

Royal Victoria Eye & Ear Hospital
Directors' Report and Financial Statements
Financial Year Ended 31 December 2020

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COUNCIL MEMBERS AND DIRECTORS AND OTHER INFORMATION

Council Members and Directors

Mr Patrick Dowling (President)
Mr Paul Moriarty (Acting Chief Executive until Sept 2019)
Mr Donal Brosnahan (Clinical Director and Accountable Officer)
Ms Doreen Delahunty
Ms Susan Gilvarry
Ms Elaine Hanly
Mr Stephen Hone
Dr Dermot Kelly
Mr Hugh Kelly
Mr Dara Kilmartin
Mr Willie O'Reilly
Mr Frank Fenn
Ms Aisling Dodgson
Mr Brian McKiernan
Mr Stephen Murphy
Mr Chris White
Prof Conor Murphy

Ex-officio members

The Lord Mayor of Dublin – Paul McAuliffe
Dublin City Councillor - Mr Paddy McCartan

Bankers

AIB
Westmoreland Street
Dublin 2

Address

Royal Victoria Eye and Ear Hospital
Adelaide Road
Dublin 2

Solicitors

A&L Goodbody Solicitors
IFSC
North Wall Quay
Dublin 1

CHY number: 1604

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1

DIRECTORS' REPORT

The Members of Council present their report and the audited financial statements for the year ended 31 December 2020.

Statement of Council Member's and Director's responsibilities

The Council is responsible for preparing the Council's report and the financial statements.

The Council is required to prepare financial statements for each financial year that give a true and fair view of the Hospital's assets, liabilities and financial position as at the end of the financial year and of the surplus or deficit of the Hospital for the financial year. The Council have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council including Financial Reporting Standard 102, *the Financial Reporting Standard applicable in the UK and Republic of Ireland and Irish Law*).

The Council shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Hospital's assets, liabilities and financial position as at the end of the financial year and the surplus or deficit of the Hospital for the financial year.

In preparing these financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Hospital will continue in business.

The Council is responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Hospital;
- enable, at any time, the assets, liabilities, financial position and surplus or deficit of the Hospital to be determined with reasonable accuracy; and

The Council is also responsible for safeguarding the assets of the Hospital and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the Hospital's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activities and risks

The Royal Victoria Eye and Ear Hospital ("the Hospital") operates as an independent state funded hospital. The Hospital is subject to the normal operating and finance risks associated with the current public and private healthcare environments. These include reliance on continued funding from the HSE and for ever increasing demand for quality healthcare services which place significant cost pressures on the available funding.

Results

The surplus for the year was €19,838 (2019: (€712,080)). The surplus was arrived at after charging net superannuation costs of €2,473,120 (2019: €3,283,490) being superannuation payroll expenditure of €3,829,445 (2019: €3,966,699) less superannuation income of €1,356,325 (2019: €683,209). The HSE provided funding of €2,517,757 (2019: €3,349,782) to fund the net superannuation costs.

The Council's view (as stated in the accounting policies on page 12 and in Note 16 to the Financial Statements) is that the liability for superannuation lies with the Department of Health and not with the Hospital and that superannuation costs should be fully funded so there should be no liabilities in the Hospital's Financial Statements in relation to superannuation. In the current year Superannuation was fully funded (2019: fully funded).

DIRECTORS' REPORT - continued

Results - continued

The results of 2020 were heavily influenced by the impact of COVID 19. With COVID restrictions in place during most of 2020 it was vital that the hospital was able to adapt quickly to ensure the safety of all staff and patients. While activity originally decreased which had an overall effect on our annual income it was important that we put in place measures that adhered to COVID restrictions and guidelines. This gave way to an increase in project development work throughout the hospital which increased our Non pay spend. An increase in PPE requirements which was also supported by HSE procurement during the year also affected our non-pay outcome for the year.

Our need for additional staffing between all cohorts of staff within the hospital has been recognised by the increase in our Pay in 2020.

While every effort was taken by the hospital to curtail costs where possible, some areas of spend were unforeseen as we went through a difficult year. However, all costs relating to COVID were clearly identified and funded by HSE at the end of the year.

Going concern

The Hospital continues to operate in an environment with significant funding restraints. Notwithstanding this, the hospital results for 2020 show an operating surplus of €19,838 (2019: €712,080). The Hospital has net current assets of €135,325 at 31 December 2020 (2019: Net current assets of €486,538) and total net assets of €969,517, in 2020; (2019: €943,639). The net cash outflow in the year of €978,411 (2019: €1,458,433 inflow) was largely as a result of working capital movements coupled with a significant spend on fixed asset additions in the year. Net assets include €2,506,137 of deferred income liabilities relating to capital grants from the HSE, which have no associated cash outflow.

Based on the 2021 allocation from the HSE the Hospital is expected to generate an operating deficit for 2021, many factors will influence this outcome during the year. Continued developments in relation to COVID 19 have added a number of uncertainties in relation to cash-flow for the hospital. These include putting certain NTPF work on hold very early on in 2021, continued restrictions of visits to A&E and for elective surgery, increased costs of staffing and other measures associated with COVID 19 continuing into 2021 from 2020 developments. While the hospital has updated its forecasts to reflect the impact of a loss of some NTPF revenue in the next 3 months, it is impossible at this stage to forecast the full cost of the loss of other income or increased costs which may continue to result from COVID 19 depending on when things return to some normality. The Council is confident that the HSE will, as they did in 2020, fund the Hospital for loss of revenue and costs related to Covid.

The Council members are therefore satisfied that appropriate measures can be taken to ensure the Hospital has adequate resources to continue in operational existence for the foreseeable future and to implement planned actions and to deal with the COVID 19 emergency and its impact on the hospital. After making enquiries, and having considered the hospitals forecasts and planned actions, the directors have a reasonable expectation that the hospital has adequate resources to continue in operational existence for the foreseeable future. Therefore these financial statements have been prepared on a going concern basis.

Review of activities and future developments

The Hospital plans to continue providing high quality healthcare, as well as keeping pace with appropriate developments and improvements in medical and clinical healthcare practices in line with Hospital strategy.

Taxation status

The Hospital has charitable tax status.

Events since the end of the financial year

No significant events have occurred since the end of the financial year.

Accounting records

The measures taken by the Council to secure compliance with the Hospitals' obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Royal Victoria Eye and Ear Hospital, Dublin 2.

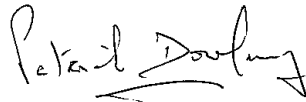
DIRECTORS' REPORT - continued

Auditors

The Auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board

Patrick Dowling



Donal Brosnahan



26th March 2021



Independent auditors' report to the council members and Directors of Royal Victoria Eye & Ear Hospital

Report on the audit of the non-statutory financial statements

Opinion

In our opinion, Royal Victoria Eye & Ear Hospital's non-statutory financial statements (the "financial statements"):

- give a true and fair view of the hospital's assets, liabilities and financial position as at 31 December 2020 and of its surplus and cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland").

We have audited the financial statements, which comprise:

- the balance sheet as at 31 December 2020;
 - the income and expenditure account for the year then ended;
 - the statement of cash flows for the year then ended;
 - the statement of changes in equity for the year then ended; and
 - the notes to the financial statements, which include a description of the significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)").

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the hospital's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the council members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the hospital's ability to continue as a going concern.

Our responsibilities and the responsibilities of the council members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Directors' Report and Financial Statements other than the financial statements and our auditors' report thereon. The council members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the council members for the financial statements

As explained more fully in the Statement of Council Members and Directors' responsibilities set out on page 3, the council members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The council members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the council members are responsible for assessing the hospital'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 the council members either intend to liquidate the hospital or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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 these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the council members as a body in accordance with the Not Applicable and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the hospital, save where expressly agreed by our prior consent in writing.



Matters on which we have agreed to report

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the hospital were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Aisling Fitzgerald

PricewaterhouseCoopers
Chartered Accountants
Dublin
26 March 2021

INCOME AND EXPENDITURE ACCOUNT
Financial Year Ended 31 December 2020

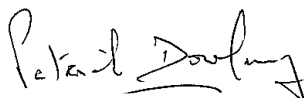
	Notes	2020 €	2019 €
Income for the year	4	37,264,795	36,485,089
Non-pay expenditure	5	(12,456,056)	(12,340,027)
Pay expenditure	6	<u>(24,787,007)</u>	<u>(23,431,206)</u>
Operating surplus		21,732	713,856
Interest payable and similar charges		<u>(1,894)</u>	<u>(1,776)</u>
Surplus for the year		19,838	712,080
Accumulated surplus/(deficit) at beginning of year		<u>346,039</u>	<u>(366,041)</u>
Accumulated surplus at end of year		<u>365,877</u>	<u>346,039</u>

BALANCE SHEET
As at 31 December 2020

	Notes	2020 €	2019 €
Fixed assets			
Tangible assets	8	<u>4,835,177</u>	<u>2,880,052</u>
Current assets			
Stocks	9	562,147	443,266
Debtors	10	5,372,350	4,638,136
Cash and cash equivalents	15	<u>33,117</u>	<u>231,521</u>
		<u>5,967,614</u>	<u>5,312,923</u>
Creditors (amounts falling due within one year)	11	<u>(5,832,380)</u>	<u>(4,826,385)</u>
Net current assets/(liabilities)		<u>135,234</u>	<u>486,538</u>
Total assets less current liabilities		4,970,411	3,366,592
Creditors (amounts falling due after more than one year)	12	<u>(4,000,894)</u>	<u>(2,422,911)</u>
Net assets		<u>969,517</u>	<u>943,679</u>
Represented by:			
Capital funds			
Building fund	13	527,070	527,070
Bequest fund	14	<u>76,570</u>	<u>70,570</u>
		603,640	597,640
Accumulated surplus		<u>365,877</u>	<u>346,039</u>
		<u>969,517</u>	<u>943,679</u>

On behalf of the board

Patrick Dowling



Donal Brosnahan



26th March 2021

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 December 2020

	Building fund	Bequest fund	Accumulated funds	Total
	€	€	€	€
Balance at 1 January 2019	527,070	70,570	(336,041)	231,599
Surplus for the year	<hr/>	<hr/>	712,080	712,080
Balance at 31 December 2019	<u>527,070</u>	<u>70,570</u>	<u>346,039</u>	<u>943,679</u>
Balance at 1 January 2020	527,070	70,570	346,039	943,679
Surplus for the year	<hr/>	6,000	19,838	25,838
Balance at 31 December 2020	<u>527,070</u>	<u>76,570</u>	<u>365,877</u>	<u>969,517</u>

STATEMENT OF CASH FLOWS
Financial Year Ended 31 December 2020

	Notes	2020 €	2019 €
Net cash (outflow)/inflow from operating activities		(1,008,892)	1,413,474
Cash flows from investing activities		<u>30,481</u>	<u>44,956</u>
Reconciliation of expenditure to net cash (outflow)/inflow from operating activities			
Operating surplus		21,732	713,856
Depreciation		1,175,934	1,117,399
Amortisation of deferred income		(938,793)	(660,923)
Increase in stocks		(118,881)	(3,791)
(Increase) /decrease in HSE revenue grants receivable		(534,842)	704,506
Increase in debtors		(199,372)	(382,928)
Decrease in creditors and accrued expenses		<u>(414,670)</u>	<u>(74,645)</u>
Net cash (outflow)/inflow from operating activities		<u>(1,008,892)</u>	<u>1,413,474</u>
Cash flows from investing activities			
Returns on investment and servicing of finance:			
Loan repayment		(104,420)	(36,490)
Purchase of tangible assets		(3,131,059)	(728,418)
Grant income		3,261,854	811,640
Increase in Bequest fund		6,000	-
Interest paid		<u>(1,894)</u>	<u>(1,776)</u>
Net cash inflow from investing activities		<u>30,481</u>	<u>44,956</u>
(Decrease)/increase in cash and cash equivalents		(978,411)	1,458,430
Cash and cash equivalents at beginning of year		<u>231,521</u>	<u>(1,226,909)</u>
Cash and cash equivalents at end of year	15	<u>(746,890)</u>	<u>231,521</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

These financial statements comprising the Income and Expenditure Account, the Balance Sheet, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 21 constitute the individual financial statements of the Royal Victoria Eye and Ear Hospital for the financial year ended 31 December 2020.

The Royal Victoria Eye and Ear Hospital is an independent state funded hospital, governed by a Charter. It is also a registered charity. The Hospital operates in Adelaide Road Dublin. The nature of the Hospital's operations and its principal activities are set out in the councils' report. The Hospital is a Public Benefit Entity as defined by FRS 102.

Statement of compliance

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

Currency

The financial statements have been presented in Euro (€) which is also the functional currency of the Hospital.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Hospital's financial statements.

(a) Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with the historical cost convention. The financial reporting framework that has been applied in their preparation is FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland and Irish Company Law*.

(b) Income

Income is derived from the provision of services falling within the Hospital's ordinary activities.

(i) Health Service Executive (HSE) grant

Revenue grants received and receivable are credited to the Income and Expenditure Account on the basis of the amount sought from or notified by the HSE at the end of the financial year. The revenue grant amount shown is net of capital or revenue amounts deferred or released, in accordance with the timing of the related underlying expenditure. Any element of the grant allocation recognised in the Income and Expenditure Account but not received at the balance sheet date is accounted for as a debtor.

Capital grants are treated as deferred credits and are amortised to the Income and Expenditure Account on the same basis as the related assets are depreciated.

(ii) In-patient income

In-patient income is recognised on an accruals basis.

(iii) Accident and emergency department income

Accident and emergency department income is recognised on a cash receipts basis.

(iv) Other income

Other income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Accounting policies - continued

(c) Retirement benefit costs

Certain Hospital employees are members of the Voluntary Hospitals Superannuation Scheme (“the VHSS”). The VHSS is a state plan as defined in FRS 102 and a defined benefit pension scheme. The Hospital collects contributions from employees eligible for inclusion under the Voluntary Hospitals Superannuation Scheme (“the VHSS scheme”) and on instruction of the HSE/Department of Health makes pension payments to certain VHSS pensioners. The VHSS scheme is administered, funded and underwritten by the Department of Health. The Hospital acts as an agent in the collection of contributions and payment of pensions in relation to the VHSS, has no obligation to make and does not make any contributions to the scheme.

Contributions are deducted from eligible employees only. In accordance with the service plan agreed with the HSE and the Department of Health, pension contributions deducted from eligible employees may be offset against pension payments made on behalf of the VHSS by the Hospital and the surplus or deficit each year forms part of the funding for the Hospital. The Council members consider that the Hospital has no responsibility for any liability that falls due as a result of any ultimate underfunding of the VHSS scheme and the Hospital does not bear any actuarial risk associated with the VHSS. The Hospital acts as an agent in collecting contributions and making pension payments for the scheme.

The Hospital has been directed by the Department of Health/HSE to retain the VHSS contributions paid by current Hospital staff. Pension payments are funded by the deductions retained from current staff and additional HSE funding which is periodically adjusted by the HSE to reflect changes in the pension payments to be paid and the terms of the scheme.

A new Single Public Service Pension Scheme (“the Single Scheme”) commenced with effect from 1 January 2013. The Single Scheme applies to all pensionable first time entrants to the Public Service, as well as former public servants returning to the Public Service after a break of more than 26 weeks. Benefits are calculated by reference to “referable amounts” for each year’s service that are uprated by the CPI as directed by the Department of Health/HSE. All contributions deducted from members wages/salaries are remitted to the nominated bank account of the Department of Public Expenditure and Reform (“DPER”) and not credited to the Income Statement. In the opinion of the Council members, DPER is responsible for the Single Scheme and payments arising under this scheme to retiring employees are payable by the State.

These financial statements do not include pension liabilities and assets of those staff who are members of the VHSS or the Single Scheme as the liabilities of the schemes are the liabilities of the State and not the Hospital. The Hospital does not bear the risk associated with the liability in their role as agents acting on behalf of the State.

(d) Tangible fixed assets

All tangible fixed assets are initially recorded at historic cost. This includes legal fees, stamp duty and other non-refundable purchase taxes, and also any cost directly attributable to bringing the asset to a location and condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

(e) Depreciation

Depreciation is provided on all tangible fixed assets, other than the site, at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis over its estimated useful life, as follows:

Buildings	25 years
Furnishings, casualty department, medical equipment, other equipment, computer equipment and software	3 Years

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Accounting policies - continued

(e) Depreciation - continued

Residual value represents the estimated amount which would currently be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

In 2019 it was agreed with Management that the Cataract Theatre amortisation be revised from 25 years to 10 years which is over the life of the loan agreement. This adjustment is reflected in the amortisation of the Cataract Theatre in 2019.

(f) Stocks

Medical stocks are stated at the lower of cost and net realisable value.

(g) Financial instruments

(i) Cash and cash equivalents

Cash comprises of cash at bank and in hand. Bank overdrafts are shown with current liabilities (see note 10). Cash at bank and in hand is initially measured at transaction price and subsequently measured at amortised cost.

(ii) Other financial assets

Other financial assets including trade debtors for the provision of services to patients, are initially measured at the undiscounted amount of cash receivable from that patient, which is normally the invoice price, and are subsequently measured at amortised cost less impairment, where there is objective evidence of an impairment.

(iii) Other financial liabilities

Trade creditors are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

(h) Impairments of assets, other than financial instruments

Where there is objective evidence that recoverable amounts of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount resulting in an impairment loss. Impairment losses are recognised immediately in the Income and Expenditure Account, with the exception of losses on previously revalued tangible fixed assets, which are recognised in other recognised gains and losses to the extent of any previously recognised revaluation increase accumulated in accumulated Income and Expenditure fund.

Where circumstances causing an impairment of an asset no longer apply, then the impairment is reversed through the Income and Expenditure account, except for impairments on previously revalued tangible assets, which are treated as revaluation increases to the extent that the revaluation was recognised in the accumulated Income and Expenditure fund.

The recoverable amount of tangible fixed assets is the higher of the fair value less cost to sell of the asset and its value in use. The value in use of these assets is the present value of the cash flows expected to be derived from those assets. This is determined by reference to the present value of the future cash flows of the Hospital which is considered by the Council to be a single cash generating unit.

(i) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Judgements and key sources of estimation uncertainty

(a) Going concern

The financial statements have been prepared on the going concern basis which assumes that the Hospital will be able to continue in operational existence for the foreseeable future. The Hospital continues to operate in an environment with significant funding restraints. 2020 resulted in an operating surplus of €19,838 (2019: €712,080).

In addition to the operating surplus, the Hospital has net current assets of €135,234 at 31 December 2020 (net current assets 2019: €486,538) and total net assets of €969,517 in 2020; (2019: €943,639). The net cash outflow in the year of €978,411 (2019: €1,458,433 inflow) was largely as a result of working capital movements coupled with a significant spend on fixed asset additions in the year. Net current assets include €2,506,137 of deferred income liabilities relating to capital grants from the HSE, which have no associated cash outflow.

Based on the 2021 allocation from the HSE the Hospital is expected to generate an operating deficit for 2021, and this mainly comes about due many factors from the very outset of 2021 with Covid 19 still bringing many uncertainties. These issues include putting certain NTPF work on hold, restriction of visits to A&E, increased costs of staffing and other measures associated with COVID 19. The hospital is however confident that measures will be taken by the HSE to provide additional funding to the hospital to assist them in coping with these COVID 19 measures as it did in 2020.

The Hospital is dependent on the Health Service Executive (HSE) to fund its activities and the ongoing support of the HSE at an appropriate level is fundamental to the Hospital's ability to continue as a going concern. The HSE has not given any indication that it will withdraw its financial support from the hospital in the foreseeable future.

The Council members are therefore satisfied that appropriate measures can be taken to ensure the Hospital has adequate resources to continue in operational existence for the foreseeable future and to implement planned actions and to deal with the COVID 19 emergency and its impact on the hospital. After making enquiries, and having considered the hospitals forecasts and planned actions, the directors have a reasonable expectation that the hospital has adequate resources to continue in operational existence for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis.

(b) Impairment of debtors

The Hospital provides care to a large and varied number of patients. Some debts due will not be paid through the default of a small number of patients. The Hospital uses estimates based on historical experience and current information in determining the level of debts for which an impairment charge is required. The level of impairment required is reviewed on an ongoing basis.

(c) Impairment of stocks

The Hospital holds stocks amounting to €562,147 (2019: €443,266) at the financial year end date. The Council is of the view that an adequate charge has been made to reflect the possibility of stocks becoming obsolete. However, this estimate is subject to inherent uncertainty.

(d) Useful lives of tangible fixed assets

Long-lived assets comprise primarily of the Hospital site, buildings and equipment. The annual depreciation and amortisation charge in relation to the medical equipment depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. Management regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives, management consider technological change, physical condition and expected economic utilisation of the assets.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Judgements and key sources of estimation uncertainty – continued

(e) Retirement benefits

The Hospital acts as agents on behalf of the State to administer the VHSS. These financial statements do not include pension liabilities and assets of those staff who are members of the VHSS or the Single Scheme as the liabilities of the schemes are the liabilities of the State and not the Hospital. The Hospital does not bear the risk associated with the liability in their role as agents acting on behalf of the State. Refer to note 2(c) and note 16 for additional information.

4 Income for the year	2020 €	2019 €
Revenue grants receivable from the Health Services Executive	32,131,016	30,685,475
Capital grants receivable from Health Services Executive	489,627	308,844
Hospital charges	4,475,407	5,292,492
Other income	168,745	198,278
	<u>37,264,795</u>	<u>36,485,089</u>

5 Non-pay expenditure	2020 €	2019 €
Medical consumables	7,032,119	7,306,988
Facilities management	928,328	1,283,640
Clinical support and administration	2,876,488	2,384,145
Finance expenses	281,508	65,233
Sundry expenses	161,677	182,622
Depreciation	1,175,936	1,117,399
	<u>12,456,056</u>	<u>12,340,027</u>

6 Pay expenditure	2020 €	2019 €
Wages and salaries	18,958,672	18,363,917
Superannuation	3,829,445	3,283,490
Employer's PRSI	1,998,890	1,783,799
	<u>24,787,007</u>	<u>23,431,206</u>

The average monthly number of persons employed during the financial year was as follows:

Administration and management	65	64
Medical	64	62
Nursing	130	126
Paramedical	14	13
Support services	27	27
	<u>300</u>	<u>292</u>

In Dec 2020 there was amount included in the accounts for an Ex-gratia payment of €10,652.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Pay expenditure – continued

Key management remuneration

Key management is made up of the hospital management group.

Remuneration paid or payable to key management for employee services is shown below:

	2020 €	2019 €
Wages and salaries	<u>618,831</u>	<u>513,092</u>

7 Operating surplus

2020 €	2019 €
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Operating surplus is stated after charging/(crediting):

Auditors remuneration (inclusive of VAT)	39,882	39,360
Movement in provision for doubtful debt	(139,445)	(630,032)
Depreciation	1,175,936	1,117,399
Amortisation of deferred grant income	<u>(983,793)</u>	<u>(660,923)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Tangible assets	Site	Building improvements	Buildings	Casualty department	Medical equipment	Office equipment	Computer equipment and software	Furnishings	Other equipment	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 31 December 2019	4,571	2,003,096	62,391	3,360	2,629,544	10,604	637,990	3,926	41,790	5,397,272
Additions	-	-	1,081,543	122,928	1,596,515	-	327,146	-	2,927	3,131,059
At 31 December 2020	4,571	2,003,096	1,143,934	126,288	4,226,059	10,604	965,136	3,926	44,717	8,528,331
Accumulated depreciation										
At 31 December 2019	-	474,299	-	-	1,548,688	8,521	465,039	37	20,636	2,517,220
Depreciation	-	201,940	31,105	-	751,381	439	182,115	-	8,954	1,175,934
At 31 December 2020	-	676,239	31,105	-	2,300,069	8,960	647,154	37	29,590	3,693,154
Net book value										
At 31 December 2020	4,571	1,326,857	1,112,829	126,288	1,925,990	1,644	317,982	3,889	15,127	4,835,177
At 31 December 2019	4,571	1,528,799	62,391	3,360	1,080,869	2,083	172,952	3,888	21,153	2,880,052

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Stocks	2020 €	2019 €
Consumables	<u>562,147</u>	<u>443,266</u>

There was an impairment provision recorded in respect of the above stock items to the value of €34,509 (2019: €nil).

10 Debtors	2020 €	2019 €
HSE revenue grants receivable	3,776,750	3,241,908
Amounts due from patients	485,131	449,760
Other debtors and prepayments	1,110,469	946,468
	<u>5,372,350</u>	<u>4,638,136</u>

Debtors are stated after provision for impairment. See below for movement:

Bad debt provision

At beginning of year	552,230	1,182,262
Amounts written off during the year	(219,770)	(475,016)
(Decrease)/increase in bad debt provision	80,325	(155,016)
At end of year	<u>412,785</u>	<u>552,230</u>

11 Creditors (amounts falling due within one year)	2020 €	2019 €
Bank overdraft (note 15)	780,007	-
Trade creditors	179,902	54,451
Social insurance	885,650	742,359
Deferred income (note 17)	1,156,882	516,226
Accruals and sundry creditors	2,829,939	3,513,349
	<u>5,832,380</u>	<u>4,826,385</u>

12 Creditors (amounts falling due after more than one year)	2020 €	2019 €
Loan (note 19)	1,379,158	1,483,581
Deferred income (note 17)	2,621,736	939,330
	<u>4,000,894</u>	<u>2,422,911</u>

13 Building fund	2020 €	2019 €
At beginning and end of year	<u>527,070</u>	<u>527,070</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Bequest fund	2020	2019
	€	€
At beginning and end of year	<u>76,570</u>	<u>70,570</u>

15 Components of cash and cash equivalents	2020	2019
	€	€
Cash at bank and in hand	33,117	33,117
Bank	(780,007)	198,404
	<u>(746,890)</u>	<u>231,521</u>

16 Retirement benefits

The majority of staff employed by the Royal Victoria Eye and Ear Hospital are members of either the Voluntary Hospitals Superannuation Scheme (VHSS) or the Single Public Service Pension Scheme (SPSPS).

The VHSS is a scheme underwritten by the Minister of Health and administered by the Hospital. The VHSS was established by the Minister for Health in 1969 and is compulsory for all persons appointed to the hospital who are eligible under the scheme and is a condition of such appointments.

The SPSPS was established by the enactment of Public Service Pensions (Single Scheme and Other Provisions) Act, 2012 and, similarly, is compulsory for all persons appointed to the hospital who are eligible under the scheme and is a condition of such appointments after 1 January 2013. Both the VHSS and the SPSPS are state plans as defined by FRS 102. However, as the Hospital does not make contributions to either scheme and the risk and ultimate liability in relation to both Schemes lies with the State, the Schemes are neither defined benefit nor defined contribution schemes from the perspective of the Hospital.

The Council of the Hospital believe that the funds required in the future to pay current pension liabilities, as they arise into the future, will be provided by the Department of Health under the VHSS. The Council have arrived at this opinion having taken account of precedent set on the closure of certain other healthcare facilities in recent years where pension payments (including retirement lump sum payments) have been honoured by the Department of Health. Therefore, they believe that it is not necessary for the financial statements of the Hospital to include the liability at the balance sheet date in respect of pension entitlements accrued to that date by employees of the hospital, nor other disclosure requirements of the FRS 102, because the Council believes that liability rests with the Department of Health. The above issue is similar to that applying in the majority of other publicly funded hospitals.

The superannuation payments made (including retirement lump sum payments) and deductions retained by the hospital under the VHSS for the years 2017 to 2020 are detailed below:

	2020	2019	2018	2017
	€	€	€	€
Superannuation payable	3,829,445	3,966,699	3,864,962	4,416,760
Superannuation deductions	(1,356,325)	(683,209)	(639,082)	(692,294)
HSE pension allocations	<u>(2,517,757)</u>	<u>(3,349,782)</u>	<u>(3,245,510)</u>	<u>(3,654,238)</u>
Excess of payments over deductions	<u>(44,637)</u>	<u>(66,292)</u>	<u>(19,630)</u>	<u>70,228</u>

The HSE revenue allocation in 2020 included a net amount of €2,517,757 in relation to pension funding

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Deferred grant income	2020	2019
	€	€
HSE revenue grant income attributable to capital items:		
At 1 January	939,330	797,157
Received during year	782,317	494,252
Amortised during year	(449,166)	(352,079)
At 31 December	<u>1,272,481</u>	<u>939,330</u>
HSE capital grant income attributable to capital items:		
At 1 January	516,226	507,682
Received during year	2,479,538	317,388
Amortised during year	(489,627)	(308,844)
At 31 December	<u>2,506,137</u>	<u>516,226</u>
 Total grants	 <u>3,778,618</u>	 <u>1,455,556</u>
Disclosed in creditors as follows:		
Amounts falling due within one year	1,156,882	516,226
Amounts falling due after more than one year	2,621,736	939,330
At 31 December	<u>3,778,618</u>	<u>1,455,556</u>

18 Additional information on Funding received before amortisation

	2020	2019
	€	€
Revenue Funding	32,464,167	30,827,651
NERP Funding	1,056,191	206,923
HSE Estate Capital & ICT Funding	1,310,253	92,366
	<u>34,830,611</u>	<u>31,126,940</u>

19 Related party transactions

The Royal Victoria Eye and Ear Teaching and Development Fund is considered to be a related party of the Hospital by virtue of commonality of directors and Council members. In 2017, the Hospital was advanced a loan in the amount of €1,520,071 by The Royal Victoria Eye and Ear Hospital Teaching and Development Fund in respect of the capital cost of building and equipping a new cataract theatre in the Hospital. The balance due by the Hospital to The Royal Victoria Eye and Ear Teaching and Development Fund at the year-end was €1,379,158 (2019: €1,520,071).

In the prior year, the Hospital was advanced a loan in the amount of €1,520,071 by The Royal Victoria Eye and Ear Hospital Teaching and Development Fund, in relation to a total available facility up to €1,650,000. The purpose of the loan is to fund capital costs of building and equipping a new cataract theatre.

Following a moratorium of a period of two years, the loan shall be repaid quarterly at a rate of €75 per cataract operation completed in the Theatre. In the event that the theatre is used for procedures other than cataract procedures, Royal Victoria Eye and Ear Teaching and Development Fund and the Hospital shall agree an appropriate rate per procedure. The repayment due in relation to 2018 will be €97,125, when the moratorium expires. (2019 - €36,490) Payment made in 2020 - €104,420.

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Related party transactions - continued

The facility terminates no later than ten years following the date of the agreement. Royal Victoria Eye and Ear Teaching and Development Fund acknowledges that its recourse to the Hospital for repayment of the loan amount under the agreement shall be limited to the theatre income. Royal Victoria Eye and Ear Teaching and Development Fund further acknowledges and agrees that if, on the loan repayment date, amounts remain owing in respect of the loan amount, that it will have no further recourse in respect of same, and Royal Victoria Eye and Ear Teaching and Development Fund shall agree to waive any entitlement it has at that time.

Royal Victoria Eye and Ear Teaching and Development Fund and the Hospital agree that the loan shall rank *pari passu* with any, and all working capital borrowings of the Hospital. The loan is unsecured.

The balance outstanding on the loan was €1,379,158 at 31 December 2020 (2019: €1,483,581).

A number of members of the board also sit on the board of the Royal Victoria Eye and Ear Teaching & Development Foundation Company Limited by Guarantee (T&D Foundation), a charitable Foundation which was set up on 14th July 2016, and granted charitable status by the Charity Regulator in December 2020. The strategic plan for the Foundation is to raise funds, which will be used to support the future development of the Royal Victoria Eye and Ear Hospital as well as to support other charitable organisations which promote the development of new technologies and research in the “Eye and Ear” medical area. It is proposed that the assets and liabilities of an existing unincorporated fund, the Royal Victoria Eye and Ear Teaching & Development Fund (T&D Fund), which is currently governed by members of the Royal Victoria Eye and Ear Hospital board will be transferred into the Foundation for nil consideration during 2021. The Directors of the Foundation are currently reviewing the overall strategy of the Foundation. It is intended that this entity will be governed and controlled by a board which will be largely independent from the main Royal Victoria Hospital Eye and Ear Board, and that while the Hospital is likely to obtain some benefit from the proceeds raised by this organisation, that it will not control the Foundation from a legal and accounting perspective. Transactions with the T&D Fund in the year have been disclosed above.

During the year the hospital received services to the value of €338,800 (2019: €344,250) from Hampton Limited, a company which has a director in common with the hospital (Mr Dermot Kelly). Amounts due to Hampton Limited at the Balance Sheet date amounted to €22,400 (2019: €Nil).

20 Capital commitments

At 31 December 2020, the Hospital has a continued commitment to complete the project for Fire safety at a cost of €165,342. The hospital has also committed to the Redevelopment of the A&E Department as part of Covid 19. This is funded by HSE estates.

21 Approval of financial statements

The directors approved the financial statements on 26th March 2021.