foundation

| CHIEF OPERATING OFFICER | CHIEF CORPORATE OFFICER | CHIEF NURSING OFFICER | CHIEF MEDICAL OFFICER | CHIEF PEOPLE OFFICER | CHIEF QUALITY OFFICER | CHIEF REDEVELOPMENT OFFICER | CHIEF LEGAL OFFICER | CHIEF INFORMATION OFFICER | CHIEF STRATEGY OFFICER |
|---|---|---|---|---|---|---|---|---|---|
| **Jackie McLeod** she/her | **Paul Urquhart** he/him | **Kethly Fallon** she/her | **Fergus Kerr** he/him | **Ellen Flint** she/her | **Samantha Plumb** she/her | **Robert Rothnie** he/him | **Fleur Katsmartin** she/her | **George Cozaris** he/him | **Jodie Geissler** she/her |
| Home First, Ambulatory and Complex Care Services | Group Reporting & Analysis | Nursing Workforce | Medical Workforce Unit | HR Business Partnering | Risk | Project Director | Medicolegal | Digital Architecture & Emergency Management | |
| Surgical Services | Financial Accounting | Nursing Education | Medical Governance | Health, Safety and Wellbeing | Quality and Improvement | Redevelopment Team | Legislative Compliance | Digital Strategy & Transformation | |
| Medical Services | Finance Partnering and Revenue Services | Nurse Bank | Medical Education | Safety Culture | Community Engagement and Patient Experience | | | Digital Consumer Success (Service Desk) | |
| Access, Critical Care and Investigative Services | Payroll | First Nations Health | Library | Leadership and Learning | Health Intelligence | | | Digital Information | |
| Mental Health Services | Procurement and Supply Chain | Simulation Education | Infection Prevention Surveillance Service | Diversity and Inclusion | Guidance | | | Digital Platforms | |
| Allied Health | Facilities Management | Residential Aged Care | Victorian Infectious Diseases Reference Laboratory (VIDRL) | Recruitment Services | Health Information Services | | | Collaboration & Initiatives (PMO) | |
| Clinical Services Planning | Capital Works | Centre for Nursing Enquiry | Victorian Healthcare Associated Infection Surveillance Coordinating Centre (VICNISS) | Employee Services | EMR | | | | |
| | | | | Security | Informatics Planning | | | | |
| | | | | | Emergency Management and Business Continuity | | | | |

# Our care at a glance

**87,411**
Emergency Department presentations

**7034**
emergency surgeries

**3194**
mental health inpatient admissions

**112,454**
inpatient admissions across our services

**123**
kidney transplants

**360,488**
mental health service contacts in the community

**2245**
trauma patients treated

**217,326**
specialist appointments (including telehealth)

**530**
arrivals by air

**14,573**
planned surgeries

**89,618**
telehealth appointments

**4196**
patients cared for in RMH@Home

# Celebrating 175 years of the RMH

The RMH is celebrating a major milestone in 2023 – our 175th anniversary. The RMH is Victoria's first public hospital, having opened its doors to the public on 15 March 1848. The RMH has touched the lives of millions of Victorians, providing care and treatment to our community as it has grown into a major city.

One thing that has not changed is our dedication to providing the best care to our community, which is reflected in our community promise to always be there when it matters most. The celebrations to mark the 175th anniversary in March 2023 included adding recent memories and memorabilia to our time capsule at the RMH Parkville. The capsule was first buried in 1846 at the laying of the foundation stone. It has been moved, re-buried and relocated over the years and was placed in the front entrance of the hospital in 2010, where it remains today.

The 175th anniversary was also honoured in April 2023 with a reception at Government House. Staff from across the organisation, representing its many teams and departments, were hosted by then Governor of Victoria, the Hon. Linda Dessau AC CVO, in recognition of this special year in the hospital's history.


Chief Operating Officer Jackie McLeod, infectious diseases physician Irani Thevarajan, Nurse Unit Manager Nicola Taylor, clinical assistant Margaret Nath, First Nations Health Unit team manager Steven Portelli and pharmacist Rahul Kumar cut the RMH's 175th birthday cake, and (inset) the Hon. Linda Dessau speaking at the reception at Government House.

**PATIENT STORY**

## Brianna's road to recovery

Brianna suffered a devastating stroke last April and required emergency surgery. At the time, she was not only preparing for her wedding – she was also 16 weeks' pregnant.

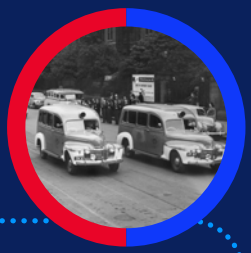
Neurosurgeons at the RMH found in her brain a congenital brain arteriovenous malformation, which had ruptured.

Brianna spent 11 months with the RMH, including with the rehabilitation team, where she worked tirelessly to regain her strength and independence.

She was given a guard of honour from her care team as she was discharged in March to begin a new journey at home, recovering with her family – including her baby daughter, who was safely delivered at 36 weeks while Brianna was in hospital.

Photo courtesy of Wayne Taylor/Herald Sun

# Timeline of the RMH



## 1939

Excavations for the new hospital at the Parkville site began on 16 March. Plans for immediate public use of the new hospital were abandoned with the outbreak of war in the Pacific. Sections of the new buildings were used by the United States Army for two years from March 1942. The Army left in March 1944, and on the 10 December that year, patients were moved from the old RMH at Lonsdale Street to Parkville

## 1940 and 1950s

Early research in neurology and on radiological examination of the brain culminated in the publication in 1957 of **pneumoencephalography**, which became a seminal text used worldwide

## 1963

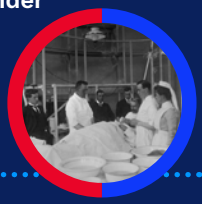
The **first successful kidney transplant** in Australia

## Early 1910s

The hospital was **rebuilt** and reopened in 1913

## 1902

Pioneering work at the hospital in anaesthetics led to the discovery that **sudden death under chloroform** was due to cardiac and not respiratory failure



## 1970s

**Diabetes research led to international acclaim** and citations for our doctors for their work in clarifying the relationship between insulin receptor in cells and the action of insulin

## 1973

The **world's first 'free flap'** reconstructive micro-vascular surgery operation was performed at the RMH by one of the organisation's plastic surgeons

## 1979

Establishment of the first **Bowel Cancer Registry** in Australia and pivotal groundwork for the National Bowel Cancer Screening Program was undertaken following studies by doctors at the RMH on bleeding patterns in colorectal cancer and benign tumours

## 1984

The first **implantable cardioverter defibrillator (ICD)** operation in the southern hemisphere was performed at the RMH

## 1995

Australia's **first bionic ear electrode** for the brain was implanted at the RMH

## 2000

The Melbourne **Extended Care and Rehabilitation Service** became a part of the RMH in July. In 2005, it became known as the **RMH Royal Park Campus**

## 2000

Became the first Australian hospital, and only the second in the world, to use **computer-assisted surgery**, initially in joint replacement surgery

## 2006

The RMH in March performed the world's **first implant of cultured specialist stem cells** in an orthopaedic patient

## 2019

Our **Bone Marrow Transplant** service received international recognition in May as one of the **best in the world**

## 2020

In January, scientists from the Peter Doherty Institute for Infection and Immunity – a joint venture between **the RMH and the University of Melbourne** - were the **first to grow** and share the novel coronavirus, **COVID-19**

# Year in review

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

## BE A GREAT PLACE TO WORK AND A GREAT PLACE TO RECEIVE CARE

- The RMH launched a new service, an Australian-first, to support older trauma patients. The Trauma in Older Persons Service – or TOPS – treats people over 65 admitted under the trauma team, which could include anything from high and low falls, or motorbike and car crashes. The team of geriatricians collaborates with trauma and allied health team members to provide the care the patient needs, whether medical or trauma. The TOPS team is particularly focused on people with fragility, cognitive and functional impairments with high-care needs
- The RMH's inaugural Nursing Research Symposium was held in February, celebrating the research achievements of our nurses. Ten of the RMH's nurses presented at the symposium, which also featured other local and international speakers. The RMH's Centre of Nursing Inquiry, launched in 2019 as the Nursing Research Hub, provides support and guidance to the organisation's nurses in their research endeavours. The hospital has had up to seven nurses undertaking PhDs at any one time, and a growing number of nurses presenting at conferences. Nine RMH nurses presented at the Australian College of Nursing's National Nursing Forum in the Northern Territory in August 2022
- New features were introduced to the Parkville EMR system and patient portal app Health Hub to help improve care for people from the LGBTIQA+ community and people with disabilities. These new features allow patients to record their sexual orientation, chosen name, gender identity and pronouns, meaning their identity is accurately reflected in the system and helping support safe and inclusive care. The Disability Identifier, meanwhile, includes a three-part questionnaire - co-designed by consumers, Disability Liaison Officers, an expert advisory group and disability working groups across the precinct – which allows people with disabilities to tell us about their needs. This information is displayed in an easily accessible, visible summary for the care team, supporting the delivery of great care by meeting individuals' needs, raising awareness and reducing systemic barriers in accessing health care at the RMH and our EMR partners at the Royal Women's Hospital and Peter MacCallum Cancer Centre
- The RMH continued to schedule programs and classes throughout that year to develop the next generation of leaders within the organisation. This year the RMH piloted a meet-and-greet session specifically for new managers and leaders, with 20 staff participating. The Melbourne Way Leadership Program, which runs for 10 weeks and was co-designed with the Melbourne Business School, provided leadership skills and support to 100 leaders across the organisation
- The RMH officially opened its First Nations Health Unit space in March. This space will provide improved access to care and support for our First Nations patients, while also offering a safe and culturally appropriate space while at hospital. The unit, staffed by First Nations healthcare workers, is also helping to increase education and awareness of culturally safe care among staff. The space is located off from the RMH Parkville foyer, where the artwork 'Walk Together', created for the RMH Reconciliation Action Plan (RAP) by Bayila Creative's Dixon Pattern, a proud Gunnai and Yorta Yorta man, was installed in August 2022


First Nations Health Unit team members Adrian Webster, Lani Wilson and Steven Portelli with Elder in Residence Aunty Marl Burchill at the opening of the unit's new space. Scan or click the QR code to watch a video of the opening, including a performance from Wurundjeri men's dance group Bandok Tati.

## GROW OUR HOME FIRST APPROACH

- Telehealth continued to help the RMH develop new ways of providing care to patients, such as Cardiology's innovative digital rehabilitation program.

  The program uses the skills of a multidisciplinary team and telehealth to provide education, clinic appointments and support to heart failure patients recovering at home in the 12 weeks after their discharge from hospital, with the aim of reducing readmissions

- Research led by the RMH and WEHI's Associate Professor John Wentworth showed a blood test from a finger-prick sample, collected at home and mailed to a laboratory for testing, could help with early diagnosis of type-1 diabetes.

  This team was the first to use the blood spot assay to screen for diabetes in Australia, and the RMH was the first in the world to prove that blood samples collected in the home are a suitable way to detect type-1 diabetes. Only one in 10 newly diagnosed children have a family history of type-1 diabetes, but it is hoped research such as this will help in the future to screen for diabetes cheaply, accurately and conveniently

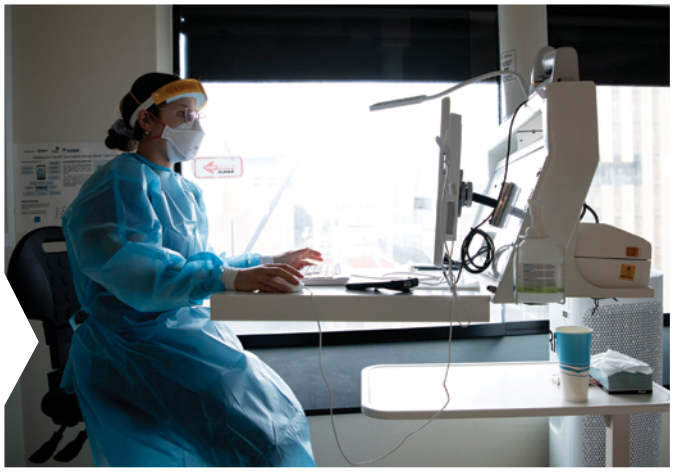
The world-first trial showed the Stentrode™ - a tiny device placed inside a blood vessel of the brain located in an area that controls movement (motor cortex) – can read brain signals and was safely implanted into participants.

## REALISE THE POTENTIAL OF THE MELBOURNE BIOMEDICAL PRECINCT

- The West Metro HSP is helping to deliver better health outcomes for our region and collaborations to create a more connected health system. The RMH is the lead agency for the West Metro HSP. Among the initiatives is the Planned Surgery Program, which has four priorities: reduce length of stay and readmission rates; optimise our total theatre capacity; strengthen non-surgical pathways; and improve referral and waitlist management practices. For example, the ERAS project aims to standardise patient care across our hospitals to optimise patient outcomes and reduce post-surgical complications to reduce length of stay and the number of readmissions. Same-day surgical models of care have also been expanded to reduce patients' post-operative length of stay, allowing them to recover at home while receiving support with their recovery
- The RMH has also implemented a number of new and expanded non-surgical management services to improve patients' access to non-surgical care, outcomes and experiences. This included the Feet First clinic, a podiatry-led clinic initiated in August 2022, to assess patients referred to the Orthopaedic Department with foot and ankle issues. The podiatry-led clinic implements non-surgical measures for management of lower limb pathologies, with the objective of avoiding surgery altogether, or giving the best possible surgery and post-surgery outcomes
- The RMH has also worked with Western Health, Werribee Mercy, West Metro HSP, the Victorian Virtual Emergency Department (VVED) and Ambulance Victoria to develop and implement a model of after-hours care for patients in residential aged care facilities across the region. This initiative supports residents living in residential aged care facilities to access the care they need face-to-face or virtually, from the comfort of their home or facility at all times, without needing to attend a hospital after-hours
- The RMH and Western Health have also collaborated through the West Metro HSP to implement diabetes and endocrinology telehealth rapid access clinics (Endo TRACS). These clinics are providing rapid access to specialist diabetes and endocrinology management via telehealth services, relieving pressure on specialist clinics and ensuring that patients get the timely care they need
- Collaborations between the Melbourne Biomedical Precinct members are delivering ground-breaking research. The Stentrode™ was implanted into four participants in a safety trial led by the RMH and the University of Melbourne. The world-first trial showed the Stentrode™ - a tiny device placed inside a blood vessel of the brain located in an area that controls movement (motor cortex) – can read brain signals and was safely implanted into participants

## BECOME A DIGITAL HEALTH SERVICE

- The RMH's new website was launched in February 2023. The new site was developed in partnership with many individuals and teams, including staff and community members. The site has met AAA compliance – the gold standard level of accessibility for websites – making sure the website is easy for everyone to use
- The RMH staff logged an average of 1100 requests for assistance from Facilities Management team each day through the organisation's computer-aided facilities management system (CAFM). Across the year, the team completed 20,066 discharge cleans, ensuring a safe and timely turnover of beds to have them ready for the next patient
- Almost 50,000 RMH patients have signed up to the patient portal app Health Hub, which supports patients across the Parkville Precinct to access their health information in their EMR via a mobile app or website. Additional features have been introduced over the past year to support great patient care, both in the hospital and at home. MyChart Bedside, available via Health Hub via a ward-supplied computer tablet, is engaging patients and families in their care by enabling them to easily view information such as admission notes and test results; make simple requests to their care team; and complete education activities and questionnaires. Care Companion in Health Hub allows patients to use online questionnaires and education tasks to help manage certain conditions at home. Care teams can remotely monitor their patient's health and, where required, escalate concerns
- Integration of automated dispensing cabinets and the EMR were made to make medicine administration safer and more efficient. The integration means that when the care teams order medication for their patients in the EMR, those medications are shown on patients' profiles on the cabinet. This integration removes the need for the care team to manually input the medication they require, making it faster and safer for staff to find the medications their patients need



## STRIVE FOR SUSTAINABILITY


- The RMH installed 32 electric vehicle charging stations at our Royal Park and Parkville campuses to charge the organisation's electric fleet cars. The project was headed up by the RMH Facilities Management team and supported by a Victorian Government initiative to switch general fleet vehicles to electric cars. The general pool cars are used by a range of departments, including hospital-in-the-home teams, and will reduce the RMH's $CO_2$ emissions by 305.38 tonnes per year
- A car fleet initiative was among the winning projects of the RMH's inaugural Sustainability Awards in 2022-23, a program led by staff passionate about programs to improve environmentally friendly processes at the RMH and reduce waste. There were 14 entries from a range of clinical and non-clinical individuals and teams. Among the winners was a project from the Emergency Department which reduced unnecessary arterial blood gas (ABG) and coagulation tests by 37 per cent and 22 per cent respectively, saving 74kg of $CO_2$ per month. The Telehealth team was also recognised, having estimated that patients using telehealth appointments rather than coming into the RMH services saved 103,434 N95 masks - equivalent to 1.1 tonnes of clinical waste. The Stroke and Neurology ward won Best Ward Project for their efforts to find inventive ways to cut down on unnecessary waste, which included replacing paper cups in the staff tearoom and encouraging staff to use water bottles
- In October 2022, the RMH released its first Environmental, Social, Governance (ESG) statement, a first for an Australia public health service. The report outlined the RMH's achievements, challenges and commitment to making business decisions that will lead to social and environmental positive change, and stronger governance arrangements that are to the betterment of its workforce, community and stakeholders

## BUILD FOR THE FUTURE

- The RMH continues to work alongside the Victorian Health Building Authority (VHBA) to deliver a major upgrade and rebuild of our facilities, as announced in October 2022. Stage one of the $5-6 billion dollar redevelopment will deliver a new hospital at Arden and other capital works projects at the RMH Parkville. At Arden the RMH will deliver a range of planned inpatient and outpatient services while the Royal Women's Hospital will deliver maternity services. These initial stages of the redevelopment will enable major upgrades at the Parkville site which will retain a focus on focus on emergency, trauma and acute care
- The past financial year has involved a number of key projects to build improved services to work in and care for our community. This included the renovations to the RMH's specialist clinics (outpatient) space on level 1 of the Parkville campus, which are serving a range of clinical specialties from neurosurgery to dermatology. The clinics include a new colour coded wayfinding system, making it easier for patients to find their way to their next appointment
- The Transit Lounge at the RMH Parkville has also been relocated in a newly renovated space with increased capacity on the ground floor. The Transit Lounge is a comfortable and caring space where patients and their loved ones can wait before they go home or to their next point of care. This ensures patients have all that they need before leaving the hospital, while freeing up a bed on the wards for another patient
- Four new MRI machines have been installed on Level 9 of the Parkville campus. The purpose-built area is a state-of-the-art suite for inpatient scans, research scans, breast imaging, abdominal imaging and prostate imaging
- The RMH opened its third cardiac catheter laboratory in early 2023, giving the RMH the ability to continue growing as a specialised heart centre for the north and west of the state of Victoria. The RMH provides statewide services to all Victorians to remove the leads of implanted cardiac devices (such as pacemakers) that are causing health concerns, interventions for adults with congenital heart issues, and procedures to help treat complex arrhythmia (irregular heartbeats). It is expected that the additional capacity will allow the RMH to double its cases per year with an extra 1600-1700 cases annually

# Awards, recognition and accolades

**The RMH was awarded the Premier's Large Health Service of the Year** for 2022 at the Victorian Public Health Awards in October. The RMH, which was a finalist in six categories, also received the Excellence in culturally diverse health award for the 'COVID-19 from community to community: the RMH messages in-language' campaign.

The RMH haematologist and the Walter and Eliza Hall Institute of Medical Research (WEHI) researcher **Professor Sant-Rayn Pasricha** received an Australian Academy of Health and Medical Services award, the Jian Zhou Medal, in August for his contributions towards preventing and treating anaemia around the world.

**Associate Professor Dan Steinfort** was awarded the gold medal in clinical techniques, imaging and endoscopy from the European Respiratory Society awards, the highest international accolade for this field.

Victorian Infectious Diseases Reference Laboratory (VIDRL) Director **Professor Deborah Williamson** won the Australian Infectious Diseases Research Centre Eureka Prize for Infectious Diseases Research, sharing the prestigious prize alongside a team of researchers from the University of Melbourne and Monash University.

The Peter Doherty Institute for Infection and Immunity Director **Professor Sharon Lewin** was awarded the Australian Academy of Health and Medical Sciences (AAHMS) Outstanding Female Researcher Medal in September. Professor Lewin was recognised for her body of research and global leadership in the search for a cure to human immunodeficiency virus (HIV), as well as her contribution to the COVID-19 pandemic response. Professor Lewin was also last year appointed as the new President of the International AIDS Society.

**Francesca Langenberg and the team from the RMH and Ambulance Victoria's Melbourne Mobile Stroke Unit (MSU)** - which celebrated its fifth anniversary in late 2022 – won two awards at the 2022 Australian Allied Health Awards. Francesca received the Impact and Innovation Award for her work as lead CT Radiographer, while the MSU won the Allied Health Team Innovative Service/Product Award.

ICU Deputy Director and Head of ICU Research **Associate Professor Adam Deane** was awarded a 2023 Dame Kate Campbell Fellowship at the University of Melbourne's Faculty of Medicine, Dentistry and Health Sciences.

Director of Rehabilitation Services **Professor Fary Khan** was elected to the US National Academy of Medicine (NAM). She was one of 10 international members to be elected. Professor Khan was also elected as the Vice Chair of the International Society of Physical and Rehabilitation Medicine at their Annual Scientific Congress in July 2022.

The RMH haematologist and WEHI researcher **Dr Ashley Ng** received the 2022 Metcalf Prize for Stem Cell Research, in recognition of his work with stem cells to fight blood cancers. The Metcalf Prize is awarded by the National Stem Cell Foundation of Australia.

**Professor Bruce Campbell** was awarded the World Stroke Organization award for contribution to clinical stroke research at the 2022 World Stroke Congress in October.

Two staff were recognised with a Member in the general division of the Order of Australia (AM) in the Australia Day honours. Haematologist **Professor Graham Lieschke** was recognised his significant service to medicine as a haematologist, and to medical research, and virologist **Dr Stephen Locarnini**, from VIDRL, for significant service to medicine as a virologist, and to medical research.

**Professors Stephen Davis and Geoffrey Donnan** were awarded the Australian Cardiovascular Alliance's Translation Award at the Excellence in Cardiovascular Research Awards in March. Professors Davis and Donnan are part of the RMH neurology service, as well as co-chairs of the Australian Stroke Alliance.

Medical Photography manager **Amanda Rebbechi** was shortlisted for the Women Science Photographer of the Year Award from the Royal Photographic Society for her incredible photo of a congenital hypertrophy of retinal pigment epithelium.

**The RMH Scrub Choir** partnered with the WHO to form the Global Scrub Choir, including healthcare workers from across the world. The Global Scrub Choir, which was invited to perform at the WHO Fifth Global Forum on Human Resources for Health, was overseen by the RMH Music Therapy Director, **Emma O'Brien OAM**.

The RMH and WEHI's **Professor Ian Wicks and Dr Jessica Day** both won awards from the Australian Rheumatology Association at their Annual Scientific Meeting Awards. Dr Day and Prof Wicks, with colleagues, were awarded the Best Basic Science Free Paper Presentation, while Professor Wicks was also awarded the highly esteemed 2023 ARA Senior Career Research Excellence Award.

Director of Genomic Medicine **Professor Ingrid Winship AO** received the Silver Medal at the Annual Awards Ceremony of the Australasian College of Dermatologists, the highest honour bestowed by the College for contributions to dermatology.

Board Member **Professor Jane Gunn** was appointed an Officer (AO) of the Order of Australia (general division) in the King's Birthday Honours in June for distinguished service to medical administration in leadership roles, to tertiary education and research, and to the community. She was also included on the COVID-19 Honour Roll, which recognises contributions in support of Australia's response to the pandemic. **Jane Fair Bell**, who was on the RMH board between 2009-18, was also appointed a Member (AM) for significant service to governance in the medical research, healthcare and not-for-profit sectors.

# Significant supporters

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

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# Occupational health, safety and wellbeing

During 2022-23, the RMH continued its commitment to promoting and maintaining a safe and healthy workplace through sustainable work practices.

The RMH continued to implement measures to support the occupational health and safety of staff, with a key focus on the prevention and management of occupational violence and aggression (OVA) and hazardous manual handling, and the proactive building of wellbeing capability and supports.

The OVA team continued to provide a comprehensive consultation service and education model for staff in the prevention, early intervention and management of OVA. An OVA referral process through the EMR has improved support to staff immediately after an incident.

The number of community clinics has reduced with the disaggregation of the RMH NorthWestern Mental Health. This has resulted in a slight reduction of reported OVA incidents compared with last year.

The increase in the percentage of occupational violence incidents resulting in a staff injury, illness or condition is attributed to continuous improvements in quality and culture around reporting and increased use of the RMH early intervention program Injury Assist.

Increased engagement from the Sexual Safety Nurse Consultant has also contributed to improving a 'speak up' culture in regard to sexual harassment.

The RMH Wellbeing team created a video to increase awareness on what defines a critical incident and the potential impacts on staff. This was coupled with experiential training for managers in how to provide psychological first aid to their staff immediately after a critical incident.

The RMH Wellbeing team provided a range of proactive initiatives to support staff capability building and resilience. This included mindfulness training, mental health first aid workshops and specialist critical incident training for clinical staff.

To ensure the continuous improvement of hazardous manual handling and provide a safe place to work, the RMH is also improving the availability of and access to suitable manual handling equipment that caters to all our patients' needs.

Patient handling equipment registers have been introduced, improving access to the appropriate manual handling equipment at the right time to support staff and patient safety.

The reduction in COVID-19 restrictions has allowed for the recommencement of face-to-face manual handling training adapted to be more focused on department-specific hazardous manual handling risks and tasks.

The focus of the training seeks to deliver a wholistic approach of core techniques and department specific requirements, along with access to the appropriate equipment.

The Injury Management team's strategy has focused on face-to-face engagement with injured staff members and their managers. Proactive, face-to-face early intervention claims management is required to improve outcomes for injured staff. Early intervention has also focused heavily on Recover at Work – sustainably returning injured staff members to their place of work sooner, complimenting their recovery.

'The RMH Wellbeing team provided a range of proactive initiatives to support staff capability building and resilience.'

| Occupational Health and Safety Statistics | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|
| The number of reported hazards / incidents for the year per 100 FTE | 49.42 | 58.59 | 42.72 |
| The number of "lost time" standard WorkCover claims for the year per 100 FTE | 0.97 | 0.69 | 0.83 |
| The average cost per WorkCover claim for the year ('000) | $97,864 | $163,064 | $72,455 |

| Occupational Violence Statistics | 2022-23 |
|---|---|
| WorkCover accepted claims with an occupational violence cause per 100 FTE | 0.13 |
| Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 0.83 |
| Number of occupational violence incidents reported in Riskman | 2412 |
| Number of occupational violence incidents reported in Riskman per 100 FTE | 31.70 |
| Percentage of occupational violence incidents reported in Riskman resulting in a staff injury, illness or condition | 2.53% |

**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 2022-2023.

**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 2023 and year to date (YTD), with 2022 data shown for comparative purposes.

| Labour category | Month of June FTE | | Average Monthly FTE | |
|---|---|---|---|---|
| | 2022 | 2023 | 2021-22 | 2022-23 |
| Nursing | 3286 | **3215** | 3211 | **3077** |
| Administration and Clerical | 1232 | **1114** | 1205 | **1127** |
| Medical Support Services | 905 | **928** | 894 | **926** |
| Hotel & Allied Services | 556 | **536** | 559 | **554** |
| Medical Officers | 157 | **146** | 155 | **142** |
| Hospital Medical Officers | 692 | **799** | 674 | **759** |
| Sessional Clinicians | 266 | **282** | 263 | **264** |
| Ancillary Staff (Allied Health) | 851 | **800** | 803 | **761** |
| **Total FTE** | **7945** | **7820** | **7764** | **7610** |

# General information

## Carers Recognition Act 2012

The RMH recognises the essential role of partnership in creating optimal patient and consumer experience. Engaging patients, consumers, families and carers in care decisions and pathways leads to better health outcomes.

In the last 12 months, our Rights and Responsibilities procedure has been extensively revised by a working group involving consumers, carers, lived experience and general staff members. The procedure affirms the rights of family members and carers to be recognised, respected and supported as partners in care. It also affirms their right to take part in the ongoing care of the patient or consumer, where suitable. This includes care planning and receiving information about the person's health, care or treatment options, and what to expect from care or treatment. Information about rights and responsibilities, including a video resource, is being prominently displayed throughout our services.

Within our mental health services, carers form a core part of our lived experience workforce. In response to recommendations of the Royal Commission into Victoria's Mental Health System, Directors of both Carer and Consumer Lived Experience are about to be appointed. Our inaugural Carer Lived Experience Manager was appointed in May 2022. Carer peer support roles have been established in areas including our inpatient neuropsychiatry unit and some community programs. Our new mental health inpatient beds and model of care were codesigned with consumers and carers, ensuring the integration of carer support models. Many procedures relating to working with families and carers have been updated, and an information pack has been developed for families, carers and supporters. The pack is based on feedback received from carers and families, and includes key information on what to expect, and the support available.

The 2023 Carer Experience Survey (CES, part of the Victorian Healthcare Experience Survey) rated overall carer experience at 71 per cent for our mental health services, compared with 62 per cent prior year. This result was 16 per cent higher than the state average. Twelve (of 41) indicators were significantly above the state average, with none significantly below the state average. Results above 75 per cent were received for carers feeling safe, having the opportunities to provide information and having their opinions respected.

Our Community Advisory Committee has shown an active interest in the experience of carers across all care settings. The RMH has committed to developing a formal consumer, carer and community engagement strategy in 2023-24 to ensure that these voices inform all activities.

## 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 Office of the Victorian Information Commissioner (OVIC).

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

**Email** FOIrequest@mh.org.au
**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

The cost of making an FOI application is $31.80.

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 2022-23

| | |
|---|---|
| Received during the year | 3337 |
| In progress at the start of the year | 260 |
| Granted in full | 1876 |
| Denied in part | 1158 |
| Denied in full | 1 |
| Withdrawn/not proceeded with | 281 |
| In progress at the end of the year | 243 |
| Transferred to or from another service | 15 |
| No documents* | 38 |

*No documents refers to situations where following a search no documents were identified that fell within the scope of the FOI request.

## Public Interest Disclosures Act 2012

The RMH is committed to extend the protections under the Public Interest Disclosures Act 2012 (Vic) to individuals who make public interest disclosures under that Act or who cooperate with investigations into public interest disclosures.

A public interest disclosure is a disclosure made about either improper conduct of public bodies or public officers, or detrimental action taken by public bodies or public officers in reprisal against a person for making a public interest disclosure.

The RMH is required to establish and publish procedures in accordance with the Act. 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, abilities, backgrounds, and identities. The obligations under the Gender Equality Act 2020 are a minimum requirement, and the organisation strives for equity and inclusion beyond mere compliance.

The *RMH Diversity, Equity and Inclusion (DEI) Action Plan 2021-2026* includes 28 actions, of which three are completed and all but three were in progress at the end of the financial year. An upcoming audit will measure this progress against the gender equality indicators set out in the legislation, and the results will be shared with the Commission for Gender Equality in the Public Sector and the community.

The RMH Sexual Safety Nurse Consultant, appointed in May 2022, has been instrumental in building awareness of sexual harassment in the hospital, and contributed to a 20 per cent increase in satisfaction in the handling of sexual harassment complaints between the People Matter Surveys of 2021 and 2022.

A successful pilot of bystander training has led to the ongoing delivery of this important education across our organisation. This, together with education on bias, will build the skills and confidence of our people to speak up and show support when they hear or see something concerning.

A review of our recruitment and orientation processes is in progress to ensure the RMH attracts diverse talent and supports people to flourish.

We have reviewed our Flexible Work Procedure and are part of a sector trial to explore further flexibility in frontline roles. Our staff work tirelessly for the community. We want to do our best to value their time and contributions and support them to balance their personal and professional commitments.

This year for International Women's Day, the RMH hosted a series of forums exploring health equity with topics including menopause, cardiac disease, and pelvic pain. The RMH staff heard from researchers, clinicians, and people with lived experience, and explored how we can enable better health outcomes for people of all genders.

We continue to explore ways to embed equity into our service and policy reviews to continuously improve our ability to be a great place to work and a great place to receive care.

## 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, where applicable, 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:

- Building Engineering;
- PlanGroup;
- MAW Building and Maintenance;
- Lendlease; and
- Icon Construction.

## 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 assess:

- 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 six standard metropolitan based contracts with a total value of $31.1 million for which the LJF policy applied and zero strategic projects. MPSG did not apply to any of these projects.

All six standard projects were registered with the Industry Capability Network (ICN) and were assessed by ICN to determine whether the projects had contestable inputs.

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

- AOD Hub Works
- Security Control Room
- RMH Mainblock DCW & DHW Reticulation Upgrade
- Construction Services for Lift Shaft and Installation of Basement Chillers
- Electronic Referral System
- The RMH Futures Construction Manager

Preferred suppliers have not yet been selected for these projects, therefore the LIDP commitments and outcomes (local content, employment and engagement of apprentices, trainees and cadets) committed or achieved as a result of these projects are yet to be determined.

All projects were deemed to have contestable inputs by ICN and therefore all registered projects required LIDPs to be submitted.

MPSG did not apply to any projects over the last 12 months and therefore the following did not apply:

- The total number of hours completed or to be completed by apprentices, trainees or cadets on a project; and
- The total number of opportunities created for apprentices, trainees and cadets on a project.

## Social Procurement Framework Report

The RMH continues to pursue its Social Procurement Framework to ensure value-for-money considerations are not solely focused on price but encompass opportunities to deliver social and sustainable outcomes that benefit the Victorian community. For the 2022-23 financial year the RMH has prioritised the following social and sustainable objectives:

1. Environmentally sustainable business practices;
2. Implementation of the climate change policy objectives; and
3. Sustainable Victorian social enterprises and Aboriginal business sectors.

### Direct spend with Social Benefit Suppliers

The table below summarises the number of Social Benefit Suppliers that the RMH engaged in 2022-23 financial year:

| Social Benefit Supplier Objectives | No. Suppliers Engaged | Total Expenditure ($) |
|---|---|---|
| Opportunities for Victorian Aboriginal people | 13 | $67,744 |
| Opportunities for Victorians with disability (Group 1) | 3 | $693,716 |
| Opportunities for Victorians with disability (Group 2) | 17 | $7,052,798 |
| Opportunities for disadvantaged Victorians (Group 1) | 6 | $31,867 |
| Opportunities for disadvantaged Victorians (Group 2) | 20 | $1,178,178 |
| Sustainable Victorian social enterprises and Aboriginal business sectors (Group 1) | 10 | $45,215 |
| Sustainable Victorian social enterprises and Aboriginal business sectors (Group 2) | 43 | $12,962,498 |
| **Total Social Benefit Suppliers*** | **59** | **$13,053,117** |

*Note: Social Benefit Suppliers may be identified under multiple Social Benefit Supplier Objectives. 'Total Benefit Suppliers' represents the total no. of individual Social Benefit Suppliers engaged and total expenditure against those individual suppliers.

CASE STUDY

## Arjo ReNu Program

The RMH has commenced a project in partnership with Arjo to introduce a chemical-free, environmentally sustainable solution for reprocessing of non-critical, non-invasive medical devices to support our objective of adopting 'Environmentally Sustainable Practices' and 'Implementation of the Climate Change Policy Objectives'

Key benefits expected to be realised from this program will include (a) diverting medical device away from the landfill, (b) re-processing the diverted single use medical devices for multiple uses, and (c) reducing the need to source new raw materials for new manufacture.

We expect to redirect around 2.4 tonnes of medical devices from going to the landfill for reprocessing and reuse per annum. This is made up of:

- 6500 air transfer mattresses;
- 19,500 pairs of sequential compression garments; and
- 5300 single-use blood pressure cuffs.

## 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 thermh.org.au/parking

## Information and communication technology (ICT) expenditure

The total ICT expenditure incurred during 2022-23 was **$61.42m** (excluding GST) with the details shown below.

| **Business as Usual (BAU) ICT expenditure** | **Non Business as Usual (non BAU) ICT expenditure** | | |
|---|---|---|---|
| **Total (excluding GST) $'000** | Total = Operational expenditure and Capital expenditure (excluding GST) $'000 | Operational expenditure (excluding GST) $'000 | Capital expenditure (excluding GST) $'000 |
| 53,214 | 8,201 | - | 8,201 |

## Consultancies information

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

In 2022-23, there was one consultancy where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2022-23 in relation to this consultancy is $2,500 (excl. GST). Details are provided in the below table:

| **Consultant** | **Purpose of consultancy** | **Start date** | **End date** | **Total approved project fee $'000** (excluding GST) | **Expenditure 2022-23 $'000** (excluding GST) | **Future expenditure $'000** (excluding GST) |
|---|---|---|---|---|---|---|
| MERCER CONSULTING | Review for the role of Director Medical Workforce and Education | 12/04/2023 | 12/04/2023 | 3 | 3 | - |

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

In 2022-23, there were 14 consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2022-23 in relation to these consultancies is $833,000 (excl. GST).

Included in the total is $335,000 consultancy costs incurred by the RMH on behalf of partners of West Metro HSP.

Details are provided in the below table:

| Consultant | Purpose of consultancy | Start date | End date | Total approved project fee $'000 (excluding GST) | Expenditure 2022-23 $'000 (excluding GST) | Future expenditure $'000 (excluding GST) |
|---|---|---|---|---|---|---|
| NOUS GROUP* | Evaluation of Enhanced Recovery After Surgery program for the West Metro Health Service Partnership. | 30/1/2023 | 31/7/2024 | 200 | 35 | 165 |
| NOUS GROUP* | Development of the Better@Home Outcomes Framework and Evaluation. | 25/3/2022 | 30/6/2022 | 168 | 110 | 58 |
| PRICEWATERHOUSECOOPERS | Review of policy and best practice implementation across the West Metro Health Service Partnership. | 17/3/2023 | 23/6/2023 | 150 | 75 | 75 |
| NOUS GROUP* | Patient Reported Measures pilot at West Metro Health Service Partnership. | 1/5/2023 | 30/9/2023 | 147 | 44 | 103 |
| NOUS GROUP* | Strategic support to implementation and management of West Metro Health Service Partnership projects. | 20/3/2023 | 23/6/2023 | 135 | 96 | 39 |
| IMPACT COLLABORATIVE | Review of Hospital Admission of Risk Programme model for the management of patients with chronic and complex care needs. | 17/10/2022 | 13/1/2023 | 120 | 120 | - |
| IMPACT COLLABORATIVE | Design of City Hub model of care. | 5/4/2022 | 30/6/2022 | 88 | 88 | - |
| LIFECYCLE MEDICAL | Review of Guidance Product Registration Activities. | 1/2/2023 | 30/6/2023 | 87 | 60 | 26 |
| MERCER CONSULTING | Consumer, Carer and Community remuneration Benchmarking framework. | 6/4/2023 | 13/6/2023 | 58 | 58 | - |
| NOUS GROUP* | Development of a strategy for Patient Reported Measured for West Metro Health Service Partnership. | 17/11/2022 | 30/6/2023 | 50 | 50 | - |
| OPEN ADVISORY | Demand for surgery across the Health Service Partnership review. | 21/12/2022 | 30/6/2023 | 42 | 36 | 5 |
| LINDA BETTS & ASSOCIATES | Design and analysis of Royal Melbourne Hospital Nursing Workforce Futures Project. | 1/9/2022 | 31/12/2022 | 23 | 23 | - |
| MERCER CONSULTING | Review of the Royal Melbourne Hospital Foundation current remuneration competitiveness. | 8/2/2023 | 8/2/2023 | 23 | 23 | - |
| ACCESSIBLE ACTION | Review of Royal Melbourne Hospital Disability Action Plan | 1/6/2023 | 17/3/2023 | 16 | 16 | - |

* West Metro Health Service Partnership includes the RMH, Western Health, Peter MacCallum Cancer Centre, the Royal Women's Hospital, the Royal Children's Hospital, the Mercy Hospital and the North Western Melbourne Primary Health Network.

## 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 or subsidiary;
- Details of publications produced by the entity about itself, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the RMH;
- Details of any major external reviews carried out on the RMH;
- Details of major research and development activities undertaken by the RMH;
- 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 RMH to develop community awareness of the RMH 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 RMH and details of time lost through industrial accidents and disputes;
- A list of major committees sponsored by the RMH, 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.

# Environmental performance

The RMH is committed to environmental sustainability in its operations. Providing great healthcare that is evidence-based, well-resourced and continually pushing the boundaries of medical science has a significant impact on the environment and sustainability.

Sustainability and greenhouse gas emissions reduction form core parts of the RMH's corporate strategy. One of the strategic goals of the RMH is to strive for sustainability. The momentum to continually drive sustainability improvements has been a passion for many of our people.

The RMH's *Environmental Sustainability Strategy 2020–25* was endorsed by the RMH Executive Committee in October 2019. The strategy focuses on reducing emissions and waste generation. Over the past years, the organisation has improved waste segregation and decreased clinical waste generation by introducing multiple recycling streams. With the additional support of three new staff members in the sustainability team, the RMH hopes to significantly expand our efforts, improving sustainability for all of the RMH's facilities.

For the first time this year, the Department of Energy, Environment and Climate Action requires all Victorian Government organisations to report on their greenhouse gas emissions and other environmental impacts in accordance with *Financial Reporting Direction 24: Reporting of environmental data by government entities (FRD 24)*. The environmental performance section of this report details the RMH's performance as a tier 2 entity under FRD 24. Public health services have been collecting environmental data via the Department of Health-managed Environmental Data Management System (EDMS) since 2015. This report was prepared using the EDMS data and calculation methods, and as a result is dependent on the information in this EDMS.

## Reporting boundary for environmental data

Where practicable to obtain, all operations and activities of the RMH are included within the organisational boundary for the 2020-21, 2021-22 and 2022-23[1] reporting periods. Data is included for the four areas represented in the RMH's financial statements. The following areas account for more than 20 locations[2] throughout Victoria.

The RMH's reporting boundary includes data for the following activities:

- The RMH Parkville
- The RMH Royal Park
- Aggregate non-residential facilities (offices and mental health clinics)
- Aggregate residential facilities (residential aged care and mental health inpatient units)

1 Some data was estimated for June 2023 due to a lack of data availability.

2 The locations covered in this report vary year-on-year due to the machinery of government changes and aggregation between health authorities.

## Normalisation factors

Normalising factors refer to comparative indicators used to evaluate environmental performance over time. This allows for comparison with changes in service delivery.

As a health service, the appropriate normalisation factors for the RMH include floor area and patients treated. For this report normalisation data was obtained via:

- Floor area: provided to the RMH by the Department of Health's EDMS. Floor area is calculated using a gross floor area calculation approach, and reported in metres squared
- Per patient treated (PPT): Provided by the RMH Health Intelligence and calculated by the sum of inpatient bed days, the number of emergency presentations and the number of outpatients for the reporting period

## Greenhouse gas emissions

Graph 1 shows the RMH's total greenhouse gas emissions from 2020-21 to 2022-23. Variation in the emission sources reported between 2021-22 and 2022-23 occurred due to a revised co-generation contract in October 2021, making the RMH the generator of electricity. This contract has resulted in a shift from reporting co-generation electricity and steam (scope 2) emissions to reporting emissions from co-generation in stationary fuel emissions (scope 1).

Greenhouse gas emissions increased 8 per cent between 2020-21 to 2021-22 and decreased 6 per cent between 2021-22 to 2022-23. Per patient treated, emissions increased 11 per cent between 2020-21 to 2021-22, and decreased 13 per cent between 2021-22 and 2022-23. Per metres squared of floor area, emissions increased 10 per cent between 2020-21 to 2021-22 and decreased 7 per cent between 2021-22 to 2022-23.

The RMH reports greenhouse gas emissions via 'scopes' consistent with national and international reporting standards. Scope 1 emissions are from sources the RMH owns or controls, such as burning fossil fuels in vehicles or machinery. Scope 2 emissions are indirect emissions from the RMH's use of electricity. Scope 3 emissions are indirect emissions from sources the RMH does not control but does influence.

## Scope 1

The RMH's scope 1 greenhouse gas emissions increased by 1004 per cent (or over 10 times) from 2020-21 to 2021-22 due to a revised co-generation contract in October 2021. Between 2021-22 to 2022-23 scope 1 emissions increased 10 per cent. This increase is likely attributable to increasing stationary fuel emissions (10 per cent increase due to increased diesel use) and medical gas emissions (11 per cent increased gas usage due to resumption of pre-pandemic level surgery).

## Scope 2

The RMH's scope 2 greenhouse gas emissions vary greatly between the three years represented in this report. This is due to a revised co-generation contract (see stationary energy below for more detail). Emissions decreased 36 per cent between 2020-21 to 2021-22, and 20 per cent between 2021-22 to 2022-23.

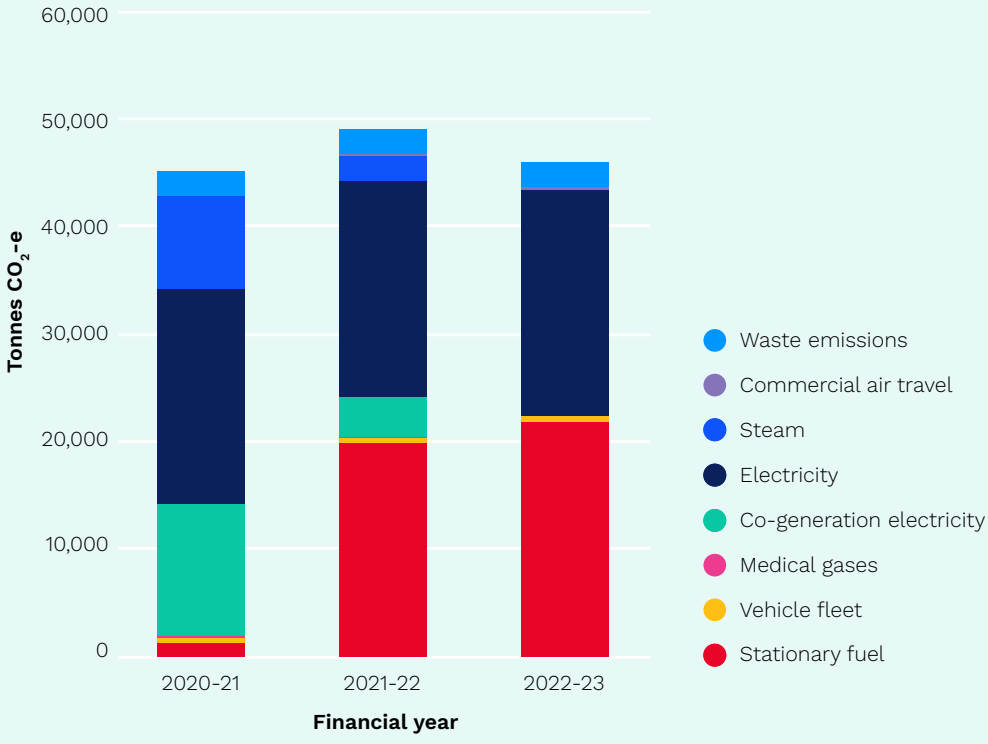
## Scope 3

Scope 3 emissions are assumed to be the largest source of emissions for health services, due to the large footprint of emissions that occur within the supply chain. Evidence suggests that for most large public health services, scope 3 emissions from the supply chain account for approximately 60 per cent of total emissions. Due to difficulties in obtaining data, the RMH currently reports scope 3 emissions from corporate air travel and waste disposal only.

Large fluctuations in air travel activity over the three financial years occurred due to travel restrictions from COVID-19. The RMH's scope 3 greenhouse gas emissions from corporate air travel and waste disposal increased 9 per cent from 2020-21 to 2021-22, and 4 per cent from 2021-22 to 2022-23. Waste emissions increased 3 per cent from 2020-21 to 2021-22, and decreased 5 per cent from 2021-22 to 2022-23.

GRAPH | 1

**Greenhouse gas emissions**



| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Total Scope 1 greenhouse gas emissions (Tonnes $CO_2$-e)[1]** | **1,835.15** | **20,268.85** | **22,262.26** |
| Type of gas | | | |
| Carbon Dioxide | 1,722.62 | 20,159.37 | 22,141.90 |
| Methane | 2.69 | 38.53 | 42.41 |
| Nitrous Oxide | 3.15 | 13.63 | 14.96 |
| Medical gas - other | 106.68 | 57.33 | 63.01 |
| Activity source | | | |
| Stationary fuel | 1,342.79 | 19,806.40 | 21,800.70 |
| Vehicle fleet | 384.99 | 404.78 | 397.75 |
| Medical gases | 107.37 | 57.67 | 63.81 |
| **Total Scope 2 greenhouse gas emissions (Tonnes $CO_2$-e)** | **40,961.65** | **26,117.23** | **20,914.59** |
| Co-generation electricity[1] | 12,492.79 | 3,666.40 | - |
| Electricity | 19,861.58 | 20,078.18 | 20,914.59 |
| Steam[1] | 8,607.28 | 2,372.65 | - |
| **Total Scope 3 greenhouse gas emissions from commercial air travel and waste disposal (Tonnes $CO_2$-e)** | **2,294.00** | **2,502.87** | **2,592.27** |
| Commercial air travel | 13.57 | 158.09 | 353.82 |
| Waste emissions | 2,280.43 | 2,344.78 | 2,238.45 |
| **Total greenhouse gas emissions (Tonnes $CO_2$-e)** | **45,090.80** | **48,888.95** | **45,769.12** |

**Notes**

1 Variation in emissions between 2021-22 and 2022-23 occurred due to a revised co-generation contract in October 2021. Steam is considered a by-product of co-generation; consequently emissions from steam are not reported in 2022-23 scope 2 emissions as the emissions from this by-product are captured in scope 1 stationary fuel emissions.

## Fugitive emissions

### Medical gas

Greenhouse gas emissions from medical gasses decreased 46 per cent between 2020-21 and 2021-22. This was mostly due to the reduction in desflurane use after an environmental awareness campaign on the global warming impact of this anaesthetic gas.

However, between 2021-22 to 2022-23 emissions increased 11 per cent. The increase in surgeries after the COVID-19 pandemic is expected to be the primary cause of this increase in emissions.

| Indicator | 2020-21 units | t $CO_2$-e | 2021-22 units | t $CO_2$-e | 2022-23 units | t $CO_2$-e |
|---|---|---|---|---|---|---|
| Desflurane | 41 | 36.6130 | 9 | 8.0370 | 4 | 3.5720 |
| Sevoflurane | 1430 | 70.0700 | 1006 | 49.2940 | 1213 | 59.4370 |
| Nitrous oxide | 14 | 0.6863 | 4 | 0.3417 | 21 | 0.8052 |
| **Medical Gas (Scope 1 greenhouse gas emission) (Tonnes $CO_2$-e)[1]** | | **107.37** | | **57.67** | | **63.81** |

**Notes:**

1 Global warming potentials used to calculate tonnes of $CO_2$-e emissions: Desflurane (893); Sevoflurane (49); Nitrous oxide (265)

### Refrigerants, air-conditioning, fire suppressants and other purchased gases

For this report, data was not readily available to estimate the greenhouse gas emissions associated with refrigerants, air-conditioning, fire suppressants and other purchased gases. It was not practicable at time of reporting to obtain the required data. The RMH is currently developing an inventory of refrigerant, air-conditioning and fire suppressant equipment to rectify this data gap.

Additionally, the RMH has recently entered a new contractual agreement with refrigerant suppliers. This agreement stipulates that the supplier will provide data required to report on this emissions source. These improvements should allow estimates of emissions from this activity source in future reporting periods.

## Total energy use

Energy use at the RMH comprises electricity production and consumption, stationary fuel use and transportation. Total energy used by the RMH increased 193 per cent from 2020-21 to 2021-22, and 6 per cent from 2021-22 to 2022-23. This significant fluctuation in energy use is primarily attributable to the revised co-generation contract.

| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Total energy use (MJ)** | **180,494,849.55** | **529,589,820.44** | **563,587,177.22** |
| Renewable[1] | 17,355,283.30 | 18,380,810.66 | 20,557,131.49 |
| Non-renewable | 163,139,566.24 | 511,209,009.78 | 543,030,045.73 |
| Total units of energy used normalised by patient treated | 285.69 | 857.58 | 847.16 |
| Total units of energy used normalised by floor area | 1,115.62 | 3,321.20 | 3,501.24 |
| Total energy usage from fuels (MJ) | 31,612,587.70 | 390,237,668.10 | 428,826,888.40 |
| Total energy used from electricity (MJ) | 148,882,261.85 | 139,352,152.34 | 134,760,288.82 |

**Notes:**

1 This includes electricity consumption attributable to the large-scale energy renewable target (LRET), as reflected by the Renewable Power Percentage (RPP) and E10 Fuels.

### Electricity production and consumption

Electricity consumption reduced by 6 per cent between 2020-21 and 2021-22, and 3 per cent between 2021-22 and 2022-23. Electricity use has remained relatively stable and decreased per patient treated from 65kWh/PPT to 56kWh/PPT between 2020-21 to 2022-23, or a 14 per cent reduction. The RMH continues to implement a range of energy efficiency initiatives across facilities, as assets are replaced. Total electricity use has also been monitored and reported to the RMH Environment Committee on a quarterly basis to help track and understand the RMH's electricity consumption.

| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Total electricity consumption (MWh)** | **41,356.18** | **38,714.48** | **37,448.25** |
| Purchased[1] | 41,356.18 | 31,397.25 | 30,445.49 |
| Self-generated | | 7,317.23 | 7,002.76 |
| **On-site electricity generated (MWh)** | | | |
| Other non-renewable | | | |
| Co-generation facility[2] | | | |
| - Consumption behind-the-meter | | 7,317.23 | 7,002.76 |
| - Exports | | 1,395.78 | 1,326.30 |
| **On-site installed generation capacity (MW)** | | | |
| Co-generation[2] | 12.00 | 12.00 | 12.00 |
| Solar PV[3] | - | - | - |
| Diesel backup generators | 8.84 | 8.84 | 8.84 |
| **Total electricity offsets (MWh)[4]** | **-** | **-** | **-** |
| Renewable Power Percentage (MWh) | 4,820.91 | 5,111.33 | 5,723.75 |

**Notes:**

1 Purchased electricity includes a small percentage of electricity not directly purchased but from outside the organisation. This energy is primarily from buildings which the RMH leases but for which sub-metering devices are not installed. This amount is deemed to be immaterial, and therefore has not been separately reported.

2 The RMH took over co-generation electricity production from an external contractor in October 2021. This increased the number of backup generators to support the co-generation plant. Co-generation electricity is consumed by other entities at 300 Grattan St, Parkville. However, the electricity of these entities is not reported here.

3 Included within a leased RMH building is a rooftop solar system. Data on the capacity of this system was not available at the time of this report. This lease occurred for 15 months over 2021-22 and 2022-23.

4 Climate Active Market Based methodology dictates that the percentage of electricity consumption attributable to the LRET, as reflected by the RPP, for a given reporting year, is assigned an emission factor of zero in the carbon account.

## Stationary fuel use

Sources of emissions from stationary fuel include natural gas used in some buildings' heating systems, a co-generation plant at the RMH Parkville and diesel back-up generators for critical facilities. The RMH collected data for natural gas from billing information. Diesel fuel use was estimated using spend-based calculation assumptions.

Natural gas use increased significantly from 2020-21 to 2021-22, due to the revised co-generation contract in October 2021.

Diesel generator fuel use decreased 42 per cent from 2020-21 to 2021-22 and increased 145 per cent from 2021-22 to 2022-23. This increase in fuel use occurred because a spend base estimate is being used, therefore variation occurs across the financial years.

| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Total fuels used in buildings and machinery (MJ)** | **25,991,882.60** | **384,327,965.40** | **422,973,717.60** |
| Buildings | 25,991,882.60 | 384,327,965.40 | 422,973,717.60 |
| Natural gas | 25,808,540.40 | 384,221,808.20 | 422,713,159.70 |
| Diesel (generator) | 183,342.20 | 106,157.20 | 260,557.90 |
| Machinery | - | - | - |
| **Greenhouse gas emissions from stationary fuel consumption (Tonnes $CO_2$-e)** | **1,342.79** | **19,806.40** | **21,800.70** |
| Natural gas | 1,329.91 | 19,798.95 | 21,782.41 |
| Diesel (generator) | 12.87 | 7.45 | 18.29 |

## Transportation

In 2022-23, the RMH's fleet comprised of 202 vehicles essential to the RMH's provision of in-home patient care and support services that require on-site visits. Of these, 98 per cent were passenger vehicles for pool use, the remainder were goods vehicles used to deliver supplies to the RMH sites across Victoria. The RMH fleet has reduced in size between 2021-22 and 2022-23 because of disaggregation.

In early 2023, the RMH installed 32 electric vehicle chargers with the help of a Department of Treasury and Finance grant and leased 19 electric vehicles through Vic Fleet.

In road vehicles with internal combustion engines, energy use and emissions increased by 5 per cent from 2020-21 to 2021-22; between 2021-22 and 2022-23 energy use reduced 1 per cent and emissions reduced 2 per cent. While during this period petrol use increased by 23 per cent, the overall reduction in energy use is likely due to a 55 per cent reduction in diesel use.

A reduction in diesel primarily occurred due to machinery of government changes resulting in HSV incorporating the RMH Supply Department and associated goods vehicles into their fleet, the majority of which were diesel powered. Part of the reduction in emissions is associated with the changes in fleet, and part due to the measurement of E10 petrol consumption.

Commercial air travel increased by 682 per cent between 2020-21 and 2021-22, and 165 per cent between 2021-22 and 2022-23. This change has occurred due to a resumption of business travel post the COVID-19 pandemic, returning to pre-pandemic levels.

The RMH is planning to increase the electric vehicle fleet as leases for petrol vehicles expire, with plans for at least nine additional electric vehicles to be leased in 2023-24.

| Indicator | 2020-21 | % | 2021-22 | % | 2022-23 | % |
|---|---|---|---|---|---|---|
| **Number and proportion of vehicles** | **232** | **100** | **254** | **100** | **202** | **100** |
| Road Vehicles | 228 | 98.3 | 252 | 99.2 | 199 | 98.5 |
| Passenger vehicles (other than omnibuses) | 222 | 95.7 | 250 | 98.4 | 198 | 98.0 |
| Internal Combustion Engine | 222 | 95.7 | 245 | 96.5 | 175 | 86.6 |
| – Petrol | 197 | 84.9 | 221 | 87.0 | 155 | 76.7 |
| – Diesel | 25 | 10.8 | 24 | 9.4 | 20 | 9.9 |
| Electric Vehicle | - | - | 2 | 0.8 | 23 | 11.4 |
| – Hybrid | - | - | 2 | 0.8 | 4 | 2.0 |
| – Range Extended Electric | - | - | - | - | 19 | 9.4 |
| Buses (Omnibuses) (petrol internal combustion engine) | 1 | 0.4 | 1 | 0.4 | - | - |
| Goods vehicles (internal combustion engine) | 5 | 2.2 | 1 | 0.4 | 1 | 0.5 |
| – Petrol | 1 | 0.4 | 0 | 0.0 | 0 | 0.0 |
| – Diesel | 4 | 1.7 | 1 | 0.4 | 1 | 0.5 |
| Non-Road Vehicles | 4 | 1.7 | 2 | 0.8 | 3 | 1.5 |
| Electric forklift | 3 | 1.3 | 1 | 0.4 | 2 | 1.0 |
| Cart (no fuel) | 1 | 0.4 | 1 | 0.4 | 1 | 0.5 |

| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Total energy used in transportation (MJ)** | **5,620,705.10** | **5,909,702.70** | **5,853,170.80** |
| Road Vehicles (MJ) | 5,620,705.10 | 5,909,702.70 | 5,853,170.80 |
| Petrol | 3,857,082.60 | 4,057,180.20 | 4,977,365.20 |
| Petrol E10[1] | - | - | 50,510.80 |
| Diesel | 1,763,622.50 | 1,852,522.50 | 825,294.80 |
| **Electricity (MWh)[2]** | **-** | **-** | **3.05** |
| Charged at Victorian Government Facilities[2] | - | - | 3.05 |
| Not charged at Victorian Government Facilities[3] | - | - | - |
| Non-Road Vehicles[4] | - | - | - |
| Electricity (MWh) | - | - | - |
| **Greenhouse gas emissions from vehicle fleet (Tonnes $CO_2$-e)** | **384.99** | **404.78** | **397.75** |
| Road Vehicles | 384.99 | 404.78 | 397.75 |
| Petrol | 260.82 | 274.35 | 336.57 |
| Petrol E10[1] | 0.00 | 0.00 | 3.08 |
| Diesel | 124.18 | 130.44 | 58.11 |
| Electricity[2] | - | - | - |
| **Total distance travelled by commercial air travel (Passenger km)** | **70,672.73** | **552,463.66** | **1,464,927.91** |

**Notes:**

1 E10 usage was not measured in 2020-21 or 2021-22.

2 Usage and associated emissions are not added to transport or transport greenhouse gas emission totals, as accounted under indicator Electricity Consumption. Usage accounts for charging conducted at the RMH Royal Park between 1-30 May 2023 only. Chargers at the RMH Parkville were commissioned after this end of financial year.

3 No vehicles were charged at external facilities.

4 Two forklifts, unknown amount of energy used, deemed immaterial. One cart which is not powered.

## Sustainable buildings and infrastructure

Australia's harsh climate and scarce water resources mean the development of sustainable buildings is an economic and environmental necessity. Recent extreme weather events demonstrate the importance of addressing climate change risk across the RMH's operations, including when it comes to the design and management of buildings and infrastructure assets.

Where possible, the RMH aligns to the VHBA's guidelines for sustainability in capital works.

Aligned with this policy, the RMH installed LED globes across the RMH Royal Park across the past two financial years. This initiative resulted in a reduction of 300 $tCO_2$-e or a 1 per cent reduction in total greenhouse gas emissions.

The RMH has replaced a calorifier at the RMH Parkville Centre for Medical Research plantroom with two new, more efficient heat exchangers to produce domestic hot water and heating hot water in June 2023.

The RMH leases preference buildings which contain conditions and obligations around sustainability initiatives and recycling targets. New leases are also required to maintain base building NABERS of 4.5-star rating and green star rating of 5 stars.

In 2022-23, the RMH has not completed construction on entity-owned buildings or substantial tenancy fit-outs.

The two major sites of the RMH have received environmental performance ratings as follows:

| Name of building | Building type | Rating Scheme | Rating |
|---|---|---|---|
| The RMH Parkville | Acute Hospital | NABERS – Energy | 4.5 |
| The RMH Parkville | Acute Hospital | NABERS – Water | 4.5 |
| The RMH Royal Park | Sub-Acute Hospital | NABERS – Energy | 3 |

## Water consumption

Water use is metered by two mains meters at the RMH Parkville. Currently, no sub-metering is available to provide granular data on water usage trends. The water data in 2021-22 has been compromised due to faulty mains meters at the RMH Parkville over a five-month period between November 2021 and March 2022. Water usage during this period was estimated by Greater Western Water and is believed to be underestimated by around 40,000kL.

A significant usage increase between 2021-22 and 2022-23 can be attributed to many refurbishment and construction projects at the RMH Parkville in 2022-23. Over a six-month period, water was used in cooling systems to test and commission new MRIs on level 9. Commissioning and testing of plumbing systems for projects such as the new Transit Lounge, P144 and Level 1 John Cade Building also required additional water usage.

| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| Total water consumption (potable water) (kilolitres) | 182,297.04 | 183,900.32 | 250,927.87 |
| Kilolitres of metered water consumed normalised by per patient treated | 0.29 | 0.30 | 0.38 |
| Kilolitres of metered water consumed normalised by floor area | 1.13 | 1.15 | 1.56 |

## Waste and recycling

Focus areas at the RMH include efforts to maximise recycling and minimise waste sent to landfill.

The RMH collected waste data from invoices and reports from its waste management providers. Unfortunately, data is not currently available on the amount of waste collected through municipal waste collection services.

Overall, emissions increased by 3 per cent between 2020-21 to 2021-22, and decreased 5 per cent between 2021-22 to 2022-23. This fluctuation occurred due to increased generation of clinical waste due to COVID-19. The total units of waste per patient treated increased by 6 per cent between 2020-21 to 2021-22 and decreased by 13 per cent between 2021-22 to 2022-23. The reduction of total waste between 2021-22 to 2022-23 is attributable to the consciousness of staff of the environmental impact of single-use items. Many departments have replaced single-use items with reusable items to reduce waste generation. Examples include replacement of disposable plastic anaesthetic trays with reusable trays, and replacing 250,000 disposable face shields with 1600 reusable safety glasses.

The recycling rate deteriorated by 0.29 per cent between 2020-21 to 2021-22, and improved by 1.69 per cent between 2021-22 and 2022-23.

Clinical waste increased between 2020-21 to 2021-22 by 2 per cent. Between 2021-22 to 2022-23 this waste stream decreased 24 per cent. Reduction in full personal protective equipment (PPE) usage with a greater understanding of COVID-19 infection behaviours has resulted in a reduction of clinical waste between 2021-22 to 2022-23. However, partial reduction in waste contribution in 2022-23 may also be attributable to an education and awareness campaign in the proper use of clinical waste bins.

The RMH has maintained the number of its sites that have dedicated collection services for e-waste, printer cartridges and batteries. E-waste and batteries are recycled by a local recycler and printer cartridges are collected by our printer supplier. Currently the RMH does not have a soft plastics recycling stream. In late 2022-23 the RMH participated in a soft plastics trial within theatres with support from Monash Sustainable Development Institute. The results of this trial are under review. Once results are confirmed, it is hoped that the organisation will be able to pilot soft plastics recycling within theatres before rolling out to the remainder of operations. A key contributing factor to the success of this program is ensuring upstream capability in recycling the soft plastics.

| Indicator | 2020-21 | % of total | 2021-22 | % of total | 2022-23 | % of total |
|---|---|---|---|---|---|---|
| **Total units of waste disposed (kg)[1]** | **2,662,281.09** | **100** | **2,746,727.89** | **100** | **2,560,768.39** | **100** |
| **Landfill** | | | | | | |
| General waste[2] | 1,204,302.30 | 45.24 | 1,238,446.40 | 45.09 | 1,294,019.40 | 50.53 |
| **Offsite treatment** | **555,916.23** | **20.88** | **569,736.59** | **20.74** | **434,924.31** | **16.98** |
| Clinical waste - incinerated | 18,680.55 | 0.70 | 13,935.49 | 0.51 | 21,822.18 | 0.85 |
| Clinical waste - sharps | 29,544.78 | 1.11 | 26,944.54 | 0.98 | 30,615.67 | 1.20 |
| Clinical waste - treated | 507,690.90 | 19.07 | 528,856.56 | 19.25 | 382,486.46 | 14.94 |
| **Recycling/recovery (disposal)** | **902,062.56** | **33.88** | **938,544.90** | **34.17** | **831,824.68** | **32.48** |
| Batteries | 1,191.00 | 0.04 | 1,713.76 | 0.06 | 5,155.00 | 0.20 |
| Cardboard | 356,192.40 | 3.38 | 401,445.26 | 14.62 | 410,754.78 | 16.04 |
| Commingled | 178,585.40 | 6.71 | 202,678.08 | 7.38 | 147,185.30 | 5.75 |
| E-waste | 2,940.00 | 0.11 | 2,345.00 | 0.09 | 2,550.00 | 0.10 |
| Fluorescent tubes | 360.00 | 0.01 | 1,330.00 | 0.05 | 1,161.00 | 0.05 |
| Grease traps | 120,200.00 | 4.51 | 145,700.00 | 5.30 | 71,900.00 | 2.81 |
| Mattresses | 2,175.00 | 0.08 | 2,525.00 | 0.09 | 1,025.00 | 0.04 |
| Metals | 27,200.00 | 1.02 | 28,140.00 | 1.20 | 25,800.00 | 1.01 |
| Organics (food) | 107,345.00 | 4.03 | 76,000.00 | 2.77 | 54,750.00 | 2.14 |
| Other recycling | 4,500.00 | 0.17 | 6,950.00 | 0.25 | 2,500.00 | 0.10 |
| Packaging plastics/films | 280.00 | 0.01 | 280.00 | 0.01 | - | - |
| Paper (confidential) | 99,617.76 | 3.74 | 66,484.80 | 2.42 | 106,302.60 | 4.15 |
| PVC | 1,455.00 | 0.05 | 2,854.00 | 0.10 | 1,862.00 | 0.07 |
| Sterilisation wraps[3] | 21.00 | 0.001 | 99.00 | 0.004 | 879 | 0.03 |
| **Number and percentage of sites which are covered by dedicated collection services for[4]:** | | | | | | |
| Printer cartridges | 12 | 57 | 12 | 57 | 12 | 75 |
| Batteries | 2 | 9 | 2 | 9 | 2 | 12 |
| E-waste | 21 | 100 | 21 | 100 | 16 | 100 |

| Indicator | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| **Total units of waste disposed normalised by patient treated (kg/PT)** | **4.21** | **4.45** | **3.85** |
| Total waste to landfill per patient treated | 1.91 | 2.01 | 1.95 |
| Total waste to offsite treatment per patient treated | 0.88 | 0.92 | 0.65 |
| Total waste recycled per patient treated | 1.43 | 1.52 | 1.25 |
| **Total units of waste disposed normalised by floor area (kg/M²)** | **16.46** | **17.23** | **15.91** |
| Total waste to landfill per M² | 7.44 | 7.77 | 8.04 |
| Total waste to offsite treatment per M² | 3.44 | 3.57 | 2.70 |
| Total waste recycled and reused per M² | 5.58 | 5.89 | 5.17 |
| **Recycling rate (%)** | **33.88** | **34.17** | **32.48** |
| **Greenhouse gas emissions associated with waste disposal (Tonnes $CO_2$-e)** | **2,280.43** | **2,344.78** | **2,238.45** |

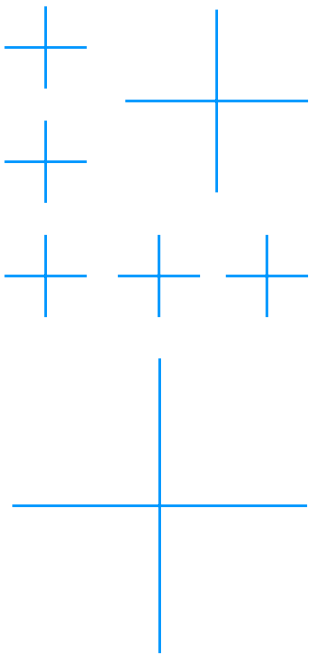
**Notes:**

1 The RMH facilities include a mixture of office and non-office-based activity. As such, it is not practicable to separate waste usage into office and non-office-based activity.

2 This does not include municipal waste collected in council collections from some of our smaller sites.

3 Sterilisation wraps were still recycled in 2022-23; however, the data was not captured by the waste supplier. As such, this activity has been estimated for 2022-23.

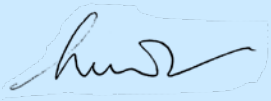
4 The number of sites reduced from 21 to 16 in 2022-23.



# 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
30 August 2023

## Data integrity declaration

I, Shelley Dolan, 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 Shelley Dolan**
Chief Executive
Melbourne
30 August 2023

## Conflict of interest declaration

I, Shelley Dolan, 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 Shelley Dolan**
Chief Executive
Melbourne
30 August 2023

## Integrity, fraud and corruption declaration

I, Shelley Dolan, 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 Shelley Dolan**
Chief Executive
Melbourne
30 August 2023

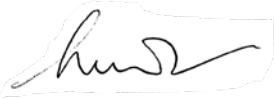
## Compliance with Health Share Victoria (HSV) Purchasing Policies

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

**Professor Shelley Dolan**
Chief Executive
Melbourne
30 August 2023

# 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 2023.



**Linda Bardo Nicholls AO**
Board Chair
Melbourne
30 August 2023

# 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 2022-23 which is in line with the Statement of Priorities breakeven target.**

2022-23 saw a gradual lessening of the impact of COVID-19 that had caused an unprecedented level of disruption to normal hospital operations in the prior two years. While activity levels were curtailed by COVID-19 in the first half of the year, stronger activity performance gradually ensued over the second half of the year, and saw the RMH complete 92.4 per cent of its variable activity target.

Overall, revenue increased by $105m (6.4 per cent) and enabled costs to be funded with a minor operating surplus position of $0.4m.

| | 2023 $'000 | 2022 $'000 | 2021 $'000 | 2020 $'000 | 2019 $'000 |
|---|---|---|---|---|---|
| **Operating Result*** | **0.4** | **0.4** | **0.2** | **0.08** | **0.05** |
| Total Revenue | 1,757.0 | 1,652.1 | 1,560.2 | 1,445.5 | 1,352.7 |
| Total Expenses | 1,706.7 | 1,681.9 | 1,576.0 | 1,452.4 | 1,313.2 |
| **Net Result from transactions** | **50.3** | **(29.8)** | **(15.8)** | **(6.8)** | **39.5** |
| Other Economic Flows | (13.4) | 2.3 | 23.5 | (16.2) | (28.3) |
| **Net Result** | **37.0** | **(27.5)** | **7.7** | **(23.0)** | **11.3** |
| Total Assets | 1,514.7 | 1,490.8 | 1,409.5 | 1,321.8 | 1,275.8 |
| Total Liabilities | 644.0 | 686.0 | 577.2 | 521.9 | 430.0 |
| **Net Assets/Total equity** | **870.6** | **804.8** | **832.3** | **799.9** | **845.7** |

* 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.

| | 2022-23 $'000 |
|---|---|
| **Operating Result** | **0.4** |
| Capital purpose income | 145.9 |
| COVID-19 State Supply Arrangements | |
| — Assets received free of charge or for nil consideration under the State Supply Arrangements | 1.5 |
| — State supply items consumed up to 30 June 2023 | (1.4) |
| Assets provided free of charge or for nil consideration | (3.5) |
| Expenditure for capital purposes | (13.2) |
| Investment income | 1.0 |
| Depreciation and amortisation | (100.5) |
| Finance costs | (2.1) |
| Liabilities transferred for nil consideration | 22.3 |
| Net Gain/(Loss) on Financial Instruments | (5.7) |
| Other Gains/(Losses) from Other Economic Flows | (7.6) |
| **Net Result** | **37.0** |

# 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

| Topic | Priority | The RMH YTD response |
|---|---|---|
| **Keep people healthy and safe in the community** | | |
| Maintain COVID-19 Readiness | **Maintain a robust COVID-19 readiness and response, working with the department, Health Service Partnership and Local Public Health Unit (LPHU) to ensure effective responses to changes in demand and community pandemic orders. This includes, but is not limited to, participation in the COVID-19 Streaming Model, the Health Service Winter Response framework and continued support of the COVID-19 vaccine immunisation program and community testing.** | • Throughout the past year the RMH has continued to emphasise the importance of the appropriate use of PPE and vaccination as important measures to keep our staff and patients safe<br>• COVID-19 is considered on a daily basis and the organisation plans and responds accordingly to what is a dynamic situation<br>• The organisation has participated in all relevant programs of work/care delivery |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| **Care closer to home** | | |
| Delivering more care in the home or virtually | **Increase the provision of home-based or virtual care, where appropriate and preferred, by the patient, including via the Better at Home program.** | • The expansion of an integrated sub-acute hospital in the home service for the RMH and Peter MacCallum Cancer Centre and integrated adult hospital in the home service for the RMH and the Royal Women's Hospital has improved access for patients and avoided duplication of services<br>• Design and planning for the implementation of the City Hub telehealth after-hours support, care and advice service for an August 2023 start date. The City Hub will support existing RMH and Peter Mac @home patients extend their access to care to 24/7, addressing a known gap in service provision |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| | | • Implementing a 24/7 model where residential in-reach services at the RMH, Western Health and Werribee Mercy Hospital are integrating with the Victorian Virtual Emergency Department (VVED) to provide after-hours care and support. This enables residents living in residential aged care facilities to access non-life-threatening emergency and palliative care, which can be provided face to face or virtually, from the comfort of their home/ facility at all times. The implementation of this streamlined process is being facilitated by the West Metro HSP in collaboration with the three health services, the VVED, North Western Melbourne Primary Health Network, and Ambulance Victoria<br>• Continued expansion of the RMH Diabetes and Endocrinology Telehealth Rapid Access service with addition of four new nurse-led clinics and establishment of regular Communities of Practice for collaboration and knowledge sharing within the West Metro HSP<br>• Formal external evaluation of the West Metro HSP Better@Home program with high-level findings the program delivered and continues to deliver its intended outcomes for patients, carers and staff experience, patient health outcomes and access |
| **Keep improving care** | | |
| Improve quality and safety of care | **Work with Safer Care Victoria (SCV) in areas of clinical improvement to ensure the Victorian health system is safe and delivers best care, including working together on hospital acquired complications, low value care and targeting preventable harm to ensure that limited resources are optimised without compromising clinical care and outcomes.** | • The RMH has worked with SCV on the following initiatives to ensure safe, high-quality care: Heart helper, Cardiovascular Ambassador Program, What Matters, Aged Friendly Systems, Check Again, Safety for all: towards elimination of restrictive practice and the Timely Care Collaborative |
| Contribute to a responsive and integrated mental health and wellbeing system | **Continue to transform Area Mental Health and Wellbeing Services that deliver wellbeing supports and are delivered through partnerships between public health services (or public hospitals) and non-government organisations.** | • The RMH partners with Wellways to provide wellbeing supports at four Prevention and Recovery Centres (PARC)<br>• The RMH NorthWestern Mental Health, in partnership with Wellways, developed and opened a fifth PARC for women and children at Sunshine |
| | **Develop/refine services that will be provided across two aged-based streams: infant, child and youth (0-25), and adult and older adult (26+).** | • On 1 July 2023, the Aged Persons' Mental Health Program disaggregated and local teams merged with Adult services to create Adult and Older Adult services. The RMH continues to support Orygen in developing the infrastructure required to create an independent youth service (12-25 years of age) |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| | **Provide integrated treatment, care and support to people living with mental illness and substance use or addiction.** | • The RMH NorthWestern Mental Health Summit team has continued to provide integrated care to people with mental illness and substance use or addiction and in the context of the disaggregation of the RMH NorthWestern Mental Health, plans to integrate the RMH Addiction Medicine services and the RMH NorthWestern Mental Health alcohol and other drugs (AOD) services are in development |
| | **Subject to the passage of the Mental Health and Wellbeing Bill 2022, actively participate in the implementation of new legislative requirements and embed the legislation's rights-based objectives and principles. Work with the department to test ('shadow') and implement activity-based funding models initially for bed-based and adult ambulatory mental health and wellbeing services.** | • The RMH is working with the Office of the Chief Psychiatrist to support the implementation of the new Mental Health and Wellbeing Bill 2022<br>• Embedded practitioners are training staff and supporting the development of new workflows in the EMR to prepare for implementation of the new Act in September 2023<br>• The RMH NorthWestern Mental Health services have engaged with the department to develop and implement an activity-based funding model and align reporting of clinical activity and outcome measures with funding |
| | **Work with the department to test ('shadow') and implement activity-based funding models initially for bed-based and adult ambulatory mental health and wellbeing services.** | • The RMH NorthWestern Mental Health services have engaged with the department to develop and implement an activity-based funding model and align reporting of clinical activity and outcome measures with funding |
| | **Continue towards implementation and routine use of the electronic state-wide mental health and well-being record to underpin best practice mental health care and improve the experience of Victorians with lived experience of mental health as they move between providers.** | • With the transition of the RMH NorthWestern Mental Health services to Northern Health and Western Health, the RMH has supported the department in developing independent access at those health services to the statewide electronic database and records |
| Improve emergency department access | **Improve access to emergency services by implementing strategies to reduce bed access blockage to facilitate improved whole of system flow, reduce emergency department four-hour wait times, and improve ambulance to health service handover times.** | • A number of strategies have been implemented in the Emergency Department (ED) to improve access:<br>– Expansion of the existing "front of house team" to include Medical Support Officers (final year medical students) - a new role that relieves nursing staff of technical tasks and helps early initiation of care for waiting patients<br>– Establishment of Ambulance Victoria off-load (AVOL) area and embedding Hospital Ambulance Liaison Officers (HALO) within the RMH to better coordinate ambulance arrivals and transfers during COVID-19 surge periods. This supplements the existing ED roles that support ambulance off-load and management of the waiting room area (Doctor at Triage, AV nurse, Waiting Room Nurse)<br>– Planning and development of the RMH Digital Command Centre, to open in early September 2023 to better coordinate inpatient flow |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| | | – Participation in the Department of Health Timely Care Collaborative and commencement of improvement projects focussed on ED triage, daily operating systems and inpatient discharge planning<br>– Planning for and development of model of care for the new ED Mental Health and AOD Crisis Hub, scheduled to open in August 2023<br>– Embedding of the new Transit Lounge model of care, new facilities and extended opening hours to support timely discharges throughout the day<br>– Implementation of seven day/week workforce models in General Medicine to improve discharges and flow at the weekends<br>– Review of the daily operating system to align organisation-wide processes and focus on actions required for patient flow |
| Pathology reform | **Progress with forming shared public pathology entities, established as Companies Limited by Guarantee under Joint Venture Agreements that meet the requirements set out in the Policy Framework for the Shared Pathology Entities and operate consistently with the statutory obligations of the Public Administration Act 2004.** | • The formation of the new pathology network, of which the RMH, Royal Children's, the Royal Women's and Peter MacCallum Cancer hospitals would be equal members, as a new not-for-profit joint venture company, is progressing through the planning and preparation phase<br>• The Department of Health is providing guidance on the overarching structures for the set up of the network, through a policy framework that will detail the legal and technical components<br>• The program has been focused on due diligence activities in readiness<br>• A particular focus over 2023 has been to increase the collaboration between the network laboratories to help pave the way for future integration of systems, pathology staff and everyday work<br>• Later in the preparation phase there will a focus on the risks and opportunities that will help define the strategic direction of the network to continue to support the health services with world-class high quality pathology and research and beyond |
| | **Implement the new integrated Laboratory Information Systems and participate in the adoption of a Health Information Exchange as a priority for the newly formed pathology entity over the next four years.** | • A public tender is underway for the procurement of an integrated Laboratory Information System that will support the amalgamation of the pathology laboratories and is expected to be implemented in early 2026<br>• The Department of Health-led Health Information Exchange project that will provide clinical information sharing capabilities, has identified the vendor for the platform and detailed project planning is now ready to commence |
| Plan update to nutrition and food quality standards | **Develop a plan to implement nutrition and quality of food standards in 2022-2023, implemented by December of 2023.** | • In August 2022 the Victorian Department of Health released new Nutrition and Quality Food Standards for Victorian Hospitals and Aged Care Facilities<br>• An assessment was conducted against the standards, six key domains of: continuous quality improvement, baseline diet and texture modified food and fluids, choice, meal environment, staffing, and sustainability and food procurement<br>• A plan to address the four main gaps (Service Level Agreement inclusive of the Standards, Food Service Assistant training on allergies; audits undertaken at the outlined time interval, and; observations of meal environments to meet outlined requirements) has been developed and will be overseen by the Nutrition Strategy Working Group, reporting to Comprehensive Care Committee for implementation by December 2023 |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| Climate change Commitments | **Contribute to enhancing health system resilience by improving the environmental sustainability, including identifying and implementing projects and/or processes that will contribute to committed emissions reduction targets through reducing or avoiding carbon emissions and/or implementing initiatives that will help the health system to adapt to the impacts of climate change.** | • Key areas of progress include:<br>– Publication of the first RMH Environmental, Social and Governance (ESG) Statement<br>– Installation of LED lighting at Royal Park with projected emission savings of 300 $tCO_2e$ per annum<br>– 32 electric vehicle (EV) chargers installed at RMH Parkville and Royal Park and 19 EVs added to our fleet<br>– Paper consumption reduced by 39 per cent since 2019-20<br>– A piped nitrous oxide audit discovered a leak at the RMH Parkville. As a result of this finding, leak testing of the system is required and an initiative to move to nitrous oxide cylinders as an alternative to a pipeline is planned for 2023-24<br>– The RMH received a $380K grant from VHBA for installation of solar panels at Royal Park, Boyne Russel House, and Cyril Jewel House. The final tender evaluations are underway, and this project will be led by the Sustainability Project Management Engineer<br>– The winners of the 2022 RMH sustainability competition for five categories were announced in May 2023. The next competition will be launched in July 2023, and the organisation plans to invite precinct partners to submit entries<br>– A reduction in post-pandemic clinical waste generation, however, further staff education is required to ensure this waste returns to pre-pandemic levels<br>– Several trials including soft plastic recycling, remanufacture of single use DVT sleeves and hover mats, and use of reusable gowns are planned to commence in 2023-24 to reduce waste generation and environmental impacts |
| Asset maintenance and management | **Improve health service and Department Asset Management Accountability Framework (AMAF) compliance by collaborating with Health Infrastructure to develop policy and processes to review the effectiveness of asset maintenance and its impact on service delivery.** | • Asset Management “phase 2”, now underway with a focus on bringing together the external assessments of our assets performed last year, with planning for the 10–12 year period to work alongside the redevelopment<br>• Update Asset Management Policy, Strategy plan 2023-28 and framework |
| **Improve Aboriginal health and wellbeing** | | |
| Improve Aboriginal cultural safety | **Strengthen commitments to Aboriginal Victorians by addressing the gap in health outcomes by delivering culturally safe and responsive health care.** | • Aboriginal cultural training mandated for all staff on employment<br>• Targeted training for “asking the question” to frontline staff involved in admission<br>• Celebration of National Days of significance is an important form of education for all staff<br>• Planning and building of a dedicated First Nations health unit located at the main entrance and close to the emergency department. The space is used by First Nations staff and patients as a culturally save environment |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| | **Establish meaningful partnerships with Aboriginal Community-Controlled Health Organisations.** | • Revised the Memorandum of Understanding established with the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation in collaboration with the RMH Aboriginal Elder in Residence pending final approval and sign-off<br>• The memorandum of understanding was established to ensure cultural needs are continuously in place and we are engaging with our traditional owners |
| | **Implement strategies and processes to actively increase Aboriginal employment.** | • Concentrated effort in relation to building our Medical Intern and Nursing Graduates through university engagement is paying off with five medical interns in 2023, and two nursing graduates who identify as Aboriginal or Torres Strait Islander<br>• Engagement of an Aboriginal consultancy firm to undertake a strategic review of current employment plan with recommendations for future changes. Report due end of July 2023 |
| | **Improve patient identification of Aboriginal people presenting for health care, and to address variances in health care and provide equitable access to culturally safe care pathways and environments.** | • Development and roll out of specific cultural training relevant to asking the question of Aboriginality<br>• Ninety-six per cent of patients have cultural heritage listed in their EMR<br>• Identification flags in the patient's record to alert staff of patients cultural heritage and refer to First Nations Liaison team if patient consent |
| | **Develop discharge plans for every Aboriginal patient.** | • Discharge planning is part of all patients' discharge<br>• Aboriginal patient referral numbers to the First Nations liaison team have increased as a result of the cultural safety training<br>• Referral to the First Nations health liaison officers includes planning for discharge in collaboration with the relevant medical team |
| **Moving from competition to collaboration** | | |
| Foster and develop local partnerships | **Strengthen cross-service collaboration, including through active participation in health service partnerships (HSP).** | • The RMH, as the lead agency for the West Metro HSP, is a very active and engaged member of the partnership<br>• The RMH has invested substantially in the HSP (including in-kind legal, financial, IT, HR and other corporate support) and provided strong leadership<br>• The RMH Board Chair chairs the HSP's quarterly Joint Board Chair and CEO Committee, and the RMH CEO chairs the HSP Steering Committee (our executive governing body)<br>• Beyond Executive and Board leadership, the RMH clinical and operational leaders are also highly engaged, as demonstrated by their consistent attendance and contributions to our two Program Steering Committees |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| | **Work together with other HSP members on strategic system priorities where there are opportunities to achieve better and more consistent outcomes through collaboration, including the pandemic response, elective surgery recovery and reform, implementation of the Better at Home program and mental health reform.** | • The RMH has been involved in a number of cross-health service collaborative projects as part of the West Metro HSP;<br>– **Better@Home:** In 2022-23, the RMH participated in five cross-service projects. This includes a Patient Reported Measures project which is piloting collecting patient reported outcome and experience measures from hospital in the home patients at the RMH, Western Health and Peter Mac. It also includes research our HSP has done with North East and South East HSP on consumer expectations of at home care. In collaboration with Peter Mac and the Women's, RMH has designed and is delivering a hub for hospital in the home care for our HSP (see item 4 above). The RMH also collaborated with Western Health and the HSP to design and deliver a Diabetes and Endocrinology Telehealth Rapid Access Clinic, providing rapid access to specialist diabetes and endocrinology management via telehealth services<br>– **Residential-in-Reach (RiR):** The RMH RiR team has worked with Western health, Werribee Mercy Health, the HSP, the Victorian Virtual ED and Ambulance Victoria to improve after-hours care for patients in residential aged care facilities. An integrated pathway utilising VVED has been established, which will enable more residents to remain in their facility and avoid unnecessary transfers to hospitals<br>– **Elective Surgery Recovery and Reform:** the RMH is an active participant in the HSP's Elective Surgery Program. It has participated in five cross-HSP projects focussed on improving waitlist management, reducing length of stay and maximising utilisation of theatre capacity. This includes involvement in two of the HSP's largest projects - the enhanced recovery after surgery and pre-habilitation project and the development of a Rapid Access Hub for endoscopy at Werribee Mercy Hospital |
| Planned surgery recovery and reform program | **Maintain commitment to deliver goals and objectives of the Planned Surgery Recovery and Reform Program, including initiatives as outlined, agreed and funded through the HSP workplan. Health services are expected to work closely with HSP members and the department throughout the implementation of this strategy, and to collaboratively develop and implement future reform initiatives to improve the long term sustainability of safe and high quality planned surgical services to Victorians.** | • Through the Planned Surgery Recovery and Reform Program RMH has:<br>– established a Patient Support Unit to provide rapid assessment and prioritisation of patients on the waiting list<br>– formed a delivery and innovation team focussed on the delivery of surgery reform initiatives including; reassessment clinics for long waiting patients, expansion of same day surgical models of care for cholecystectomies and inguinal hernias, commencement of ERAS (enhanced recovery after surgery) for all major head and neck resections with flap reconstruction after surgery for head and neck malignancy<br>– commenced endoscopy lists at the new Werribee Mercy Rapid Access Hub<br>– continued partnerships with our private hospital providers to perform planned surgery for public patients<br>• Through these initiatives RMH has reduced the overall waiting list by 506 and reduced the clearance time for category 2 patients by 3.6 months compared to May 2022. It has also reduced the clearance time for category 3 patients by 6.9 months compared to May 2022 |

| Topic | Priority | The RMH YTD response |
|---|---|---|
| Support mental health and wellbeing | **Support the implementation of recommendations arising from the Royal Commission into Victoria's Mental Health system, by improving compliance with legislative principles supporting self-determination and self-directed care** | • The RMH NorthWestern Mental Health supports consumers' and carers' access to independent legal representation and non-legal advocacy services<br>• The RMH has implemented a program of intensive supports across mental health inpatient units to reduce the use of restrictive interventions |
| | **Embed consumer, family, carer and supporter lived experience at all levels, in leadership, governance, service design, delivery, and improvement** | • The RMH employs carer and consumer lived experience staff at every level and has recruited Carer and Consumer Directors of the RMH NorthWestern Mental Health to provide advocacy for and supervision of the lived experience workforce |
| | **Work towards treatment, care and support being person-centred, rights-based, trauma informed, and recovery orientated, respecting the human rights and dignity of consumers, families, carers and supporters.** | • The RMH has partnered with the University of Melbourne to develop and submit tender documents for the Victorian Collaborative Centre for Mental Health and Wellbeing (VCCMHWB)<br>• Trauma-informed and recovery-orientated practices informed by lived experience and which emphasise human rights and dignity are central to the consortium's vision for the VCCMHWB |
| **A stronger workforce** | | |
| Improve workforce wellbeing | **Participate in the Occupational Violence and Aggression (OVA) training that will be implemented across the sector in 2022-2023.** | • A number of members of staff participated in the training provided by the Department in regard to OVA to ensure that we were up to date with contemporary approaches to prevention and management |
| | **Support the implementation of the Strengthening Hospital Responses to Family Violence (SHRFV) initiative deliverables including health service alignment to MARAM, the Family Violence Multi-Agency Risk Assessment and Management framework.** | • Through the Family Violence team, the RMH has continued to focus on education of frontline clinicians and leaders to understand the MARAM Framework, how to identify patients at risk and provide support<br>• In addition, the Workforce Wellbeing team have been trained to provide wellbeing support to staff members who are experiencing family violence |
| | **Prioritise wellbeing of healthcare workers and implement local strategies to address key issues.** | • The Department of Health provided RMH $2.4M for the purpose of Wellbeing initiatives<br>• This funding enabled the development and implementation of a wellbeing plan that met the Department's guidelines, particularly that it met local team / site needs<br>• Key areas that featured in the plan included:<br>– Updating and creating new staff amenities and facilities, such as break rooms, change rooms, and green outdoor eating / rest areas<br>– an expanded investment in leadership development and wellbeing supports<br>– food and beverage support for COVID "Hot" wards and night shift staff<br>– team building and development initiatives |

## STATEMENT OF PRIORITIES: Part B

| Key performance measure | Target | Value |
|---|---|---|
| **High quality and safe care** | | |
| Infection prevention and control | | |
| Compliance with the Hand Hygiene Australia program | 85% | 85.1% |
| Percentage of healthcare workers immunised for influenza | 92% | 97% |
| Continuing care | | |
| Functional independence gain from an episode of rehabilitation admission to discharge relative to length of stay | ≥ 0.645 | 0.729 |
| Healthcare associated infections (HAIs) | | |
| Rate of surgical site infections for selected procedures (aggregate) | No outliers | No outliers |
| Rate of central line (catheter) associated blood stream infections (CLABSI) in intensive care units, per 1000 central line days | Zero | 1.4 |
| Rate of patients with SA Rate of healthcare-associated S. aureus bloodstream infections per 10,000 bed days B per 10,000 occupied bed days | ≤ 0.7 | 0.9 |
| Patient experience | | |
| Percentage of adult patients who reported positive experiences of their hospital stay | 95% | 94.6% |
| **Mental health** | | |
| Patient experience | | |
| Percentage of mental health consumers who rated their overall experience of care with a service in the last three months as positive | 80% | 68.4% |
| Percentage of mental health consumers reporting they 'usually' or 'always' felt safe using this service | 90% | 86.1% |
| Percentage of families/carers reporting a positive experience of the service | 80% | 50% |
| Percentage of families/carers who report they were 'always' or 'usually' felt their opinions as a carer were respected | 90% | 77.9% |
| Closed community cases | | |
| Percentage of closed community cases re-referred within six months: CAMHS, adults and aged persons | < 25% | 38% |

| Key performance measure | Target | Value |
|---|---|---|
| **Post-discharge follow-up** | | |
| Percentage of consumers followed up within seven days of separation – Inpatient (adult) | 88% | 89.7% |
| Percentage of consumers followed up within seven days of separation - Inpatient (older persons) | 88% | 90.1% |
| **Readmission** | | |
| Percentage of consumers re-admitted within 28 days of separation - Inpatient (adult) | < 14% | 12.4% |
| Percentage of consumers re-admitted within 28 days of separation - Inpatient (older persons) | < 7% | 6.3% |
| **Seclusion** | | |
| Rate of seclusion episodes per 1000 occupied bed days - Inpatient (adult) | ≤ 8 | 8.2 |
| Rate of seclusion episodes per 1,000 occupied bed days - Inpatient (older persons) | ≤ 5 | 0.4 |
| **Unplanned readmissions** | | |
| Unplanned readmissions to any hospital following a hip replacement | < 6% | 8.6% |
| **Strong governance, leadership and culture** | | |
| **Organisational culture** | | |
| People matter survey – Percentage of staff with an overall positive response to safety culture survey questions | 62% | 74% |
| **Timely access to care** | | |
| **Elective surgery** | | |
| Percentage of urgency category 1 elective surgery patients admitted within 30 days | 100% | 99.9% |
| Percentage of urgency category 1, 2 and 3 elective surgery patients admitted within clinically recommended time | 94% | 75.4% |
| Number of patients on the elective surgery waiting list | 4995 | 4766 |
| Number of patients admitted from the elective surgery waiting list | 9282 | 9149 |
| Number of additional patients admitted from the elective surgery waiting list | 2669 | 0 |
| 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 | 52.3% |

| Key performance measure | Target | Value |
|---|---|---|
| Number of hospital-initiated postponements per 100 scheduled elective surgery admissions | ≤ 7 | 5.7% |
| **Emergency care** | | |
| Percentage of patients transferred from ambulance to emergency department within 40 minutes | 90% | 57% |
| 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% | 74% |
| Percentage of emergency patients with a length of stay in the emergency department of less than four hours | 81% | 50% |
| Number of patients with a length of stay in the emergency department greater than 24 hours | 0 | 162 |
| **Mental health** | | |
| Percentage of mental health-related emergency department presentations with a length of stay of less than 4 hours | 81% | 45.1% |
| Percentage of triage episodes requiring an urgent response (triage scale C) where a face-to-face response was provided by the mental health service within 8 hours | 80% | 47.4% |
| **Specialist clinics** | | |
| Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days | 100% | 86.8% |
| Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days | 90% | 87.2% |
| **Effective financial management** | | |
| Operating result ($m) | 0 | 0.4 |
| Average number of days to paying trade creditors | 60 days | 15 |
| Average number of days to receiving patient fee debtors | 60 days | 33 |
| Adjusted current asset ratio | 0.7 or 3% improvement from health service base target | 0.8 |
| Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June | Variance ≤ $250,000 | Not achieved |
| Actual number of days available cash, measured on the last day of each month. | 14 days | 7 |

## STATEMENT OF PRIORITIES: Part C

| Funding type | 2022-23 Activity Achievement |
|---|---|
| **Consolidated Activity Funding** | |
| Acute admitted, subacute admitted, emergency services, non-admitted NWAU | 135,545 |
| **Acute Admitted** | |
| National Bowel Cancer Screening Program NWAU | 80 |
| Acute admitted DVA | 299 |
| Acute admitted TAC | 5,878 |
| **Acute Non-Admitted** | |
| Home Enteral Nutrition NWAU | 99 |
| Home Renal Dialysis NWAU | 1,768 |
| Total Parenteral Nutrition NWAU | 163 |
| **Subacute/Non-Acute, Admitted & Non-admitted** | |
| Subacute WIES - DVA | 18 |
| Transition Care - Bed days | 6,734 |
| Transition Care - Home days | 14,099 |
| **Aged Care** | |
| Residential Aged Care | 18,172 |
| **Mental Health and Drug Services** | |
| Mental Health Ambulatory | 197,514 |
| Mental Health Inpatient - Available bed days | 47,314 |
| Mental Health Inpatient - Secure Unit | 8,965 |
| Mental Health Residential | - |
| Mental Health Service System Capacity | 4 |
| Mental Health Subacute | 22,115 |
| **Primary Health** | |
| Community Health / Primary Care Programs | 1 |

2022-23

# Financial statements

# How this report is structured

**Melbourne Health presents its audited general purpose financial statements for the financial year ended 30 June 2023 in the following structure to provide users with the information about Melbourne Health's stewardship of the resources entrusted to it.**


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# Declaration

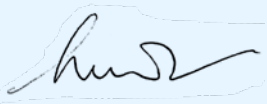
## Melbourne Health Board Member's, Accountable Officer's and Chief Finance & Accounting Officer's Declaration

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 2023 and the financial position of Melbourne Health at 30 June 2023.

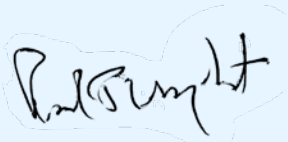
At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

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



**Linda Bardo Nicholls AO**
Board Chair
Melbourne
30 August 2023

**Professor Shelley Dolan**
Chief Executive
Melbourne
30 August 2023



**Paul Urquhart**
Chief Corporate Officer
Melbourne
30 August 2023

# Independent Auditor's Report

Victorian Auditor-General's Office

***To the Board of Melbourne Health***

| | |
|---|---|
| **Opinion** | I have audited the financial report of Melbourne Health (the health service) which comprises the:<br>• balance sheet as at 30 June 2023<br>• comprehensive operating statement for the year then ended<br>• statement of changes in equity for the year then ended<br>• cash flow statement for the year then ended<br>• notes to the financial statements, including significant accounting policies<br>• board member's, accountable officer's and chief finance & accounting officer's declaration.<br>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2023 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards. |
| **Basis for Opinion** | I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.<br>My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.<br>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. |
| **Other information** | My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard. |
| **Board's responsibilities for the financial report** | The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.<br>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so. |

**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
5 September 2023

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

## Comprehensive operating statement
For the financial year ended 30 June 2023

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Revenue and income from transactions** | | | |
| Operating activities | 2.1 | 1,737,610 | 1,643,762 |
| Non-operating activities | 2.1 | 19,422 | 8,354 |
| **Total revenue and income from transactions** | | **1,757,032** | **1,652,116** |
| | | | |
| **Expenses from transactions** | | | |
| Employee expenses | 3.1 | (1,184,524) | (1,142,247) |
| Supplies and consumables | 3.1 | (242,926) | (242,146) |
| Finance costs | 3.1 | (2,125) | (1,429) |
| Other administrative expenses | 3.1 | (66,272) | (61,262) |
| Other operating expenses | 3.1 | (129,062) | (135,676) |
| Depreciation and amortisation | 3.1, 4.6 | (100,535) | (99,155) |
| Other non-operating expenses | 3.1 | 18,735 | - |
| **Total expenses from transactions** | | **(1,706,709)** | **(1,681,915)** |
| | | | |
| **Net result from transactions - net operating balance** | | **50,323** | **(29,799)** |
| | | | |
| **Other economic flows included in net result** | | | |
| | | | |
| Net gain/(loss) on non-financial assets | 3.2 | (45) | (180) |
| Net gain/(loss) on financial instruments | 3.2 | (5,694) | (6,310) |
| Other gains/(losses) from other economic flows | 3.2 | (7,615) | 8,794 |
| **Total other economic flows included in net result** | | **(13,354)** | **2,304** |
| | | | |
| **Net result for the year** | | **36,969** | **(27,495)** |
| | | | |
| **Other economic flows - other comprehensive income** | | | |
| | | | |
| **Items that will not be reclassified to net result** | | | |
| Changes in property, plant and equipment revaluation surplus | 4.4 | 65,102 | - |
| | | | |
| **Total other economic flows - other comprehensive income** | | **65,102** | **-** |
| **Comprehensive result for the year** | | **102,071** | **(27,495)** |

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

## Balance sheet
As at 30 June 2023

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6.2 | 216,035 | 251,714 |
| Receivables | 5.1 | 58,846 | 51,927 |
| Investments and other financial assets | 4.1 | 500 | 400 |
| Inventories | 4.7 | 13,653 | 9,813 |
| Prepayments | | 23,733 | 22,210 |
| **Total current assets** | | **312,767** | **336,064** |
| | | | |
| **Non-current assets** | | | |
| Receivables | 5.1 | 43,007 | 52,841 |
| Investments and other financial assets | 4.1 | 17,623 | 16,069 |
| Property, plant and equipment | 4.2 (a) | 1,003,408 | 918,262 |
| Right-of-use assets | 4.3 (a) | 98,356 | 117,296 |
| Intangible assets | 4.5 (a) | 39,495 | 50,285 |
| **Total non-current assets** | | **1,201,889** | **1,154,753** |
| **Total assets** | | **1,514,656** | **1,490,817** |
| | | | |
| **Current liabilities** | | | |
| Payables | 5.2 | 229,380 | 267,791 |
| Contract liabilities | 5.3 | 16,124 | 15,409 |
| Borrowings | 6.1 | 8,530 | 5,676 |
| Employee benefits | 3.3 | 287,349 | 278,784 |
| Other liabilities | 5.4 | 3,510 | 8,523 |
| **Total current liabilities** | | **544,893** | **576,183** |
| | | | |
| **Non-current liabilities** | | | |
| Contract liabilities | 5.3 | 1,000 | 2,006 |
| Borrowings | 6.1 | 62,031 | 73,141 |
| Employee benefits | 3.3 | 36,100 | 34,637 |
| **Total non-current liabilities** | | **99,131** | **109,784** |
| **Total liabilities** | | **644,024** | **685,967** |
| **Net assets** | | **870,632** | **804,850** |
| | | | |
| **Equity** | | | |
| Property, plant and equipment revaluation surplus | 4.4 | 696,557 | 631,455 |
| Restricted specific purpose surplus | SCE | 1,023 | 1,050 |
| Contributed capital | SCE | 337,904 | 374,204 |
| Accumulated surplus/(deficit) | SCE | (164,852) | (201,859) |
| **Total equity** | | **870,632** | **804,850** |

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

# Cash flow statement

For the financial year ended 30 June 2023

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating grants from State Government | | 1,241,004 | 1,313,900 |
| Operating grants from Commonwealth Government | | 61,214 | 54,958 |
| Capital grants from State Government | | 102,261 | 39,854 |
| Capital grants from Commonwealth Government | | 300 | 300 |
| Patient and resident fees received | | 24,671 | 29,984 |
| Private practice fees received | | 41,188 | 43,026 |
| Donations and bequests received | | 5,220 | 6,480 |
| GST received from/(paid to) ATO[1] | | 48,802 | 45,492 |
| Receipts from pharmaceutical sales | | 1,287 | 951 |
| Interest and investment income received | | 11,075 | 1,054 |
| Other capital receipts | | 269 | 258 |
| External recoveries | | 49,488 | 36,911 |
| Car park income received | | 8,439 | 7,745 |
| Other receipts | | 145,373 | 167,967 |
| **Total receipts** | | ***1,740,591*** | ***1,748,880*** |
| Employee expenses | | (1,141,893) | (1,103,223) |
| Non salary labour costs | | (25,315) | (23,059) |
| Payments for supplies and consumables | | (245,669) | (241,108) |
| Payments for medical indemnity insurance | | (12,542) | (10,891) |
| Payments for repairs and maintenance | | (42,692) | (42,089) |
| Finance costs | | (2,125) | (1,429) |
| Other payments | | (189,864) | (204,268) |
| **Total payments** | | ***(1,660,100)*** | ***(1,626,067)*** |
| **Net cash flows from/(used in) operating activities** | 8.1 | **80,491** | **122,813** |
| **Cash flows from investing activities** | | | |
| Purchase of non-financial assets | | (105,015) | (30,090) |
| Purchase of financial assets | | (997) | (18,149) |
| Proceeds from sale of non-financial assets | | 183 | 1,047 |
| **Net cash flows from/(used in) investing activities** | | **(105,829)** | **(47,192)** |
| **Cash flows from financing activities** | | | |
| Repayment of principal portion of lease liabilities | | (5,378) | (5,954) |
| Receipt of accommodation deposits | | 478 | 2,374 |
| Repayment of accommodation deposits | | (5,441) | (2,500) |
| **Net cash flows from/(used in) financing activities** | | **(10,341)** | **(6,080)** |
| **Net increase/(decrease) in cash and cash equivalents held** | | **(35,679)** | **69,541** |
| **Cash and cash equivalents at beginning of financial year** | | **251,714** | **182,173** |
| **Cash and cash equivalents at end of financial year** | 6.2 | **216,035** | **251,714** |

*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.*

# Statement of changes in equity
For the financial year ended 30 June 2023

| | 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 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** |
| Net result for the year | - | - | - | 36,969 | 36,969 |
| Other comprehensive income for the year | 65,102 | - | - | - | 65,102 |
| Capital contribution transfer to another health service [(ii)] | - | - | (36,300) | - | (36,300) |
| Transfer from/(to) accumulated surplus/(deficit) | - | (27) | - | 27 | - |
| Other - VCCC[(i)] | - | - | - | 11 | 11 |
| **Balance at 30 June 2023** | **696,557** | **1,023** | **337,904** | **(164,852)** | **870,632** |

*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).*

*(ii) Transfer of property, plant and equipment resulting from mental health disaggregation to Northern Health via Contributed Capital.*

# Note 1: Basis of preparation

These financial statements represent the audited general purpose financial statements for Melbourne Health for the year ended 30 June 2023. 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**
**1.10 Administrative restructure**

## 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 8.10 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 30 August 2023.

## Note 1.2: Impact of COVID-19 pandemic

The Pandemic (Public Safety) Order 2022 (No. 5) which commenced on 22 September 2022 ended on 12 October 2022 when it was allowed to lapse and was revoked. Long-term outcomes from COVID-19 infection are currently unknown and while the pandemic response continues, a transition plan towards recovery and reform in 2022-23 was implemented. Victoria's COVID-19 Catch-Up Plan is aimed at addressing Victoria's COVID-19 case load and restoring surgical activity.

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 |
| Health service | Melbourne Health |

## Note 1.4: Joint arrangements

Interests in joint arrangements are accounted for by recognising in Melbourne Health's financial statements, its share of assets and liabilities and any revenue and expenses of such joint arrangements.

Details of Melbourne Health's joint arrangements are outlined in Note 8.8 Jointly controlled operations.

## Note 1.5: Key accounting estimates and judgements

Management makes estimates and judgements when preparing the financial statements.

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

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

The accounting policies and significant management judgements and estimates used, and any changes thereto, are identified at the beginning of each section where applicable and relate to the following disclosures:

- Note 2.1: Revenue and income from transactions
- Note 3.3: Employee benefits

- Note 4.2: Property, plant and equipment
- Note 4.3: Right-of-use assets
- Note 4.5: Intangible assets
- Note 4.6: Depreciation and amortisation
- Note 4.8: Impairment of assets
- Note 5.1: Receivables
- Note 5.2: Payables
- Note 5.3: Contract liabilities
- Note 6.1(a): Lease liabilities
- Note 7.4: Fair value determination

## 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 beginning on or after 1 July 2026. | 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 beginning on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-5: *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* | Reporting periods beginning on or after 1 January 2024. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-6: *Amendments to Australian Accounting Standards – Non-Current Liabilities with Covenants* | Reporting periods beginning on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-8: *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* | Reporting periods beginning on or after 1 January 2023. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-9: *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* | Reporting periods beginning on or after 1 January 2026. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-10: *Amendments to Australian Accounting standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* | Reporting periods beginning on or after 1 January 2024. | 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, assets and liabilities are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are included in the cash flow statement on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO. 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 1.10: Administrative restructure

On 1 July 2022, pursuant to a Victorian Government Gazette, Melbourne Health effected the transfer of certain properties and their attaching rights and liabilities to Northern Health.

The transfer of these properties were effected as a restructuring of administrative arrangements per FRD 119 *Transfers through contributed capital* and was accounted for as a capital transfer.

The net assets transferred was accounted for as a reduction of contributed capital as per below:

| | **$'000** |
|---|---|
| Plant and equipment | 1,325 |
| Land and buildings | 34,975 |
| Total | 36,300 |

In addition to the above transfer, employee leave liability ($22.3m) and the related LSL receivable balance ($10.3m) of the staff whose employment was transferred to Northern Health was accounted for via the comprehensive operating statement as they were not covered by the Victorian Government Gazette.

# 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 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 and income recognised to fund the delivery of our services increased during the financial year which was partially attributable to the COVID-19 pandemic. Whilst the COVID-19 public health response during the year ended 30 June 2023 was scaled down, this was offset by additional funding provided under Victoria's COVID-19 Catch-Up Plan, which aims to address Victoria's COVID-19 case load and restore surgical capacity and activity.

Additional funding was also provided to:

- support elective surgery activity
- pay staff winter retention allowance
- recruit staff via the international recruitment program
- fund the acquisition of assets, to provide continued support for patients in recovery from COVID-19.

## 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 the beneficiaries.<br><br>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. |
| Assets and services received free of charge or for nominal consideration | Melbourne Health applies judgement to determine the fair value of assets and services received free of charge or for nominal value. |

## Note 2.1: Revenue and income from transactions

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| **Revenue from contracts with customers** | | | |
| Government grants (State) - Operating | | 740,708 | 664,463 |
| Government grants (Commonwealth) - Operating | | 60,426 | 52,279 |
| Patient and resident fees | | 33,544 | 32,135 |
| Private practice fees | | 42,328 | 44,069 |
| Commercial activities[1] | | 19,313 | 20,310 |
| Research income | | 14,956 | 13,542 |
| **Total revenue from contracts with customers** | 2.1 (a) | **911,275** | **826,798** |
| | | | |
| **Other sources of income** | | | |
| Government grants (State) - Operating | | 551,122 | 587,576 |
| Government grants (State) - Capital | | 128,225 | 60,558 |
| Government grants (Commonwealth) - Capital | | 300 | 300 |
| Other capital purpose income | | 17,169 | 23,652 |
| Salaries and wages recoveries from external organisations | | 39,582 | 27,385 |
| Assets and services received free of charge or for nominal consideration | 2.1 (b) | 6,758 | 25,720 |
| Revenue from inter hospital inventory sale | | - | 19,756 |
| Other income from operating activities | | 83,179 | 72,017 |
| **Total other sources of income** | | **826,335** | **816,964** |
| | | | |
| **Total revenue and income from operating activities** | | **1,737,610** | **1,643,762** |
| | | | |
| **Non-operating activities** | | | |
| **Income from other sources** | | | |
| Interest | | 10,100 | 928 |
| Dividends | | 975 | 126 |
| Rental income | | 8,347 | 7,300 |
| **Total other sources of income** | | **19,422** | **8,354** |
| | | | |
| **Total income from non-operating activities** | | **19,422** | **8,354** |
| | | | |
| **Total revenue and income from transactions** | | **1,757,032** | **1,652,116** |

[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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Melbourne Health disaggregates revenue by the timing of revenue recognition. | | |
| **Goods and services transferred to customers:** | | |
| At a point in time | 858,915 | 770,377 |
| Over time | 52,360 | 56,421 |
| **Total revenue from contracts with customers** | **911,275** | **826,798** |

## Revenue and 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 a point in time or over time as and 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.

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

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 National Weighted Activity Unit (NWAU) | 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 a point in time, which is when a patient is discharged. |
| Health Service Partnership (HSP) Funding | Funding provided to support collaboration in the interests of achieving better outcomes and a more efficient health system (includes Elective Surgery and Better at Home programs).<br><br>Revenue is recognised over time, as and when the services are delivered. |
| Ambulance, Emergency Care and Access: Patient Flow | Funding provided to improve the flow of patients through hospitals to free up emergency department beds so that ambulance services can offload patients and respond to cases in the community.<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.

**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.

**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.

### Other revenue from operating activities

Other revenue is recognised as revenue when received and includes 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 considers 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.

### 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Undiscounted future lease payments receivable** | | |
| Within one year | 4,496 | 5,257 |
| Within one to two years | 4,077 | 4,496 |
| Within two to three years | 33 | 4,077 |
| Within three to four years | 33 | 33 |
| Within four to five years | 3 | 33 |
| After five years | 11 | 13 |
| **Total undiscounted future lease payments receivable** | **8,653** | **13,909** |

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

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Cash donations and gifts | 5,220 | 6,480 |
| Plant and equipment | - | 106 |
| Personal protective equipment and other consumables | 1,538 | 19,134 |
| **Total fair value of assets and services received free of charge or for nominal consideration** | **6,758** | **25,720** |

### 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.

**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 HealthShare Victoria 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. HealthShare Victoria and Monash Health were acting as an agent of the Department of Health under this arrangement.

**Contributions of resources**

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

The exception to this policy is when an asset is received from another government agency or department as a consequence of a restructuring of administrative arrangements, in which case the asset will be recognised at its carrying value in the financial statements of Melbourne Health as a capital contribution transfer.

**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.

**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. |

# 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. Specifically, additional costs were incurred to deliver additional services under Victoria's COVID Catch-Up Plan aimed at addressing Victoria's COVID-19 case load and restoring surgical capacity and activity.

This includes costs associated with:

- winter retention allowance paid to staff
- international recruitment allowance
- pathology testing kits
- vaccination of Parkville Precinct staff against COVID-19.

## 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. |

| Key judgements and estimates | Description |
|---|---|
| | Expected future payments incorporate:<br><br>• an inflation rate of 4.350%, reflecting the future wage and salary levels<br>• durations of service and employee departures, which are used to determine the estimated value of long service leave that will be taken in the future, for employees who have not yet reached the vesting period. The estimated rates are between 18% (representing employees with less than 1 year of service) and 84% (representing employees becoming entitled to long service leave within a year).<br>• discounting at the rate of 4.063%, as determined with 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| Salaries and wages | | 904,179 | 891,737 |
| On-costs | | 244,655 | 219,994 |
| Agency expenses | | 21,939 | 20,251 |
| Fee for service medical officer expenses | | 3,311 | 2,720 |
| WorkCover premium | | 10,440 | 7,545 |
| **Total employee expenses** | | **1,184,524** | **1,142,247** |
| Pharmaceutical supplies | | 62,131 | 48,789 |
| Medical and surgical supplies (including prostheses) | | 84,411 | 90,312 |
| Diagnostic and radiology supplies | | 39,002 | 50,196 |
| Other supplies and consumables | | 57,382 | 52,849 |
| **Total supplies and consumables** | | **242,926** | **242,146** |
| Finance costs | | 2,125 | 1,429 |
| **Total finance costs** | | **2,125** | **1,429** |
| Other administrative expenses | | 66,272 | 61,262 |
| **Total other administrative expenses** | | **66,272** | **61,262** |
| Fuel, light, power and water | | 10,307 | 11,117 |
| Repairs and maintenance | | 6,486 | 6,829 |
| Maintenance contracts | | 35,722 | 33,896 |
| Medical indemnity insurance | | 12,542 | 10,891 |
| Expenditure for capital purposes | | 13,165 | 15,282 |
| Expenses from inter hospital inventory purchase | | - | 19,756 |
| Other operating expenses | | 50,840 | 37,905 |
| **Total other operating expenses** | | **129,062** | **135,676** |
| Depreciation and amortisation | 4.6 | 100,535 | 99,155 |
| **Total depreciation and amortisation** | | **100,535** | **99,155** |
| Assets transferred for nil consideration* | | 3,516 | - |
| Liabilities transferred for nil consideration* | 1.10 | (22,251) | - |
| **Total other non-operating expenses** | | **(18,735)** | **-** |
| **Total expenses from transactions** | | **1,706,709** | **1,681,915** |

* Building and leave entitlements transferred to Northern Health resulting from mental health disaggregation.

## 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
- 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 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).

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.

**Depreciation and amortisation**

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

**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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Net gain/(loss) on disposal of property, plant and equipment | (45) | (180) |
| **Total net gain/(loss) on non-financial assets** | **(45)** | **(180)** |
| Allowance for impairment losses of contractual receivables | (6,325) | (4,561) |
| Net foreign exchange gain/(loss) arising from financial instruments | (26) | (67) |
| Net gain/(loss) arising from revaluation of financial assets at fair value through net result | 657 | (1,682) |
| **Total net gain/(loss) on financial instruments** | **(5,694)** | **(6,310)** |
| Net gain/(loss) arising from revaluation of long service liability | (7,615) | 8,794 |
| **Total other gains/(losses) from other economic flows** | **(7,615)** | **8,794** |
| **Total gains/(losses) from other economic flows** | **(13,354)** | **2,304** |

### 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 includes realised gains and losses on the disposal of non-financial assets.

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

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments.

**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 2023 $'000 | Total 2022 $'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)] | 3,102 | 3,037 |
| | **3,102** | **3,037** |
| Annual leave | | |
| - Unconditional and expected to be settled wholly within 12 months [(ii)] | 68,047 | 66,866 |
| - Unconditional and expected to be settled wholly after 12 months [(iii)] | 28,312 | 27,724 |
| | **96,359** | **94,590** |
| Long service leave | | |
| - Unconditional and expected to be settled wholly within 12 months [(ii)] | 16,961 | 19,088 |
| - Unconditional and expected to be settled wholly after 12 months [(iii)] | 136,416 | 130,476 |
| | **153,377** | **149,564** |
| Other employee benefits | | |
| - Unconditional and expected to be settled wholly within 12 months [(ii)] | 876 | 1,003 |
| | **876** | **1,003** |
| Provisions related to employee benefit on-costs | | |
| - Unconditional and expected to be settled within 12 months [(ii)] | 11,274 | 10,418 |
| - Unconditional and expected to be settled after 12 months [(iii)] | 22,361 | 20,172 |
| | **33,635** | **30,590** |
| **Total current employee benefits and related on-costs** | **287,349** | **278,784** |
| **Non-current employee benefits and related on-costs** | | |
| Conditional long service leave | 31,722 | 30,621 |
| Provisions related to employee benefit on-costs | 4,378 | 4,016 |
| **Total non-current employee benefits and related on-costs** | **36,100** | **34,637** |
| **Total employee benefits and related on-costs** | **323,449** | **313,421** |

*(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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Current employee benefits and related on-costs** | | |
| Unconditional accrued days off | 3,493 | 3,387 |
| Unconditional annual leave entitlements | 108,532 | 105,519 |
| Unconditional long service leave entitlements | 174,335 | 168,759 |
| Unconditional substitution leave | 42 | 157 |
| Unconditional four clear days | 947 | 962 |
| **Total current employee benefits and related on-costs** | **287,349** | **278,784** |
| | | |
| **Non-current employee benefits and related on costs** | | |
| Conditional long service leave entitlements | 36,100 | 34,637 |
| **Total non-current employee benefits and related on costs** | **36,100** | **34,637** |
| | | |
| **Total employee benefits and related on-costs** | **323,449** | **313,421** |
| | | |
| **Attributable to:** | | |
| Employee benefits | 285,436 | 278,815 |
| Provision for related on-costs | 38,013 | 34,606 |
| **Total employee benefits and related on-costs** | **323,449** | **313,421** |

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

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Carrying amount at start of year** | **34,606** | **29,225** |
| Additional provisions recognised | 17,618 | 18,946 |
| Amounts incurred during the year | (15,128) | (12,561) |
| Net gain/(loss) arising from revaluation of long service liability | 917 | (1,004) |
| **Carrying amount at end of year** | **38,013** | **34,606** |

## 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.

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 | |
|---|---|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| **Defined benefit plans[(i)]:** | | | | | | |
| Emergency Services and State Super (ESSSuper) | 269 | 496 | 4 | 7 | 273 | 503 |
| Aware Super defined benefit | 252 | 323 | 38 | 7 | 290 | 330 |
| **Defined contribution plans:** | | | | | | |
| HESTA | 28,931 | 27,088 | 3,084 | 503 | 32,015 | 27,591 |
| Aware Super | 44,862 | 43,964 | 4,635 | 1,154 | 49,497 | 45,118 |
| Other | 16,737 | 14,205 | 1,884 | 307 | 18,621 | 14,512 |
| **Total** | **91,051** | **86,076** | **9,645** | **1,978** | **100,696** | **88,054** |

[(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.

### 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.

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

### Defined contribution superannuation plans

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

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

# 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**

## Impact of COVID-19 pandemic

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

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| 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.<br><br>Melbourne Health applies judgement to determine whether or not it is reasonably certain to exercise such purchase options. |
| 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:<br>• If an asset's value has declined more than expected based on normal use |

| Key judgements and estimates | Description |
|---|---|
| | • 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.<br><br>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 | |
|---|---|---|---|---|---|---|
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| **Current** | | | | | | |
| **Financial assets at amortised cost** | | | | | | |
| Term deposits > 3 months | 500 | 400 | - | - | 500 | 400 |
| **Total current financial assets** | **500** | **400** | **-** | **-** | **500** | **400** |
| **Non-current** | | | | | | |
| **Financial assets at fair value through net result** | | | | | | |
| Managed investment schemes (VFMC) | - | - | 17,623 | 16,069 | 17,623 | 16,069 |
| **Total non-current financial assets** | - | - | 17,623 | 16,069 | 17,623 | 16,069 |
| **Total investments and other financial assets** | **500** | **400** | **17,623** | **16,069** | **18,123** | **16,469** |
| **Represented by:** | | | | | | |
| Jointly controlled operations investments | 500 | 400 | - | - | 500 | 400 |
| Foundation investments | - | - | 17,623 | 16,069 | 17,623 | 16,069 |
| **Total investments and other financial assets** | **500** | **400** | **17,623** | **16,069** | **18,123** | **16,469** |

## 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.

Melbourne Health classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset.

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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Land** | | |
| Crown land at fair value | 228,067 | 241,630 |
| Freehold land at fair value | 13,170 | 21,502 |
| **Total land** | **241,237** | **263,132** |
| | | |
| **Buildings** | | |
| Buildings under construction at cost | 69,078 | 33,867 |
| Buildings at fair value | 767,594 | 665,903 |
| Less accumulated depreciation | (208,783) | (158,986) |
| | | |
| Leasehold improvements under construction at cost | 16,130 | 429 |
| Leasehold improvements at cost | 8,020 | 14,860 |
| Less accumulated amortisation | (5,107) | (8,179) |
| **Total buildings** | **646,932** | **547,894** |
| | | |
| **Total land and buildings** | **888,169** | **811,026** |
| | | |
| **Plant and equipment** | | |
| Plant and equipment at fair value | 54,519 | 48,448 |
| Less accumulated depreciation | (31,626) | (28,396) |
| **Total plant and equipment** | **22,893** | **20,052** |
| | | |
| **Medical equipment** | | |
| Medical equipment at fair value | 192,314 | 169,362 |
| Less accumulated depreciation | (114,519) | (105,253) |
| **Total medical equipment** | **77,795** | **64,109** |
| | | |
| **Computer equipment** | | |
| Computer equipment at fair value | 48,750 | 46,848 |
| Less accumulated depreciation | (42,810) | (33,555) |
| **Total computer equipment** | **5,940** | **13,293** |
| | | |
| **Furniture and fittings** | | |
| Furniture and fittings at fair value | 3,230 | 3,861 |
| Less accumulated depreciation | (2,072) | (2,293) |
| **Total furniture and fittings** | **1,158** | **1,568** |
| | | |
| **Motor vehicles** | | |
| Motor vehicle assets at fair value | 802 | 729 |
| Less accumulated depreciation | (735) | (720) |
| **Total motor vehicles** | **67** | **9** |
| | | |
| **Plant, equipment, furniture, fittings and vehicles work in progress** | 7,386 | 8,205 |
| | | |
| **Total plant, equipment, furniture, fittings and vehicles** | **115,239** | **107,236** |
| | | |
| **Total property, plant and equipment** | **1,003,408** | **918,262** |

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

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

| | Note | Land $'000 | Buildings $'000 | Buildings WIP $'000 | Leasehold Improvements $'000 | Plant and equipment $'000 | Medical equipment $'000 | Computer equipment $'000 | Furniture and fittings $'000 | Motor vehicles $'000 | PPE, F&F & V WIP* $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2021** | | **263,902** | **555,520** | **5,875** | **6,314** | **18,635** | **66,406** | **23,740** | **1,133** | **182** | **5,139** | **946,846** |
| Additions | | - | 1,747 | 32,701 | 384 | 2,850 | 9,307 | 1,750 | 625 | - | 7,626 | 56,990 |
| Disposals | | (770) | (70) | - | - | (187) | (165) | (4) | - | (21) | - | (1,217) |
| Assets received/(provided) free of charge | | - | - | - | - | 106 | 637 | - | - | - | 31 | 774 |
| Net transfers between classes | | - | 2,859 | (4,709) | 1,585 | 1,940 | 269 | 13 | 67 | - | (4,591) | (2,567) |
| Depreciation | 4.6 | - | (53,139) | - | (1,173) | (3,292) | (12,345) | (12,206) | (257) | (152) | - | (82,564) |
| **Balance at 30 June 2022** | 4.2 (a) | **263,132** | **506,917** | **33,867** | **7,110** | **20,052** | **64,109** | **13,293** | **1,568** | **9** | **8,205** | **918,262** |
| Additions | | - | 3,381 | 82,451 | 18,284 | 5,846 | 14,017 | 4,681 | 187 | 72 | 14,142 | 143,061 |
| Disposals | | - | - | - | - | - | (142) | (7) | - | - | - | (149) |
| Assets received/(provided) free of charge | | - | (1,108) | (459) | (1,725) | - | 476 | - | - | - | (101) | (2,917) |
| Revaluation increments/(decrements) | | - | 65,102 | - | - | - | - | - | - | - | - | 65,102 |
| Net transfers between classes | | - | 46,222 | (46,781) | (40) | 2,467 | 12,527 | 441 | (32) | - | (14,860) | (56) |
| Asset transfers via contributed capital | | (21,895) | (9,026) | - | (4,056) | (566) | (381) | (38) | (312) | - | - | (36,274) |
| Depreciation | 4.6 | - | (52,677) | - | (530) | (4,906) | (12,811) | (12,430) | (253) | (14) | - | (83,621) |
| **Balance at 30 June 2023** | 4.2 (a) | **241,237** | **558,811** | **69,078** | **19,043** | **22,893** | **77,795** | **5,940** | **1,158** | **67** | **7,386** | **1,003,408** |

* Property plant and equipment, furniture and fittings and vehicles works in progress

## 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 in Note 7.4.

**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 performs a managerial assessment to estimate possible changes in fair value of land and buildings since the date of the last independent valuation with reference to Valuer-General of Victoria (VGV) indices.

An adjustment is recognised if the assessment concludes that the fair value of land and buildings has changed by 10% or more since the last revaluation (whether that be the most recent independent valuation or managerial valuation). Any estimated change in fair value of less than 10% is deemed immaterial to the financial statements and no adjustment is recorded. Where the assessment indicates there has been an exceptionally material movement in the fair value of land and buildings since the last independent valuation, being equal to or in excess of 40%, 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 an independent valuation was not undertaken on 30 June 2023, a managerial assessment was performed, which indicated an overall:

- decrease in fair value of land of 0.34% ($816,527)
- increase in fair value of buildings of 13.19% ($65,102,304).

As the cumulative movement was less than 10% for land since the last revaluation, a managerial revaluation adjustment was not required as at 30 June 2023.

As the cumulative movement was greater than 10% but less than 40% for buildings since the last revaluation, a managerial revaluation adjustment was required as at 30 June 2023.

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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Right-of-use concessionary land** | | |
| Right-of-use land | 9 | 9 |
| **Total right-of-use concessionary land** | **9** | **9** |
| | | |
| **Right-of-use concessionary buildings** | | |
| Right-of-use concessionary buildings | 47,685 | 47,685 |
| Less accumulated depreciation | (5,505) | (4,128) |
| **Total right-of-use concessionary buildings** | **42,180** | **43,557** |
| | | |
| **Right-of-use buildings** | | |
| Right-of-use buildings | 62,212 | 76,935 |
| Less accumulated depreciation | (12,335) | (8,539) |
| **Total right-of-use buildings** | **49,877** | **68,396** |
| | | |
| **Total right-of-use concessionary land and buildings** | **92,066** | **111,962** |
| | | |
| **Right-of-use plant, equipment, furniture, fittings and vehicles** | | |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 16,786 | 13,584 |
| Less accumulated depreciation | (10,496) | (8,250) |
| **Total right-of-use plant, equipment, furniture, fittings and vehicles** | **6,290** | **5,334** |
| | | |
| **Total plant, equipment, furniture, fittings and vehicles** | **6,290** | **5,334** |
| | | |
| **Total right-of-use assets** | **98,356** | **117,296** |

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

| | Note | Right-of-use concessionary land $'000 | Right-of-use concessionary buildings $'000 | Right-of-use - buildings $'000 | Right-of-use - PPE, F&F & V* $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2021** | | **9** | **44,934** | **27,660** | **7,308** | **79,911** |
| Additions | | - | - | 46,170 | 684 | 46,854 |
| Disposals | | - | - | (1,374) | (41) | (1,415) |
| Depreciation | 4.6 | - | (1,377) | (4,060) | (2,617) | (8,054) |
| **Balance at 30 June 2022** | 4.3 (a) | **9** | **43,557** | **68,396** | **5,334** | **117,296** |
| Additions | | - | - | 1,417 | 3,939 | 5,356 |
| Lease incentive | | - | - | (5,713) | - | (5,713) |
| Disposals | | - | - | (7,973) | (378) | (8,351) |
| Depreciation | 4.6 | - | (1,377) | (6,250) | (2,605) | (10,232) |
| **Balance at 30 June 2023** | 4.3 (a) | **9** | **42,180** | **49,877** | **6,290** | **98,356** |

* Right-of-use property plant and equipment, furniture and fittings and vehicles

## 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 7.4.

## Note 4.4: Revaluation surplus

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| Balance at the beginning of the reporting period | | 631,455 | 631,455 |
| Revaluation increments/(decrements) | | | |
| - Buildings | 4.2 (b) | 65,102 | - |
| **Balance at the end of the reporting period*** | | **696,557** | **631,455** |
| | | | |
| * Represented by: | | | |
| - Land | | 270,392 | 270,392 |
| - Buildings | | 423,941 | 358,839 |
| - Plant and equipment, furniture and fittings and vehicles | | 2,224 | 2,224 |
| | | **696,557** | **631,455** |

# Note 4.5: Intangible assets

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

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Post office license | 70 | 70 |
| **Total post office license** | **70** | **70** |
| Software costs capitalised | 100,741 | 105,901 |
| Less accumulated amortisation | (61,316) | (55,781) |
| Software costs work in progress | - | 95 |
| **Total software costs** | **39,425** | **50,215** |
| **Total intangible assets** | **39,495** | **50,285** |

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

| | Note | Software Costs Capitalised $'000 | Software Costs Work in Progress $'000 | Post Office License $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2021** | | **52,267** | **4,319** | **70** | **56,656** |
| Additions | | 2,101 | 1,247 | - | 3,348 |
| Net transfers between classes | | 4,289 | (5,471) | - | (1,182) |
| Amortisation | 4.6 | (8,537) | - | - | (8,537) |
| **Balance at 1 July 2022** | 4.5 (a) | **50,120** | **95** | **70** | **50,285** |
| Additions | | 437 | 329 | - | 766 |
| Reclassified to expenses | | (4,074) | - | - | (4,074) |
| Net transfers between classes | | (348) | (424) | - | (772) |
| Asset transfers via Contributed Capital | | (28) | - | - | (28) |
| Amortisation | 4.6 | (6,682) | - | - | (6,682) |
| **Balance at 30 June 2023** | 4.5 (a) | **39,425** | **-** | **70** | **39,495** |

## 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Depreciation** | | |
| **Property, plant and equipment** | | |
| Buildings | 52,677 | 53,139 |
| Plant and equipment | 4,906 | 3,292 |
| Medical equipment | 12,811 | 12,345 |
| Computer equipment | 12,430 | 12,206 |
| Furniture and fittings | 253 | 257 |
| Motor vehicles | 14 | 152 |
| Leasehold improvements | 530 | 1,173 |
| **Total depreciation - property, plant and equipment** | **83,621** | **82,564** |
| | | |
| **Right-of-use assets** | | |
| Right-of-use buildings | 7,627 | 5,437 |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 2,605 | 2,617 |
| **Total depreciation - right-of-use assets** | **10,232** | **8,054** |
| | | |
| **Total depreciation** | **93,853** | **90,618** |
| | | |
| **Amortisation** | | |
| Software costs capitalised | 6,682 | 8,537 |
| **Total amortisation** | **6,682** | **8,537** |
| **Total depreciation and amortisation** | **100,535** | **99,155** |

### 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.

| | 2023 | 2022 |
|---|---|---|
| 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Aids and appliances at cost | 108 | 76 |
| Medical and surgical consumables at cost | 3,530 | 3,986 |
| Pharmacy supplies at cost | 2,745 | 2,577 |
| Pathology supplies at cost | 2,018 | 2,924 |
| Land - Home Lottery* | 4,453 | 250 |
| Building - Home Lottery* | 799 | - |
| **Total inventories** | **13,653** | **9,813** |

* Represents land and building held for future Royal Melbourne Hospital home lottery prizes which have been reclassified from property, plant and equipment to inventories due to change in accounting policy.

### 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 2023.

# Note 5: Other assets and liabilities

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

## Structure

**5.1 Receivables**

**5.2 Payables**

**5.3 Contract liabilities**

**5.4 Other liabilities**

## Impact of COVID-19 pandemic

The measurement of other assets and liabilities were not materially impacted by the COVID-19 pandemic.

## Key judgements and estimates

This section contains the following key judgements and estimates:

| Key judgements and estimates | Description |
|---|---|
| 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Current receivables** | | | |
| **Contractual** | | | |
| Inter hospital debtors | | 5,771 | 11,832 |
| Trade receivables | | 7,735 | 12,067 |
| Patient fees | | 8,238 | 5,232 |
| Accrued revenue | | 14,261 | 14,002 |
| Amounts receivable from government and agencies | | 15,310 | 427 |
| ***Less allowance for impairment losses of contractual receivables*** | | | |
| Trade receivables | 5.1 (a) | (22) | (61) |
| Patient fees | 5.1 (a) | (2,174) | (800) |
| **Total contractual receivables** | | **49,119** | **42,699** |
| **Statutory** | | | |
| GST receivable | | 9,727 | 9,228 |
| **Total statutory receivables** | | **9,727** | **9,228** |
| **Total current receivables** | | **58,846** | **51,927** |
| **Non-current receivables** | | | |
| **Contractual** | | | |
| Long service leave - Department of Health | | 43,007 | 52,841 |
| **Total contractual receivables** | | **43,007** | **52,841** |
| **Total non-current receivables** | | **43,007** | **52,841** |
| **Total receivables** | | **101,853** | **104,768** |

**Financial assets classified as receivables**

| | | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| Total receivables | | 101,853 | 104,768 |
| Provision for impairment | | 2,196 | 861 |
| GST receivable | | (9,727) | (9,228) |
| **Total financial assets classified as receivables** | 7.1 (a) | **94,322** | **96,401** |

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

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Balance at the beginning of the year** | **861** | **1,388** |
| Amounts written off/(on) during the year | (4,990) | (5,088) |
| Increase/(decrease) in allowance recognised in net result | 6,325 | 4,561 |
| **Balance at the end of the year** | **2,196** | **861** |

### 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 that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. 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*.

**Impairment losses of contractual receivables**

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

## Note 5.2: Payables

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Current payables** | | | |
| **Contractual** | | | |
| Trade creditors | | 7,202 | 6,267 |
| Accrued salaries and wages | | 45,109 | 53,056 |
| Accrued expenses | | 61,145 | 51,283 |
| Deferred grant revenue | 5.2 (a), 5.2 (b) | 49,568 | 63,167 |
| Inter - hospital creditors | | 8,673 | 9,883 |
| Amounts payable to governments and agencies | | 56,010 | 82,573 |
| **Total contractual payables** | | **227,707** | **266,229** |
| **Statutory** | | | |
| PAYG withholding | | 9 | 8 |
| GST payable | | 1,664 | 1,554 |
| **Total statutory payables** | | **1,673** | **1,562** |
| **Total current payables** | | **229,380** | **267,791** |
| **Total payables** | | **229,380** | **267,791** |

**Financial liabilities classified as payables**

| | | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| Total payables | | 229,380 | 267,791 |
| Deferred grant income | | (49,568) | (63,167) |
| PAYG witholding | | (9) | (8) |
| GST payable | | (1,664) | (1,554) |
| **Total financial liabilities classified as payables** | 7.1 (a) | **178,139** | **203,062** |

### Payables 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Opening balance of deferred capital grant income** | **34,386** | 20,718 |
| Grant consideration for capital works received during the year | 91,264 | 31,301 |
| Deferred capital grant income recognised as income due to completion of capital works | (82,442) | (17,633) |
| **Closing balance of deferred grant income** | **43,208** | **34,386** |

Grant consideration was received from the Department of Health and Rail Projects Victoria 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Transaction price allocated to the remaining performance obligations from contracts with customers to be recognised in: | | |
| Not longer than one year | 6,360 | 28,781 |
| **Total operating grant consideration** | **6,360** | **28,781** |

Grant consideration was received from the State and Commonwealth 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 5.3: Contract liabilities

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Opening balance of contract liabilities** | **17,415** | **14,754** |
| Payments received for performance obligations not yet fulfilled | 13,593 | 16,306 |
| Revenue recognised for the completion of a performance obligation | (13,884) | (13,645) |
| **Total contract liabilities** | **17,124** | **17,415** |
| **Represented by:** | | |
| Current contract liabilities | 16,124 | 15,409 |
| Non-current contract liabilities | 1,000 | 2,006 |

### Contract liabilities recognition

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 5.4: Other liabilities

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Current other liabilities** | | | |
| Monies Held in Trust* | | | |
| - Patient monies held in trust | | 143 | 192 |
| - Refundable accommodation deposits/accommodation bonds | | 3,367 | 8,331 |
| **Total current other liabilities** | | **3,510** | **8,523** |
| **Total other liabilities** | 7.1(a) | **3,510** | **8,523** |
| | | | |
| ***Represented by:** | | | |
| Cash assets | 6.2 | 3,510 | 8,523 |
| **Total** | | **3,510** | **8,523** |

### 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 and scaling down of the COVID-19 public health response during the year ended 30 June 2023.

## 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.<br><br>For leased land and buildings, Melbourne Health estimates the incremental borrowing rate to be between 0% and 3.88%.<br><br>For leased plant, equipment, furniture, fittings and vehicles, the implicit interest rate is between 1.03% and 4.81%. |

| Key judgements and estimates | Description |
|---|---|
| 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.<br><br>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

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Current borrowings** | | | |
| Lease liability [(i)] | | | |
| Motor vehicles leased from VicFleet | | 1,252 | 1,354 |
| Other leases | | 7,278 | 4,322 |
| **Total current borrowings** | 6.1 (a) | **8,530** | **5,676** |
| | | | |
| **Non-current borrowings** | | | |
| Lease liability [(i)] | | | |
| Motor vehicles leased from VicFleet | | 1,424 | 949 |
| Other leases | | 60,607 | 72,192 |
| **Total non-current borrowings** | 6.1 (a) | **62,031** | **73,141** |
| | | | |
| **Total borrowings** | 7.1 (a) | **70,561** | **78,817** |

(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.

### Borrowings recognition

Borrowings refer to interest bearing liabilities mainly raised through lease liabilities.

**Initial recognition**

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

**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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Total undiscounted lease liabilities | 80,878 | 93,681 |
| Less unexpired finance expenses | (10,317) | (14,864) |
| **Net lease liabilities** | **70,561** | **78,817** |

**Maturity analysis of lease liabilities**

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Not longer than one year | 10,320 | 7,828 |
| Longer than one year but not longer than five years | 34,179 | 34,397 |
| Longer than five years | 36,379 | 51,456 |
| **Minimum future lease liability** | **80,878** | **93,681** |
| Less unexpired finance expenses | (10,317) | (14,864) |
| **Present value of lease liability** | **70,561** | **78,817** |
| | | |
| **Represented by:** | | |
| Current liabilities | 8,530 | 5,676 |
| Non-current liabilities | 62,031 | 73,141 |
| **Total liabilities** | **70,561** | **78,817** |

### 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 4.81%.

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 the substance of 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 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. |
| Leasing floors within the Doherty Institute | The leased property is used for teaching, training, research and public health activities in human infectious diseases.<br><br>Melbourne Health's dependence on this lease is considered medium. | The lease duration is 40 years starting from 17/02/2014 with upfront rental payment in years 1-7 and an annual peppercorn rental of $1.00 thereafter for the remaining term of the lease. |

## Note 6.2: Cash and cash equivalents

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| Cash on hand (excluding monies held in trust) | | 31 | 35 |
| Cash at bank (excluding monies held in trust) | | 345 | 415 |
| Cash at bank - central banking system (excluding monies held in trust) | | 212,149 | 242,741 |
| **Total cash held for operations** | | **212,525** | **243,191** |
| Cash at bank (monies held in trust) | | 18 | 24 |
| Cash at bank - central banking system (monies held in trust) | | 3,492 | 8,499 |
| **Total cash held as monies held in trust** | | **3,510** | **8,523** |
| **Total cash and cash equivalents** | **7.1 (a)** | **216,035** | **251,714** |

### 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 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| Less than one year | 32,104 | 38,845 |
| Longer than one year but not longer than five years | 80 | - |
| **Total capital expenditure commitments** | **32,184** | **38,845** |
| | | |
| **Operating expenditure commitments** | | |
| Less than one year | 59,484 | 67,627 |
| Longer than one year but not longer than five years | 71,227 | 110,710 |
| Five years or more | 4,606 | 718 |
| **Total operating expenditure commitments** | **135,317** | **179,055** |
| | | |
| **Non-cancellable short term and low value lease commitments** | | |
| Less than one year | 818 | 283 |
| Longer than one year but not longer than five years | 1,777 | 113 |
| Five years or more | 209 | - |
| **Total non-cancellable short term and low value lease commitments** | **2,804** | **396** |
| **Total commitments for expenditure (inclusive of GST)** | **170,305** | **218,296** |
| Less GST recoverable from the Australian Tax Office | (15,482) | (19,845) |
| **Total commitments for expenditure (exclusive of GST)** | **154,823** | **198,451** |

*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 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 Contingent assets and contingent liabilities**

**7.4 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 |

| Key judgements and estimates | Description |
|---|---|
| | measurement date. Melbourne Health does not categorise any fair values within this level.<br>• 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 2023 | 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 | 216,035 | - | - | 216,035 |
| Receivables | | | | | |
| - Trade debtors | 5.1 | 7,735 | - | - | 7,735 |
| - Other receivables | 5.1 | 86,587 | - | - | 86,587 |
| Investments and other financial assets | 4.1 | 500 | 17,623 | - | 18,123 |
| **Total financial assets** [(i)] | | **310,857** | **17,623** | **-** | **328,480** |
| | | | | | |
| **Financial liabilities** | | | | | |
| Payables | 5.2 | - | - | 178,139 | 178,139 |
| Borrowings | 6.1 | - | - | 70,561 | 70,561 |
| Other financial liabilities | | | | | |
| - Refundable accommodation deposits | 5.4 | - | - | 3,367 | 3,367 |
| - Patient monies held in trust | 5.4 | - | - | 143 | 143 |
| **Total financial liabilities** [(ii)] | | **-** | **-** | **252,210** | **252,210** |

| 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 | 5.4 | - | - | 8,331 | 8,331 |
| - Patient monies held in trust | 5.4 | - | - | 192 | 192 |
| **Total financial liabilities** [(ii)] | | **-** | **-** | **290,402** | **290,402** |

(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**

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 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 investments 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.

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

## 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 Victorian 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 2022-23.

### 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 2023 | Note | Current | Less than 1 month | 1–2 months | 2 - 3 months | 3+ months | Total |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Overseas patient fees receivables** | | | | | | | |
| Expected loss rate | | 0% | 50% | 100% | 100% | 100% | |
| Gross carrying amount of contractual receivables | | 1,502 | 320 | 456 | 950 | 231 | 3,459 |
| **Loss allowance** | 5.1 | **-** | **160** | **456** | **950** | **231** | **1,797** |
| **Other patient fees receivables** | | | | | | | |
| Expected loss rate | | 2% | 6% | 9% | 12% | 24% | |
| Gross carrying amount of contractual receivables | | 2,065 | 927 | 690 | 343 | 734 | 4,759 |
| **Loss allowance** | 5.1 | **41** | **56** | **62** | **41** | **177** | **377** |
| **Trade debtors (sundry debtors only)** | | | | | | | |
| Expected loss rate | | 0% | 0% | 0% | 0% | 4% | |
| Gross carrying amount of contractual receivables | | 14,131 | 2,050 | 641 | 279 | 491 | 17,592 |
| **Loss allowance** | 5.1 | **-** | **-** | **-** | **-** | **22** | **22** |
| **Total loss allowance** | | **41** | **216** | **518** | **991** | **430** | **2,196** |

| 30 June 2022 | Note | Current | Less than 1 month | 1–2 months | 2 - 3 months | 3+ months | Total |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Overseas patient fees receivables** | | | | | | | |
| Expected loss rate | | 0% | 50% | 100% | 100% | 100% | |
| Gross carrying amount of contractual receivables | | 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** |

**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 on 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 8.10 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 2023** | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial liabilities at amortised cost** | | | | | | | | |
| Payables | 5.2 | 178,139 | 178,139 | 177,210 | 722 | 207 | - | - |
| Borrowings | 6.1 | 70,561 | 70,561 | 1,291 | 1,404 | 5,680 | 28,508 | 33,678 |
| Other financial liabilities | | | | | | | | |
| - Refundable accommodation deposits | 5.4 | 3,367 | 3,367 | 144 | 350 | 559 | 2,314 | - |
| - Patient monies held in trust | 5.4 | 143 | 143 | 143 | - | - | - | - |
| **Total financial liabilities** [(i)] | | **252,210** | **252,210** | **178,788** | **2,476** | **6,446** | **30,822** | **33,678** |
| **30 June 2022** | | | | | | | | |
| **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 | 5.4 | 8,331 | 8,331 | 3,534 | 1,119 | 1,744 | 1,934 | - |
| - Patient monies held in trust | 5.4 | 192 | 192 | 192 | - | - | - | - |
| **Total financial liabilities** [(i)] | | **290,402** | **290,402** | **206,800** | **2,547** | **5,879** | **29,163** | **46,013** |

(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 2.50% 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 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 investments. 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 2023** | **Carrying amount $'000** | **Net result $'000** | **Net result $'000** |
| Contractual financial assets | | | |
| Investments and other financial assets | 17,623 | (3,525) | 3,525 |
| **Total impact** | **17,623** | **(3,525)** | **3,525** |

| | | -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** |

### 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: Contingent assets and contingent liabilities

At balance date, the Board are not aware of any contingent assets or liabilities.

### Contingent assets and contingent liabilities measurement and disclosure

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

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

**Contingent assets**

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

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

**Contingent liabilities**

Contingent liabilities are:

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

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

## Note 7.4: 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 7.4 (a): Fair value determination of investments and other financial assets

| | Note | Carrying amount 30 June 2023 $'000 | Fair value measurement at end of reporting period using: Level 1 [i] $'000 | Level 2 [i] $'000 | Level 3 [i] $'000 |
|---|---|---|---|---|---|
| Managed investments | 4.1 | 17,623 | - | 17,623 | - |
| **Total financial assets held at fair value through net result** | | **17,623** | **-** | **17,623** | **-** |
| **Total investments and other financial assets at fair value** | | **17,623** | **-** | **17,623** | **-** |

| | | 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 investments | 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** | **-** |

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

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

#### Managed investments

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 7.4 (b): Fair value determination of non-financial physical assets

| | Note | Carrying amount 30 June 2023 $'000 | Fair value measurement at end of reporting period using: Level 1 [(i)] $'000 | Level 2 [(i)] $'000 | Level 3 [(i)] $'000 |
|---|---|---|---|---|---|
| Specialised land | | 241,237 | - | - | 241,237 |
| **Total land at fair value** | 4.2 (a) | **241,237** | **-** | **-** | **241,237** |
| Specialised buildings | | 558,811 | - | - | 558,811 |
| **Total building at fair value** | 4.2 (a) | **558,811** | **-** | **-** | **558,811** |
| Plant and equipment | 4.2 (a) | 22,893 | - | - | 22,893 |
| Medical equipment | 4.2 (a) | 77,795 | - | - | 77,795 |
| Computer equipment | 4.2 (a) | 5,940 | - | - | 5,940 |
| Furniture and fittings | 4.2 (a) | 1,158 | - | - | 1,158 |
| Motor vehicles | 4.2 (a) | 67 | - | - | 67 |
| **Total plant, equipment, furniture, fittings and vehicles at fair value** | | **107,853** | **-** | **-** | **107,853** |
| Right-of-use concessionary land | 4.3 (a) | 9 | - | - | 9 |
| Right-of-use concessionary buildings | 4.3 (a) | 42,180 | - | - | 42,180 |
| Right-of-use buildings | 4.3 (a) | 49,877 | - | - | 49,877 |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 4.3 (a) | 6,290 | - | - | 6,290 |
| **Total right-of-use assets at fair value** | | **98,356** | **-** | **-** | **98,356** |
| **Total non-financial physical assets at fair value** | | **1,006,257** | **-** | **-** | **1,006,257** |

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

| | 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 |
|---|---|---|---|---|---|
| Specialised land | | 263,132 | - | - | 263,132 |
| **Total land at fair value** | 4.2 (a) | **263,132** | **-** | **-** | **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 concessionary buildings | 4.3 (a) | 43,557 | - | - | 43,557 |
| Right-of-use buildings | 4.3 (a) | 68,396 | - | - | 68,396 |
| Right-of-use plant, equipment, furniture, fittings and vehicles | 4.3 (a) | 5,334 | - | - | 5,334 |
| **Total right-of-use assets at fair value** | | **117,296** | **-** | **-** | **117,296** |
| **Total non-financial physical assets at fair value** | | **986,376** | **-** | **-** | **986,376** |

[(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.

**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 current 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 and at 30 June 2023 for specialised buildings

**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 2023.

### 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 concessionary buildings | Right-of-use buildings | Right-of-use plant, equipment, furniture, fittings and vehicles |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2021** | **263,132** | **555,450** | **18,634** | **66,406** | **23,741** | **1,133** | **182** | **9** | **44,934** | **27,660** | **7,308** |
| Additions | - | 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) | - | (1,377) | (4,060) | (2,617) |
| - Disposals | - | - | (187) | (165) | (4) | - | (21) | - | - | (1,374) | (41) |
| **Balance at 1 July 2022** [(ii)] | **263,132** | **506,917** | **20,052** | **64,109** | **13,293** | **1,568** | **9** | **9** | **43,557** | **68,396** | **5,334** |
| Additions | - | 3,381 | 5,846 | 14,017 | 4,680 | 187 | 72 | - | - | 1,417 | 3,939 |
| Lease incentive | - | - | - | - | - | - | - | - | - | (5,713) | - |
| Net transfers between classes | - | 46,222 | 2,467 | 12,527 | 441 | (32) | - | - | - | - | - |
| Assets received/(provided) free of charge | - | (1,108) | - | 476 | - | - | - | - | - | - | - |
| Asset transfers via Contributed Capital | (21,895) | (9,026) | (566) | (381) | (38) | (312) | - | - | - | - | - |
| Gains/(losses) recognised in net result | | | | | | | | | | | |
| - Depreciation | - | (52,677) | (4,906) | (12,811) | (12,429) | (253) | (14) | - | (1,377) | (6,250) | (2,605) |
| - Disposals | - | - | - | (142) | (7) | - | - | - | - | (7,973) | (378) |
| Items recognised in other comprehensive income | | | | | | | | | | | |
| - Revaluation | - | 65,102 | - | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2023** [(ii)] | **241,237** | **558,811** | **22,893** | **77,795** | **5,940** | **1,158** | **67** | **9** | **42,180** | **49,877** | **6,290** |

(i) Classified in accordance with the fair value hierarchy, refer note 7.4.

(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) |
|---|---|---|
| Specialised land | Market approach | Community Service Obligation (CSO) adjustment (0% to 50%) |
| Specialised buildings | Current replacement cost approach | Direct cost per square metre<br>Useful life of specialised buildings |
| Plant and equipment at fair value | Current replacement cost approach | Cost per unit<br>Useful life of PPE |
| Medical equipment at fair value | Current replacement cost approach | Cost per unit<br>Useful life of medical equipment |
| Computer equipment at fair value | Current replacement cost approach | Cost per unit<br>Useful life of computer equipment |
| Furnitures and fittings at fair value | Current replacement cost approach | Cost per unit<br>Useful life of furnitures & fittings |
| Motor vehicles at fair value | Current replacement cost approach | 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

**8.1 Reconciliation of net result for the year to net cash flows from operating activities**
**8.2 Responsible persons disclosures**
**8.3 Remuneration of executives**
**8.4 Related parties**
**8.5 Remuneration of auditors**
**8.6 Ex-gratia expenses**
**8.7 Events occurring after the balance sheet date**
**8.8 Jointly controlled operations**
**8.9 Equity**
**8.10 Economic dependency**

## Note 8.1: Reconciliation of net result for the year to net cash flows from operating activities

| | Note | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|---|
| **Net result for the year** | OS | 36,969 | (27,495) |
| **Non-cash movements:** | | | |
| Net (gain)/loss from disposal of non-financial assets | 3.2 | 45 | 180 |
| Revaluation of financial assets at fair value through profit or loss | 3.2 | (657) | 1,682 |
| Depreciation and amortisation | 4.6 | 100,535 | 99,155 |
| Allowance for impairment losses of contractual receivables | 5.1 (a) | 1,335 | (527) |
| DH non cash grants | | (34,991) | (24,758) |
| Assets provided free of charge | | 3,516 | - |
| Assets received free of charge | | (514) | (775) |
| Leases provided free of charge | | - | (69) |
| Other non cash movements | | 6,758 | - |
| **Movements in assets and liabilities:** | | | |
| Change in operating assets and liabilities | | | |
| (Increase)/Decrease in receivables | 5.1 | 1,580 | 8,955 |
| (Increase)/Decrease in inventories | 4.7 | (3,840) | 1,417 |
| (Increase)/Decrease in prepayments | | (1,522) | (2,391) |
| Increase/(Decrease) in payables and contract liabilities | 5.2, 5.3 | (38,702) | 53,125 |
| Increase/(Decrease) in employee benefits | 3.3 | 10,028 | 14,315 |
| Increase/(Decrease) in other liabilities | 5.4 | (49) | (1) |
| **Net cash inflow/(outflow) from operating activities** | | **80,491** | **122,813** |

**Non-cash financing and investing activities**

**Assumption of liabilities**: During the reporting period Melbourne Health assumed right-of-use liabilities amounting to $4.1m (2022: $48.2m) and transferred out liabilities of $8.5m (2022: $1.5m). The assumption and transfer out of these liabilities are not reflected in the cash flow statement.

**Restructuring of administrative arrangements:** The transfer of properties resulting from administrative restructure of mental health services to Northern Health of $36.3m via contributed capital is not reflected in the cash flow statement (refer to Note 1.10).

## 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.

A caretaker period was enacted during the year ended 30 June 2023 which spanned the time the Legislative Assembly expired, until the Victorian election results were clear or a new government was commissioned. The caretaker period for the 2022 Victorian election commenced at 6pm on Tuesday the 1st of November and new ministers were sworn in on the 5th of December.

| | Period |
|---|---|
| **Responsible Ministers:** | |
| The Honourable Mary-Anne Thomas MP: | |
| Minister for Health | 1 Jul 2022 - 30 Jun 2023 |
| Minister for Health Infrastructure | 5 Dec 2022 - 30 Jun 2023 |
| Minister for Medical Research | 5 Dec 2022 - 30 Jun 2023 |
| Former Minister for Ambulance Services | 1 Jul 2022 - 5 Dec 2022 |
| The Honourable Gabrielle Williams MP: | |
| Minister for Mental Health | 1 Jul 2022 - 30 Jun 2023 |
| Minister for Ambulance Services | 5 Dec 2022 - 30 Jun 2023 |
| The Honourable Lizzy Blandthorn MP: | |
| Minister for Disability, Ageing and Carers | 5 Dec 2022 - 30 Jun 2023 |
| The Honourable Colin Brooks MP: | |
| Former Minister for Disability, Ageing and Carers | 1 Jul 2022 - 5 Dec 2022 |
| **Governing Board** | |
| Ms Linda Bardo Nicholls AO (Chair of the Board) | 01 Jul 2022 - 30 Jun 2023 |
| Ms Emma Skinner | 01 Jul 2022 - 30 Jun 2023 |
| Mr Eugene Arocca | 01 Jul 2022 - 30 Jun 2023 |
| Mr Gregory Tweedly | 01 Jul 2022 - 30 Jun 2023 |
| Professor Harvey Newnham | 01 Jul 2022 - 30 Jun 2023 |
| Professor Jane Gunn* | 01 Jul 2022 - 30 Jun 2023 |
| Ms Kylie Bishop | 01 Jul 2022 - 30 Jun 2023 |
| Mr Peter Funder | 01 Jul 2022 - 30 Jun 2023 |
| Ms Philippa Connolly | 01 Jul 2022 - 30 Jun 2023 |
| Mr Sam Lobley | 01 Jul 2022 - 30 Jun 2023 |
| **Accountable Officer** | |
| Professor Christine Kilpatrick AO (Chief Executive Officer) | 01 Jul 2022 - 30 Jun 2023 |

## Remuneration of responsible persons

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

| Income band | Total 2023 No. | Total 2022 No. |
|---|---|---|
| $0 - $9,999* | 1 | 2 |
| $50,000 - $59,999 | 7 | 7 |
| $70,000 - $79,999 | 1 | - |
| $100,000 - $109,999 | - | 1 |
| $110,000 - $119,999 | 1 | - |
| $530,000 - $539,999 | - | 1 |
| $550,000 - $559,999 | 1 | - |
| **Total numbers** | **11** | **11** |

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:** | **1,159** | **1,057** |

* An unpaid board member.

Amounts relating to Responsible Ministers are reported within the State's Annual 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 2023 $'000 | Total 2022 $'000 |
| Short-term employee benefits | 2,727 | 2,222 |
| Post-employment benefits | 233 | 173 |
| Other long-term benefits | 105 | 85 |
| **Total remuneration** [(i)] | **3,065** | **2,480** |
| | | |
| **Total number of executives** | **12** | **8** |
| **Total annualised employee equivalent (AEE)** [(ii)] | **8.3** | **6.2** |

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

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

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

### Short-term employee benefits

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

### Post-employment benefits

Pensions and other retirement benefits (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 a number of executive officers retired or 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

The Board of Directors and the Executive Directors of Melbourne Health are deemed to be KMPs. This includes the following:

**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 (resigned 14 Aug 2022)
A/Professor Denise Heinjus - Executive Director, Nursing Services (resigned 01 Jan 2023)
Ms Ellen Flint - Chief People Officer | People, Culture, Security and Safety
Dr Fergus Kerr - Chief Medical Officer (joined 05 Dec 2022)
Ms Fleur Katsmartin - Chief Legal Officer | Corporate Secretary, Legal and Medico-Legal Services
Mr George Cozaris - Chief Information Officer | Executive Director, Digital Innovation
Ms Jackie McLeod - Chief Operating Officer
Adj Prof Kethly Fallon - Chief Nursing Officer (joined 09 Dec 2022)
Mr Paul Urquhart - Chief Corporate Officer | Chief Financial and Procurement Officer, Infrastructure and Clinical Support Services
Mr Robert Rothnie - Chief Redevelopment Officer (joined 08 May 2022)
Ms Samantha Plumb - Chief Quality Officer | Quality, Informatics and Improvement
Ms Suyin Ng - Executive Director of West Metro Health Service Partnership

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 State's Annual Financial Report.

| Compensation - KMPs | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Short-term employee benefits | 3,784 | 3,191 |
| Post-employment benefits | 315 | 243 |
| Other long-term benefits | 124 | 103 |
| **Total** [(i)] | **4,223** | **3,537** |

[(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 $1,309.6m (2022: $1,344.9m) and funding from Rail Projects Victoria for the MRI relocation project $56.8m (2022: $0.9m). The Department of Health also paid $35m (2022: $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 of the Assistant Treasurer require Melbourne Health to hold cash (in excess of working capital) in accordance with the State's centralised banking arrangements.

Goods and services including 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 2023 (2022: none).

There were no related party transactions required to be disclosed for Melbourne Health Board of Directors, Chief Executive Officer and Executive Directors in 2023 (2022: none).

## Note 8.5: Remuneration of auditors

| | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| **Victorian Auditor-General's Office** | | |
| Audit of the financial statements | 205 | 226 |
| **Total remuneration of auditors** | **205** | **226** |

## Note 8.6: Ex-gratia expenses

| Melbourne Health has made the following ex gratia expenses: | Total 2023 $'000 | Total 2022 $'000 |
|---|---|---|
| Compensation payment | 38 | - |
| **Total ex-gratia expenses** | **38** | **-** |

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

## Note 8.7: Events occurring after the balance sheet date

**NorthWestern Mental Health disaggregation**

As an outcome of the recommendations from the Royal Commission into Victoria's Mental Health System, the governance of Mid-West Area Mental Health Services and portions of Aged Persons Mental Health Program which is operated by Royal Melbourne Hospital were transferred to Western Health from 1 July 2023. A portion of the Aged Persons Mental Health Program and Glencairn Private Consulting Suites were also transferred to Northern Health. The date for transfer of youth mental health services to Orygen National is yet to be determined.

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

## Note 8.8: Jointly controlled operations

| Name of entity | Principal activity | Ownership interest 2023 % | Ownership interest 2022 % |
|---|---|---|---|
| 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:

| | 2023 $'000* | 2022 $'000* |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 345 | 415 |
| Investments and other financial assets | 500 | 400 |
| Receivables | 43 | 61 |
| Prepayments and other assets | 63 | 86 |
| **Total current assets** | **951** | **962** |
| | | |
| **Non-current assets** | | |
| Property, plant and equipment | 55 | 44 |
| **Total non-current assets** | **55** | **44** |
| **Total assets** | **1,006** | **1,006** |
| | | |
| **Current liabilities** | | |
| Payables and contract liabilities | 81 | 104 |
| Income in advance | 32 | 16 |
| Employee benefits | 38 | 32 |
| **Total current liabilities** | **151** | **152** |
| | | |
| **Non-current liabilities** | | |
| Employee benefits | 36 | 15 |
| Income in advance | - | 6 |
| **Total non-current liabilities** | **36** | **21** |
| **Total liabilities** | **187** | **173** |
| **Net assets** | **819** | **833** |
| | | |
| **Equity** | | |
| Accumulated surplus/(deficit) | 819 | 833 |
| **Total equity** | **819** | **833** |

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:

| | 2023 $'000* | 2022 $'000* |
|---|---|---|
| **Revenue and income from transactions** | | |
| Operating activities | 1,309 | 1,361 |
| Non-operating activities | 53 | 25 |
| **Total revenue and income from transactions** | **1,362** | **1,386** |
| | | |
| **Expenses from transactions** | | |
| Employee expenses | (608) | (520) |
| Depreciation and amortisation | (10) | (6) |
| Other operating expenses | (768) | (523) |
| **Total expenses from transactions** | **(1,386)** | **(1,049)** |
| **Comprehensive result for the year** | **(24)** | **337** |

## 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.

| | 2023 $'000* | 2022 $'000* |
|---|---|---|
| **Other expenditure commitments** | | |
| Less than one year | 593 | 480 |
| Longer than one year but not longer than five years | 16 | 372 |
| **Total expenditure commitments** | **609** | **852** |
| | | |
| **Total commitments (inclusive of GST)** | **609** | **852** |
| less GST recoverable from the ATO | (55) | (77) |
| **Total commitments (exclusive of GST)** | **554** | **775** |

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

## Note 8.9: 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 8.10: 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 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 31 October 2024. On that basis, the financial statements have been prepared on a going concern basis.

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