



Mercy Health

Care first



Mercy Hospitals  
Victoria Ltd

2023-2024

# REPORT OF OPERATIONS



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# WELCOME

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Welcome to the Mercy Hospitals Victoria Ltd Report of Operations 2023–24. It is with great pride that we continue the legacy of our Sisters of Mercy founder Catherine McAuley who, in responding to the needs of the time, created a house of refuge for women and children. Nearly two centuries on, in these pages you will see evidence of how her vision thrives today through the innovation and teamwork of our staff who continue to serve our community with deep compassion and respect.

Providing safe, high-quality care to our patients is our highest priority. We actively demonstrate this commitment by conducting our own regular internal reviews of processes and culture, and using findings to continuously improve our processes, systems and culture. In early 2024, we received a report from Safer Care Victoria. This report has also provided valuable feedback about ways we can continue to improve and serve our community better. As a result, we are undertaking a significant transformation change program. I thank the many staff and consumers involved in this three year program of work.

This year, we saw a change in our hospitals leadership as we farewelled Chief Executive Officer, Health Services Adjunct Professor Jason Payne and welcomed Michael Krieg. Already, Michael has been able to adeptly build on four years of Jason's insightful leadership to ensure that Mercy Health is well placed in this post-pandemic healthcare environment.

We thank departing board member Adjunct Clinical Associate Professor Ian Haines, and Acting Chief Executive Officer Lesley Dwyer and Chief Operating Officer Robynne Cooke for their contributions in the executive team. We welcome board member Dr Colin Feekery and executives Rebecca MacFarling, the new Chief Executive of Mercy Health Foundation, Clinton Cummins Executive Director Transformation & Performance Improvement, and Clare Douglas who is Chief Executive Healthy Ageing.

We have seen substantial progress this year in our vision to build a stronger Mercy Health workforce. To begin, the launch of the Mercy Health People Strategy 2023–27 in February represents a brave new step for the organisation, demonstrating our commitment to investing in our workforce. In line with this vision was the introduction of our Employee Value Proposition (EVP), an employee brand which will continue to unfold

throughout the organisation in the new year. The EVP will help define what makes people want to work for Mercy Health and to bring their best to the organisation. Additionally, our fourth Aboriginal Employment Plan (AEP) will see the appointment of an Aboriginal Cultural Safety and Workforce Development Officer, strengthening development pathways for current and future Aboriginal employees. The launch of Human Resource Information System (HRIS), Workday in June will simplify and automate core Human Resource tasks. This significant leap into best practice contemporary employee experiences will improve our ways of working and the overall experience of accessing and managing employment information.

Gender equality has been a key driver since the inception of Sisters of Mercy by our founder and we continue to hold our heads high in the workplace. Once again, Mercy Health received an Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency (WGEA). Of significance, this year we were the only large organisation in the Health and Social Assistance industry to hold a citation across Australia.

Building on equality, of note are improvements to equitable access to healthcare where a number of initiatives from the Aboriginal Cultural Safety Plan 2023–24 have been implemented such as the Replanting the Birthing Trees Project in partnership with La Trobe University. In line with this project at Mercy Hospital for Women, Wellbeing Champions learned the We-A-Li approach to understanding complex trauma in Aboriginal families.

Mercy Health continues to partner with the Department of Health to ensure sufficient funding is made available for Mercy Health to deliver high quality, safe care to our patients and communities. We are grateful for the Department of Health's continued support and, despite the difficult financial conditions endured in the last year, Mercy Hospitals Victoria Ltd delivered an acceptable financial result for this reporting period.

With the ever increasing cost of delivering services, it is imperative for Mercy Health's financial sustainability that we take appropriate measures to contain our costs, whilst ensuring any disruption to our care and services is minimal. Mercy Health is partnering with the Department of Health to deliver a balanced budget for the coming financial year.

Families living in Melbourne's outer north now have access to the Woi Wurrung Yagila Wulumperi Whittlesea Early Parenting Centre (WEPC) which opened in November. Here, flexible, targeted services will enhance parent-child relationships and these are complemented by a variety of programs which support parents to achieve their parenting goals.

In June, it was humbling to celebrate 40 years of Mercy Palliative Care (MPC) alongside the dedicated staff and volunteers who regularly work with patients and families in their most delicate and vulnerable moments. To date, we are the only 24-hour visiting service in Victoria that offers in-person medical support from a Registered Nurse and Palliative Care Physician. The compassion and care of this specialist work cannot be overstated.

Looking ahead to the new financial year, we will have a continued focus on waste reduction where possible, improving quality, safety and effectiveness of care, strengthening operational performance, enhancing

our organisational culture and workforce experience, and improving financial performance to support the achievement of our overall vision and strategic intent.

Thank you to the State Government of Victoria for its ongoing support, our partners for their contribution to allow us to care, and most importantly all Victorians and their families who trust and choose us to partner with them in their care. We would also like to acknowledge the thousands of people who come to work each day at Mercy Hospitals. It is only through their tireless compassion, hospitality, respect, innovation, stewardship, and teamwork that we can continue to strive for justice in the delivery of compassionate care to Victorians in need.

In accordance with the Financial Management Act 1994, we are pleased to present the Report of Operations for Mercy Hospitals Victoria Ltd for the year ending 30 June 2024, as at 30th October 2024.



A handwritten signature in black ink that reads "Virginia Bourke".

**Ms Virginia Bourke**  
Chair



A handwritten signature in black ink that reads "Angela Nolan".

**Ms Angela Nolan**  
Ms Angela Nolan, Group Chief Executive Officer

# INTRODUCTION

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It is a privilege to join an organisation with such an enduring legacy to healthcare in Victoria. In this post-pandemic era, we have experienced significant changes in executive leadership across Health Services and this, in turn, presents a certain level of disruption. I acknowledge the patience and commitment of Mercy Health staff in light of these shifts. I am grateful to our team members who continue to display exceptional levels of care and compassion in their work even with these significant changes.

The Emergency Department expansion project at Werribee Mercy Hospital commenced this year which was made possible with support with the Victorian Government investing \$117.6 million. To enable preparatory works to commence, administrative staff and some patient services were relocated from one wing of the hospital in late 2023. This wing has now been demolished and the remaining site preparation is almost complete. Many Werribee staff members have been working remotely during this period of works and I thank them for their patience whilst we establish an off-site office hub for their use in the coming year.

Currently, Werribee Mercy Hospital services an area of more than 300,000 residents with growth predicted to increase by 76% in this catchment population between 2016–36 (compared with 41% state average). Once complete in 2026, the expansion of the Emergency Department will enable treatment of an extra 25,000 patients each year. To meet the increasing demand in the community for care closer to home, we've continued to expand our home-based care model, Hospital in the Home (HITH). The HITH program at Werribee Mercy Hospital has achieved its growth target with 60 beds now open and 84% occupancy. This growth includes neonatal care with plans in place to incorporate mental health HITH in the near future. Continuing to bring care closer to home, the endoscopy Rapid Access Hub (RAH) exemplifies the power of collaborative healthcare and showcases a partnership model that delivers a well-connected healthcare system and better outcomes for Victorians. To date, Werribee Mercy Hospital has developed strong partnerships with four other health services through the West Metro Health Services Partnership to achieve the deliverables of the project.

The annual Mercy Perinatal Global Obstetric Update (GOU) has been an exemplary education model in healthcare and this year's event in November was no

exception. For almost a decade, the event has attracted leading academics from across the globe to deliver the latest practical evidence-based knowledge for clinicians and, in turn, nurture trusted international collaborations that pave the way for emerging researchers. The event was attended by 790 medical professionals, predominantly obstetrician-gynaecologists (481) and featured seven key topics.

This year we have continued to strengthen programs that support First Nations people to access early intervention and prevention strategies. In consultation with Aboriginal community members, a welcoming environment with Acknowledgement to Country plaques are now displayed at all Health Services entrances. Additionally, 13 staff from Mercy Hospital for Women and Werribee Mercy Hospital, social workers, and midwives participated in the First 1000 Australia: Early Life Strategies for Aboriginal and Torres Strait Islander Children and Families training to address intergenerational trauma and promote strategies for family resilience, mental health, cultural safety, and social and emotional wellbeing.

Mercy Health underwent its first Short Notice Accreditation Assessment Process (SNAAP) in May 2024, following the announcement in July 2023 of the Australian Commission on Safety and Quality in Health Care's move to the new process. The assessment team were very complimentary about their visit, stating they would be happy to be a Mercy Health patient based on the passion and collaboration shown by Mercy Health staff. We are delighted that we achieved accreditation, particularly with our ongoing focus of continuous improvement work.

My sincere thanks to all Mercy Health staff, our partners, and the Victorian Government for their ongoing support as we acknowledge the achievements of another year.



**Mr Michael Krieg**

Chief Executive Officer,  
Health Services

# FINANCIAL COMMENTARY

| Financial Information               | 2024<br>\$000 | 2023<br>\$000 | 2022<br>\$000 | 2021<br>\$000 | 2020<br>\$000 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Operating Result *</b>           | -1,721        | 57            | 127           | 160           | 1             |
| Total revenue                       | 626,063       | 589,482       | 532,932       | 478,330       | 447,109       |
| Total expenses                      | 637,695       | 596,367       | 543,162       | 490,267       | 459,560       |
| <b>Net result from transactions</b> | -11,632       | -6,885        | -10,230       | -11,937       | -12,451       |
| Total other economic flows          | 688           | -197          | 4,279         | 5,572         | -1,399        |
| <b>Net result</b>                   | -10,944       | -7,082        | -5,951        | -6,365        | -13,850       |
| Total assets                        | 312,296       | 231,913       | 239,338       | 217,463       | 220,161       |
| Total liabilities                   | 151,110       | 149,527       | 149,870       | 122,044       | 118,307       |
| <b>Net assets/Total equity</b>      | 161,186       | 82,386        | 89,468        | 95,419        | 101,784       |

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

| Reconciliation of Net Result from Transactions and Operating Result                                                 | 2023-2024<br>\$000 |
|---------------------------------------------------------------------------------------------------------------------|--------------------|
| <b>Net operating result *</b>                                                                                       | <b>-1,721</b>      |
| Capital purpose income                                                                                              | 4,648              |
| Specific income                                                                                                     | 0                  |
| COVID-19 State Supply Arrangements – Assets received free of charge or for nil consideration under the State Supply | 0                  |
| State supply items consumed up to 30 June 2022                                                                      | 0                  |
| Assets provided free of charge                                                                                      | 0                  |
| Assets received free of charge                                                                                      | 0                  |
| Expenditure for capital purpose                                                                                     | 0                  |
| Depreciation and amortisation                                                                                       | 14,559             |
| Impairment of non-financial assets                                                                                  | 0                  |
| Finance costs (other)                                                                                               | 0                  |
| <b>Net result from transactions</b>                                                                                 | <b>-11,632</b>     |

# MERCY HOSPITALS VICTORIA LTD

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Mercy Hospitals Victoria Ltd is a company limited by guarantee and a charity registered by the Australian Charities and Not-for-profits Commission. It is a Denominational Hospital as set out in Schedule 2 of the Health Services Act 1988 (Vic).

Mercy Hospitals Victoria Ltd (MHVL) forms part of Mercy Health, a Catholic not-for-profit organisation which provides a range of health, aged and community care services to communities in Victoria, New South Wales, Western Australia, and Queensland. Mercy Health works closely with government to identify and respond to current and emerging health needs in our communities. We acknowledge the generous support offered by the Victorian Government over the past 12 months.

The relevant ministers for the reporting period were:

## Minister for Health

*The Hon. Mary-Anne Thomas, Minister for Health  
(1 July 2023 to 30 June 2024)*

## Minister for Ambulance Services

*The Hon. Gabrielle Williams from 1 July 2023  
to 2 October 2023*

*The Hon. Mary-Anne Thomas from 2 October 2023  
to 30 June 2024*

## Minister for Mental Health

*The Hon. Gabrielle Williams from 1 July 2023  
to 2 October 2023*

*The Hon. Ingrid Stitt from 2 October 2023  
to 30 June 2024*

## Minister for Disability, Ageing and Carers

*The Hon. Lizzie Blandthorn from 1 July 2023  
to 2 October 2023*

## Minister for Disability/Minister for Children

*The Hon. Lizzie Blandthorn from 2 October 2023  
to 30 June 2024*

## Minister for Ageing

*The Hon. Ingrid Stitt from 2 October 2023  
to 30 June 2024.*

The predominant objectives for which MHVL (the Company) was established are:

1. to carry on or assist in the carrying on of the charitable activities of Mercy Ministry Companions (a lay civil and canonical entity established to carry on the work of the Sisters of Mercy) in connection with hospital, healthcare, and related services.
2. to operate:
  - Mercy Hospital for Women, Heidelberg
  - Werribee Mercy Hospital
  - other hospitals, health, and related services, as determined by the Company.
3. to educate and train:
  - medical, nursing, social welfare and pastoral care students at undergraduate, intern, and postgraduate level
  - others engaged in hospital, healthcare, and related services on a paid or voluntary basis.

The Company will operate at all times as part of the mission of the Catholic Church in conformity with canon law and in conformity with the theological framework of Mercy Ministry Companions.

Central to our mission is providing care for those in need, irrespective of religion, faith, beliefs, or background.

# OUR SERVICES

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Mercy Hospitals Victoria Ltd provides acute and subacute hospital care, mental health programs, specialist women's and newborns' health, early parenting education and support, and palliative care services.

Mercy Hospital for Women is a tertiary hospital based in Heidelberg, Victoria offering obstetric, gynaecological, and neonatal services. The Neonatal Intensive Care Unit is co-located with the Special Care Nursery and collectively they care for some of Victoria's most unwell babies. The facility also provides perinatal medicine, perioperative services, women's health, and diagnostic services. It is a major teaching hospital and specialist referral centre with medical, nursing, midwifery, and allied health expertise to treat the most complex obstetric, neonatal, and gynaecological cases. Mercy Hospital for Women is part of the North-East Metro Health Service Partnership.

Werribee Mercy Hospital is a rapidly growing general hospital providing comprehensive care in the south-western region of Melbourne. The hospital provides surgical, medical, emergency, intensive care, maternity, newborn, renal dialysis, paediatrics, mental health, subacute, rehabilitation and palliative care services. The hospital also provides a range of home-based support services including Hospital in the Home and Midwifery in the Home. Werribee Mercy Hospital is part of the West Metro Health Service Partnership.

Mercy Health has two Early Parenting Centres (EPCs), The O'Connell Family Centre (OFC) and the Woi- wurrung-yagila-wulumperi Whittlesea Early

Parenting Centre (WEPC). EPCs strive to ensure the safety, health and happiness of babies and toddlers (up to the age of four) by promoting the parent-child relationship and equipping parents with pathways to achieve their parenting goals. These goals relate to sleep and settling, child behaviour plus health and wellbeing, with a focus on the needs of vulnerable families and young children.

Mercy Mental Health also offers inpatient and community specialist perinatal mental health services to women and infants in Western Victoria.

Mercy Palliative Care is a 24-hour service, which provides in-home support and assistance with all aspects of care relating to a patient in the advanced stages of their disease. While not officially part of Mercy Hospitals Victoria Ltd, Mercy Palliative Care is integrated into Mercy Health's service delivery. Service delivery is through a dedicated 12-bed inpatient palliative care service at Werribee Mercy Hospital and through home-based palliative care services for people living in Melbourne's Northwest Metropolitan Region. Counselling, nursing and medical services, allied therapies, grief counselling and pastoral care services provide continuity of care to patients, their families, and carers.

# MERCY HEALTH STRATEGIC FRAMEWORK 2023–27

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Our *Strategic Framework 2023–27* describes the mission, vision, and strategic direction for Mercy Health. It outlines our core values and five strategic commitments to guide all our decision-making and work priorities in pursuit of our strategic intent.

## Our Mission

Together we witness God’s mercy and strive for justice in the delivery of compassionate care to our communities.

## Our Vision

Mercy Health is a growing, recognised leader of compassionate and contemporary care for people of all ages.

## Our Strategic Direction

Caring for people during critical health moments, at every age and stage of life

## Our Values

***Compassion – Hospitality – Respect – Innovation – Stewardship – Teamwork***

Our vision for the future is inspired by our deep commitment to the delivery of justice, mercy, and compassionate care to those that we serve, and reinforced by our values. Our future is focused on growth, transformation, leadership, and excellence, as we care for people during critical health moments, at every age and stage of life.

Our Strategic Framework articulates a commitment to expanding access to our services, continuing to excel and innovate in women’s and perinatal health services, and developing models of service excellence in areas of expertise such as palliative care and for vulnerable populations. It also describes an ambitious agenda for Mercy Health to grow and be sector leaders in Healthy Ageing, implementing contemporary models of aged care and specialised services for those living with dementia.

# OUR STRATEGIC COMMITMENTS

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Five strategic commitments guide our decision-making in pursuit of our strategic direction, each supported by a set of clear objectives, and measurable outcomes.

## 1. Serving our People and Communities

### Objectives

- we partner with those that we serve throughout their care journey, and through co-design of services
- we partner with our local communities to ensure services meet their needs
- we advocate for our communities and the people that we serve
- we develop services that are person-centred and easy to access and navigate.

### Outcomes

- increased consumer engagement in the design of all new services
- measurable improvement in timely access to care
- more care delivered in, or closer to home
- demonstrable program of advocacy activity
- improvement in consumer feedback survey results.

## 2. Investing in our Workforce and Culture

### Objectives

- we foster a workplace culture in which our diverse workforce feels connected, safe, and valued
- we create workforce retention through a compelling value proposition
- we develop strong leadership capability that nurtures culture, collaboration, inclusion, improvement, and innovation
- we are redesigning our workforce to address constraints in supply and skill.

### Outcomes

- improved staff safety and reduced incidents of staff harm
- employer of choice and high staff engagement as measured through benchmarked surveys and pulse checks
- staffing requirements are met through attraction and retention

- leadership succession demonstrated
- increased diversity in staff and leadership profiles.

## 3. Delivering Exceptional Quality and Innovation

### Objectives

- we are embedding a culture of problem solving and continuous improvement to support the high quality and safety of care that we provide
- we design and deliver our care and services to create quality health outcomes and reduce the risk of harm
- we invest in research and evaluation to inform new services, models of care and use of digital technologies
- we demonstrate our sector leadership and advocacy through translational research.

### Outcomes

- reputation for innovation
- measurable improvement in care outcomes
- measurable reduction in harm to those in our care
- improved customer experience of care as measured through established surveys and feedback mechanisms
- measurable increase in research impact.

## 4. Harnessing Digital Health and Technology

### Objectives

- we strive toward digitally enabled delivery of care in our hospitals, healthy ageing settings and at home
- we partner with technology providers to implement systems that facilitate safe and effective care
- we engage technology, including AI, that turns data into information to support our operational decisions, models of care and research.

## Outcomes

- enhanced technologies to support care, with measurable improvement in care outcomes, access, and customer experience
- increased uptake of virtual and at-home care
- reliable data available to inform decision.

## 5. Leading in Sustainability and Agility

### Objectives

- we achieve financial sustainability through optimised efficiency and maximised revenue opportunities
- we are growing current services and introducing new offerings
- we partner with other experts and providers to improve care outcomes
- we have standardised and efficient organisational operating models
- we are committed to delivering and upholding our nationally recognised Caring for People and Planet strategy.

## Outcomes

- sustainable models of care are in place that deliver improved outcomes in both individual health and sustainability
- reduced carbon emissions
- improvement in efficiency of high-quality services
- capital projects are delivered on time, within budget, and in line with community needs
- service growth in areas of identified need
- increased services delivered in partnership with community and health care partners.

### Strategy Deployment

Deployment of our strategy over time is supported by a range of Enabling Strategies and Plans, and the development and implementation of an annual Group Plan, which represents the specific strategic initiatives and associated programs of work to progress strategic and enterprise priorities across a financial year.

# MERCY HEALTH STRATEGIC FRAMEWORK 2023-2027



## OUR MISSION

*Together we witness God's mercy and strive for justice in the delivery of compassionate care to our communities*

## OUR VISION

*We are a growing, recognised leader of compassionate and contemporary care for people of all ages*

## OUR VALUES



### COMPASSION

We are present for others in their time of need



### HOSPITALITY

We welcome people with warmth and comfort



### RESPECT

We act with integrity and justice and value each person's dignity



### INNOVATION

We draw on research, evidence and teaching to inform what we do



### STEWARDSHIP

We advocate for those in need and strengthen our ministry and its resources



### TEAMWORK

We work together to progress the Mercy mission

## OUR STRATEGIC COMMITMENTS AND OBJECTIVES



### SERVING OUR PEOPLE & COMMUNITIES

- We partner with those that we serve throughout their care journey, and through co-design of services
- We partner with our local communities to ensure services meet their needs
- We advocate for our communities and the people that we serve
- We develop services that are person-centred and easy to access and navigate



### INVESTING IN OUR WORKFORCE AND CULTURE

- We foster a workplace culture in which our diverse workforce feels connected, safe and valued
- We create workforce retention through a compelling value proposition
- We develop strong leadership capability that nurtures culture, collaboration, inclusion, improvement and innovation
- We are redesigning our workforce to address constraints in supply and skill



### DELIVERING EXCEPTIONAL QUALITY AND INNOVATION

- We are embedding a culture of problem solving and continuous improvement to support the high quality and safety of care that we provide
- We design and deliver our care and services to create quality health outcomes and reduce the risk of harm
- We invest in research and evaluation to inform new services, models of care and use of digital technologies
- We demonstrate our sector leadership and advocacy through translational research



### HARNESSING DIGITAL HEALTH AND TECHNOLOGY

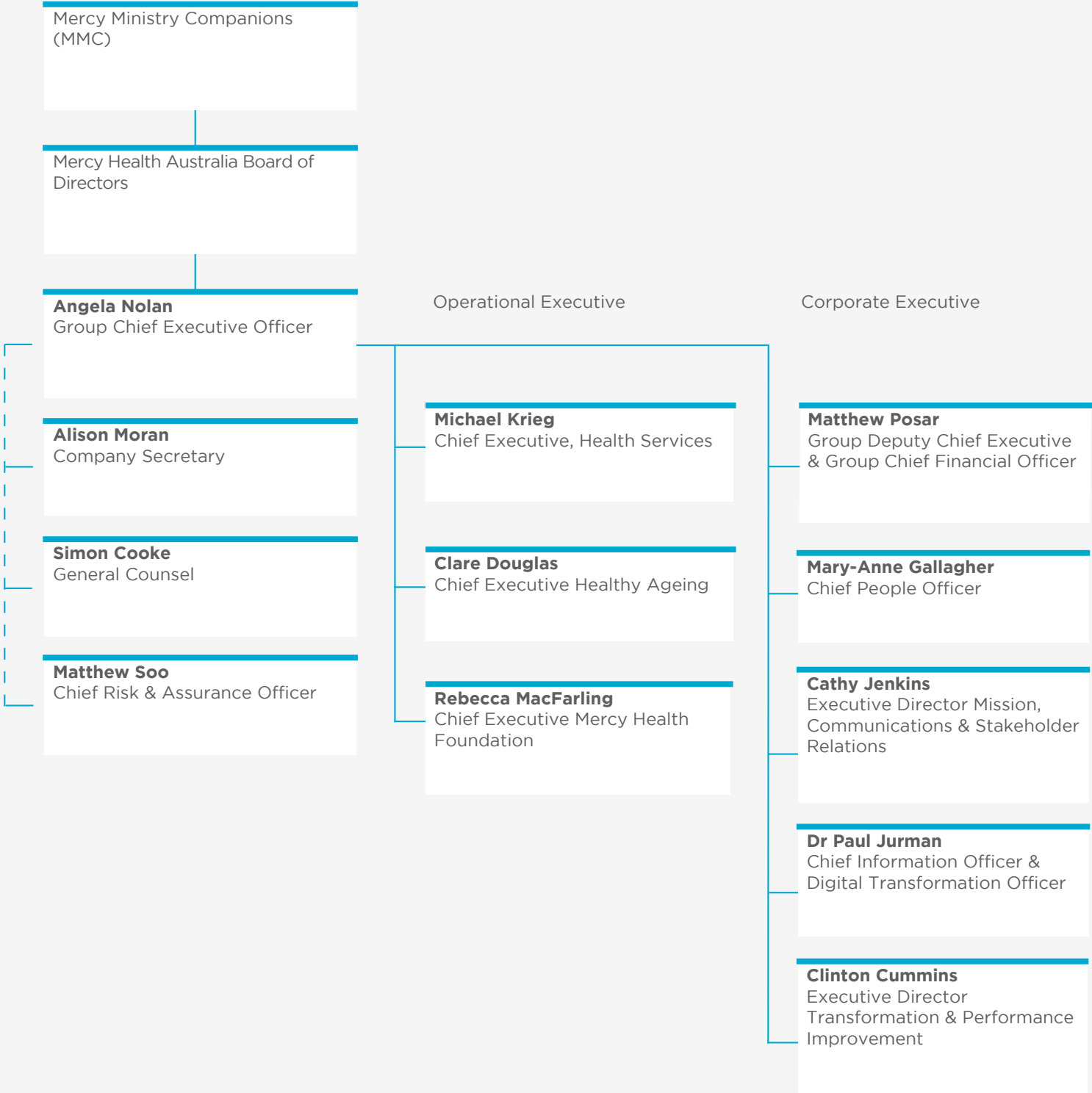
- We strive toward digitally enabled delivery of care in our hospitals, healthy ageing settings and at home
- We partner with technology providers to implement systems that facilitate safe and effective care
- We engage technology, including AI, that turns data into information to support our operational decisions, models of care and research



### LEADING IN SUSTAINABILITY AND AGILITY

- We achieve financial sustainability through optimised efficiency and maximised revenue opportunities
- We are growing current services and introducing new offerings
- We partner with other experts and providers to improve care outcomes
- We have standardised and efficient organisational operating models
- We are committed to delivering and upholding our nationally recognised "Caring for People and Planet" strategy

# ORGANISATIONAL STRUCTURE



# GOVERNANCE

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## **Mercy Hospitals Victoria Ltd Board**

Ms Virginia Bourke (Chair)  
Adjunct Professor Susan Pascoe AM (Deputy Chair)  
Ms Jo Barker  
Mr Martin Day  
Ms Penelope Eden  
Ms Jane Edge  
Dr Colin Feekery (appointed June 2024)  
Dr Jane Fischer  
Adjunct Clinical Associate Professor Ian Haines (retired January 2024)  
Sr Berice Livermore RSM  
Mr Tim O'Leary  
Adjunct Professor Francis Sullivan AO

## **Company Secretary**

Ms Alison Moran

## **Finance, Audit and Risk Committee**

Ms Jo Barker (Chair)  
Mr Martin Day  
Ms Jane Edge  
Ms April Edwards  
Ms Sandy Lawson  
Ms Sheena Peeters  
Mr Tony Ryan

## **Ethics Committee**

Mr Martin Day (Chair)  
Ms Clare Douglas  
Dr Genevieve Green  
Ms Cathy Jenkins  
Ms Mary Klasen  
Reverend Kevin McGovern  
Sr Carol Ong RSM  
Dr Michael Rasmussen  
Adjunct Professor Francis Sullivan AO  
Rev Dr Bernard Teo CSsR

## **Quality Committee**

Dr Jane Fischer (Chair)  
Ms Kate Birrell OAM  
Ms Penelope Eden  
Dr Colin Feekery (appointed June 2024)  
Dr Patrick Gilbourne  
Adjunct Clinical Associate Professor Ian Haines (retired January 2024)  
Sr Berice Livermore RSM  
Mr Marcel Mihulka  
Ms Sally Moore

## **Human Research Ethics Committee**

Mr Tim O'Leary (Chair)  
Dr Fiona Brownfoot  
Mr Diarmid Davine  
Mr James Dwyer  
Professor Christine East  
Dr Lenore Ellett  
Dr Philip Henschke  
Associate Professor Lisa Hui  
Ms Margaret Joss  
Professor Peter Lange  
Dr Kathy McMahon  
Mr Tim Norton  
Professor David O'Neal  
Dr Josephine Power  
Dr Neelofar Rehman  
Dr Andrew Watkins

## **Corporate Governance Remuneration and Nominations Committee**

Ms Virginia Bourke (Chair)  
Ms Jo Barker  
Ms Jane Edge  
Adjunct Professor Susan Pascoe AM

# BOARD

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## Ms Virginia Bourke

BA, LL. B Hons, MA, FAICD

### Board Chair

As Chair of the Mercy Health Boards, Virginia Bourke brings experience across a range of sectors including health, aged care, community services, education, training, and publishing. She has particular expertise in the governance of charitable not-for-profit organisations.

Virginia joined the Mercy Health Boards in 2016 and is Chair of the Mercy Health Corporate Governance, Remuneration and Nomination Committee. She previously served a term as a Director of Mercy Health from 2008–14.

In addition to chairing Mercy Health, Virginia is Pro-Chancellor of Australian Catholic University and a Director of Catholic Health Australia and Caritas Australia. She was formerly Chair of St John Ambulance Victoria and a Director of St John Ambulance Australia.

Virginia's Non-Executive Director career has been complemented by her work as a lawyer and consultant in private practice and senior in-house counsel positions for over 25 years. She is currently a consultant with the national health and aged care industry team at MinterEllison Lawyers. Through that work she has developed a breadth of commercial experience, business development skill and a deep knowledge of corporate governance law.

## Ms Alison Moran

LL.B. (Hons.), B.A., Grad Dip ACG, FGIA, GAICD

### Company Secretary

Alison joined Mercy Health in September 2020 and is appointed as Company Secretary to each of the companies governed by the Mercy Health Boards and the Mercy Health Foundation. Alison attends all Board meetings and meetings of the Corporate Governance, Remuneration and Nominations Committee, and provides governance advice and support to the Mercy Health Board Chair, the Board as a whole, and the Group Chief Executive Officer. Alison is an experienced corporate governance professional and lawyer, having enjoyed a long career at a major commercial law firm, Corrs Chambers Westgarth, in both client-facing, commercial law roles and internal legal and governance

roles, including as the firm's General Counsel. Prior to joining Mercy Health, Alison was Company Secretary of Cabrini Health, a leading private Catholic healthcare service in Melbourne. Alison holds a Bachelor of Laws (Hons.) and a Bachelor of Arts from the University of Melbourne, a Graduate Diploma of Applied Corporate Governance, and is a Graduate of the Australian Institute of Company Directors. She is also a Fellow of the Governance Institute of Australia.

## Adjunct Professor Francis Sullivan AO

BA, Dip Ed, MA

### Board Member

Francis was appointed to the Mercy Health Boards in November 2019. He is committed to equity and justice and has been highly successful in bringing a social conscience to the political debate on health and aged care issues. In 2020, Francis was appointed an Officer of the Order of Australia for his distinguished service to the community, particularly through social justice and legislative reform initiatives, and to health and aged care.

Francis was Chairman of the Board of the Mater Group from 2019–24 and prior to this was Chief Executive Officer at the Truth, Justice and Healing Council and Secretary General of the Australian Medical Association.

He spent 14 years as the Chief Executive Officer of Catholic Health Australia, speaking for 73 private and public hospitals and more than 500 aged care services across Australia. Prior to that, Francis was senior advisor to the Minister for Health in Western Australia.

Francis has a masters degree in theology from Loyola University in Chicago and a bachelor degree in politics from Curtin University in Western Australia. Early in 2008, the Australian Catholic University awarded Francis an honorary doctorate for his work in public health advocacy. He is also an Adjunct Professor at the Australian Catholic University.

## Adjunct Professor Susan Pascoe AM

BA, Dip Ed, Grad Dip Special Ed, M Ed Admin (Hons), FAICD, FIPAA, FACE

### Board Member and Deputy Chair

Susan was appointed to the Mercy Health Boards in March 2018 and is a member of the Mercy Health Corporate Governance, Remuneration and Nomination Committee. She is President and Chair of the Australian Council for International Development (ACFID), Chair of the Community Director's Council and Chair of the Social Services Regulator Consultative Committee. Susan is a member of the Vatican's Commission on Methodology and a facilitator at the 2023 and 2024 Synod Assemblies. She was a member of the Australian Catholic Bishops Conference Safeguarding Steering Committee, and its Governance Review Project Team from 2019 to April 2020.

Susan was the inaugural Commissioner for the Australian Charities and Not-for-profits Commission (ACNC) from 2012–17 and subsequently co-chaired a review of early childhood education in Australia. From 2006–11, Susan was Commissioner of the State Services Authority in Victoria. In 2009, she was appointed as one of three commissioners for the Royal Commission into Victoria's Black Saturday bushfires.

Susan's earlier career was in education. She served as President of the Australian College of Educators, Chief Executive Officer of the Victorian Curriculum and Assessment Authority and Chief Executive of the Catholic Education Commission of Victoria. Susan chaired the Australian National Commission for UNESCO and has chaired or served on a number of education, health, and government boards.

In 2007, Susan was appointed Member of the Order of Australia for service to education. In 2016, she was awarded the Leadership in Government Award for her outstanding contribution to public administration in Australia, and in 2024, she was conferred an honorary doctorate from Australian Catholic University.

## Ms Jo Barker

B Comm, ACA, GAICD

### Board Member

Jo joined the Mercy Health Boards and the Mercy Health Finance, Audit and Risk Committee in 2015, and provides valuable financial risk and commercial

knowledge and insight. Jo was appointed Chair of the Mercy Health Finance, Audit and Risk Committee in 2021. She is also a member of the Corporate Governance Remuneration and Nomination Committee and the Mercy Health Foundation Committee.

Jo is a partner within EY's Strategy and Transaction Advisory team in Melbourne. She has over 30 years of transaction experience in Australia and globally, helping private and public companies achieve long-term competitive advantage by advising on the management of all aspects of their capital agenda.

## Mr Martin Day

Assoc Dip Valuations and Real Estate Management, MBA, FAICD, GAIST Adv

### Board Member

Martin has been on the Mercy Health Boards since 2016. He is Chair of the Mercy Health Ethics Committee and a member of the Finance, Audit and Risk Committee. Prior to this, Martin was Chief Executive Officer of the Private Hospitals Division of St Vincent's Health Australia, which included eight leading private hospitals in Melbourne, Sydney, Brisbane, and Toowoomba. Martin held senior executive roles in the health service industry for 23 years, in both Australian and international acute healthcare markets, including South-East Asia and the Pacific. He also has 20 years of corporate governance experience in the not-for-profit sector, including healthcare and industry superannuation.

Martin's qualifications include Associate Diploma of Valuations and Real Estate Management, RMIT; Master of Business Administration, Deakin University, Victoria; Fellow of Australian Institute of Company Directors; and Graduate of the Australian Institute of Superannuation Trustees. His industry experience includes risk management, clinical governance, workforce development, financial management, operational management, stakeholder engagement, public/private partnerships, and social accountability. Martin is also a Director of Adeney Private Hospital Pty Ltd and East Sydney Day Hospital Pty Ltd. Adeney is a new private hospital in Kew, Melbourne, being developed by a joint venture including Medibank Private and 42 specialist doctors. East Sydney is also a joint venture including Medibank, specialist doctors and other investors.

## Ms Penelope Eden

LLB, Cert Nursing

### Board Member

Penelope joined the Mercy Health Board in May 2021. Penelope brings her broad expertise across health and aged care, mental health, youth and child health, and disability services to the Mercy Health Board, having advised operators across the sector for over 20 years as a legal practitioner. Penelope is a partner at law firm MinterEllison, where she leads the firm's national aged care and human services practice.

Penelope is passionate about the work she does and her contribution to the sector.

Penelope's background as a clinician and longstanding engagement in the health and human services sectors gives her a unique understanding of the complex regulatory and operational environment within which Mercy Health operates. She advises on the regulatory, contractual, and broader commercial risks and opportunities in the rapidly changing human services sector. Penelope is widely regarded as an industry expert and has been consistently recognised in 'Best Lawyers in Australia' and 'Doyles Guide' in the categories of Health and Aged Care, Medical Negligence, Personal Injuries, and Insurance Law.

## Ms Jane Edge

MBA (Exec), GAICD

### Board Member

Jane joined the Mercy Health Board on 1 November 2021. Jane draws on over 25 years' experience in high impact roles delivering social change. She has a unique blend of senior executive/CEO/board experience across strategic and operational management. Jane is a member of the Corporate Governance Remuneration and Nomination Committee. She was appointed to the Finance, Audit and Risk Committee in May 2024.

Jane is the CEO of Australia's largest disability-focused international development organisation, CBM Australia, where she leads catalytic, collaborative, and innovative approaches that see millions of lives transformed each year in a growing movement to end the cycle of poverty and disability. Jane also serves on the Board of the Australian Council for International Development as Vice-President Finance and has held a range of governance roles locally and internationally.

Jane's early career was in journalism and communications, followed by executive management roles and organisational change/executive coaching consulting across a variety of industries. Jane has a Master of Business Administration (Executive) and Advanced Certificate in Executive Coaching.

## Dr Colin Feekery

MBBS, MHA, GAICD

### Board Member

Colin has extensive experience in clinical governance, quality improvement, medical and industrial law and is well regarded professionally as a medical executive and mentor.

Colin graduated from the University of Queensland Medical School in 1979. After training in paediatrics in both Brisbane and Melbourne, in 1990 he became a Fellow of the Royal Australasian College of Physicians. He spent the next 16 years working at both the Royal Children's Hospital, Melbourne and in private practice specialising in behavioural and developmental paediatrics and family therapy.

In 2002, Colin was awarded a Masters of Health Administration by the University of NSW. This qualification launched his career in medical administration when in 2005, he successfully applied for the position of Medical Director of Western Health, Melbourne. From 2008–18, he held the position of Executive Director Medical Services and Research at Eastern Health, Melbourne. This is the second largest health service in the state of Victoria, having 52 sites.

In 2011, Colin was granted an Adjunct Clinical Associate Professorship by Monash University and in 2012, he was admitted to the Royal Australasian College of Medical Administrators. He is now a censor for this college, and a lecturer for the Management for Clinicians Course.

## Dr Jane Fischer

MBBS, FACHPM, GAICD

### Board Member

Jane joined the Mercy Health Board in May 2023 and is also Chair of the Board Quality Committee.

As a former CEO in the Victorian public health sector and an experienced Board Chair in the not-for-profit sector, Jane brings strong leadership, clinical governance, and strategic expertise to the Mercy Health Board.

Jane has a medical background, specialising in palliative medicine and has worked in both metropolitan and rural settings. She has extensive knowledge of the health, aged, and disability sectors and over 20 years of experience in senior health executive roles including as the former CEO/Medical Director at Calvary Health Care Bethlehem. In that role, Jane led a significant change management process resulting in a major organisational restructure. She achieved a financially sustainable model of care with the expansion of ambulatory services and ultimately, the redevelopment of their Caulfield site.

Jane has over 15 years of governance experience and was Chair of Palliative Care Australia for five years. She is skilled at working with government and a range of key stakeholders at a state, national and international level to advocate for funding and policy development. Jane has also been a member of a number of federal and state government advisory committees to influence strategy and policy directions for palliative care.

## Sr Berice Livermore <sup>RSM</sup>

RN, MN, B Health Admin, Dip Theology

### Board Member

Berice joined the Mercy Health Boards in November 2018 and joined the Mercy Health Quality Committee in 2020. A Religious Sister of Mercy, Berice has various qualifications including a Bachelor of Health Administration, as well as extensive experience administering non-profit organisations, particularly in healthcare.

Berice is a consultant to many religious congregations, assisting them in their financial management, governance and planning of strategies for meeting the demands of caring for the elderly among them.

Berice has been a Sisters of Mercy Congregation Leader and Community Leader, Chair of the Institute Finance Committee, Chair of Catherine McAuley Services Ltd and Chair of St Joseph's Cowper Ltd. She is currently Chair of The Corporation of the Trustees of the Sisters of Perpetual Adoration of the Blessed Sacrament Ltd ATF The Sisters of Perpetual Adoration Trust.

## Tim O'Leary

BA Hons, Grad Dip Applied Philosophy

### Board Member

Tim joined the Mercy Health Boards in 2016 and is Chair of the Mercy Health Human Research Ethics Committee. Tim is an experienced business and corporate affairs executive, having worked in the oil, banking, and telecommunications industries. He is currently Executive Director Stewardship for the Catholic Archdiocese of Melbourne. In this role he is responsible for the business, financial and governance aspects of the Archdiocese.

Tim is a Member of Council at Newman College (University of Melbourne) and a board member of Melbourne Archdiocesan Catholic Schools. He is also a former board member of eMotion 21, a for-purpose charity that champions the inclusion of young people with Down Syndrome. Tim has an Honours degree in Arts and a Graduate Diploma in Philosophy from the University of Melbourne.

# EXECUTIVE

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## Angela Nolan

### Group Chief Executive Officer

Angela was appointed Group Chief Executive Officer (GCEO) at Mercy Health Australia in October 2022. This follows five years as Chief Executive Officer of St Vincent's Hospital Melbourne and previous executive positions at St Vincent's in operations and corporate services.

Angela holds a Bachelor of Business and began her career as a Chartered Accountant at Arthur Andersen, working with organisations across a variety of industries, including healthcare, manufacturing, banking and finance and superannuation.

After completing a second qualification in Human Resource Management and Industrial Relations, Angela worked for the ANZ Bank. In her final role at ANZ, Angela was Global Head of HR Advisory and Consulting, where she led significant transformation programs.

Angela has served on the Boards of St Vincent's Research Institute, Aikenhead Centre for Medical Discovery, the Victorian Comprehensive Cancer Centre, and Inclusion Melbourne. Angela was awarded the Australian Centenary Medal for her work with Inclusion Melbourne, a community based not-for-profit organisation that facilitates community involvement for people with intellectual disabilities

## Michael Krieg

### Chief Executive Health Services

Michael joined Mercy Health in February 2024. He is a recognised healthcare leader with demonstrated experience in transformative leadership and implementing strategic vision. Bringing a wealth of experience to the role of Chief Executive Health Services, he has held pivotal roles in healthcare services nationwide.

Previously serving as Group Executive for hospitals at UnitingCare Queensland since 2019, Michael oversaw the operation of four hospitals and over 5,000 staff. He was crucial in leading clinical governance and spearheading the organisation's COVID-19 response.

Before his tenure at UnitingCare Queensland, Michael revitalised the financial performance of The Wesley Hospital in Brisbane as General Manager. Under his

leadership, the hospital introduced accredited Centres of Excellence in Robotic and Bariatric Surgery, setting Australian firsts. The Wesley Hospital is internationally recognised across many specialties for its care provision, research, and training.

Michael's leadership journey includes former Chief Executive Officer roles at various hospitals, including St John of God Ballarat Hospital, Calvary Health Care Tasmania, and others.

With a professional background as a nurse in operating theatres across Australia and London, Michael has recently served as an active board member of Wesley Medical Research and held roles on boards such as Fiona Elsey Cancer Research Institute and Committee for Ballarat. Additionally, he was Chair of the Grampians Integrated Cancer Service, an inaugural member of the Victorian Clinical Council, and a judge for the Premier's Health Service of the Year awards.

## Matthew Posar

### Deputy Group Chief Executive Officer and Group Chief Financial Officer

Matthew assumed the role of Chief Financial Officer at Mercy Health in June 2018. His role involves oversight and direction of the finance and business services function of the organisation.

An accomplished senior executive with considerable Chief Financial Officer and Chief Executive Officer experience, Matthew has a strong commercial background and demonstrated executive experience in ASX listed, private equity-backed companies and not-for-profit organisations. He has leadership experience in the fields of professional services, mining, and health.

Prior to joining Mercy Health, Matthew was Chief Financial Officer and Head of Corporate Services of headspace, the National Youth Mental Health Foundation, from 2012 to January 2018. In addition to his Chief Financial Officer role, he also was the headspace Interim Chief Executive Officer from June 2016 to February 2017.

Matthew has a proven track record in delivering successful commercial and strategic outcomes, with expertise in all aspects of finance including accounting, treasury, government funding, and risk management.

**Simon Cooke**

General Counsel

**Clinton Cummins**

Executive Director Transformation and Performance Improvement

**Clare Douglas**

Chief Executive Healthy Ageing

**Mary-Anne Gallagher**

Chief People Officer

**Cathy Jenkins**

Executive Director Mission, Communications & Stakeholder Relations

**Dr Paul Jurman**

Chief Information and Digital Transformation Officer

**Rebecca MacFarling**

Chief Executive Mercy Health Foundation

**Jason Payne**

Chief Executive Officer, Health Services  
October 2019 – November 2023

**Lesley Dwyer**

Acting Chief Executive Officer, Health Services  
November 2023 – February 2024

## HEALTH SERVICES LEADERSHIP TEAM

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**Ms Robynne Cooke**

Chief Operating Officer (concluded November 2023)

**Tanya Darrer**

General Manager, Mercy Hospital for Women

**Travis Green**

General Manager Health Services Finance (commenced April 2024)

**Kirrily Gilchrist**

Acting Director Business Improvement and Corporate Services (commenced October 2023)

**Adjunct Professor Jeffrey Kirwan**

Chief Medical Officer

**Kent MacMillan**

Director, Allied Health (commenced December 2023)

**Leanne Mills**

Chief Nursing and Midwifery Officer

**Mark O'Connor**

Divisional Chief Finance Officer

**Brendan Pawsey**

General Manager Mental Health

**Bradley Van Ooi**

Acting General Manager, Werribee Mercy Hospital (commenced January 2024)

# WORKFORCE DATA

We confirm that employees have been correctly classified in the workforce data collections.

| Hospitals labour category       | June FTE |         | Average monthly FTE |         |
|---------------------------------|----------|---------|---------------------|---------|
|                                 | 2024     | 2023    | 2024                | 2023    |
| Nursing                         | 1707.78  | 1552.74 | 1636.61             | 1496.76 |
| Administration and Clerical     | 340.73   | 310.75  | 330.55              | 300.92  |
| Medical Support                 | 84.43    | 79.24   | 82.6                | 70.73   |
| Hotel and Allied Services       | 192.81   | 178.72  | 191.2               | 173.06  |
| Medical Officers                | 33.4     | 32.54   | 33.46               | 29.2    |
| Hospital Medical Officers       | 375.71   | 346.8   | 356.72              | 299.83  |
| Sessional Clinicians            | 145.16   | 122.81  | 138.64              | 124.76  |
| Ancillary Staff (Allied Health) | 234.04   | 227.63  | 235.89              | 220.69  |

The planned increased EFT (employed full-time) was due to the opening of the Whittlesea Early Parenting Centre.

Additional staff were also employed by Mercy Health

through the opening of the Rapid Access Hub.

We increased the number of junior medical staff to service the current and expected growth in demand for services.

## Occupational Health and Safety

| Occupational Health and Safety Statistics                           | 2023–24  | 2022–23  | 2021–22  |
|---------------------------------------------------------------------|----------|----------|----------|
| The number of reported hazards/incidents for the year per 100 FTE   | 59.40    | 60.70    | 51.81    |
| The number of 'lost time' WorkCover claims for the year per 100 FTE | 0.75     | 0.96     | 0.89     |
| The average cost per WorkCover claim for the year ('000)            | \$10,925 | \$17,769 | \$13,453 |

Mercy Health actively promotes reporting injuries early for assessment, triage, treatment, and suitable work accommodations to facilitate recovery at work.

A decrease in claims costs is reflective of injuries sustained that have been supported by an early intervention approach, providing contemporary first aid advice and/or appropriate medical treatment with the focus of recovery at work.

At the end of the 2023–24 financial year, employees and their managers were accessing the early intervention triage service to report workplace injuries at an increasing rate of in excess of 82%.

Mercy Health remains focused on supporting staff through the successful early intervention processes with the average back at work rate at 83.49%, supporting

the processes and practices that have been in place since 2018.

Mercy Health has launched the Work Health and Safety Plan 2023-27 that aligns with our People Strategy with the focus on nurturing our people to thrive through initiatives that invest in proactively supporting our people's health, safety, and wellbeing. The plan aims at ensuring we are working together to keep each other safe from harm.

Our new plan has ambitious targets to increase the number of risk records to ensure that our activities are assessed, and risk control measures are implemented, ensure that incident investigations are completed within five days, and support staff to complete their mandatory training. Targets are also in place to reduce injuries, claims, and serious occupational violence events.

To achieve this, work is in progress to establish a Mental Health and Wellbeing Framework, uplift our training programs in both manual handling and occupational violence and aggression prevention, encouraging staff to be safety champions through reward and recognition programs, and ensuring that

staff have access to support networks if they have been exposed to serious events. Staff workspaces, equipment and facilities are also being reviewed to ensure that they are meeting the needs of staff to have a healthy and safe work environment.

Occupational Violence

| Occupational Violence Statistics                                                                                         | 2023-24 | 2022-23 |
|--------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Workcover accepted claims with an occupational violence cause per 100 FTE                                                | 0.20    | 0.22    |
| Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 1.03    | 1.12    |
| Number of occupational violence incidents reported                                                                       | 1,015   | 1,030   |
| Number of occupational violence incidents reported per 100 FTE                                                           | 34.43   | 37.98   |
| Percentage of occupational violence incidents resulting in a staff injury, illness, or condition                         | 1.18%   | 2.72%   |

The following definitions apply:

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 ratings 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 2023–24.

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.

# STATEMENT OF PRIORITIES: OVERARCHING STRATEGY 2023–24

## A Health System That Takes Effective Climate Action

**Reduce clinical and operational practices that are wasteful and environmentally harmful to effectively contribute towards achieving net zero emissions across the health, wellbeing, and care system, including by delivering more energy efficient health service.**

*Status: In progress*

Implementation of emission reduction projects, related to Medical Gases (including Nitrous Oxide and Desflurane), single use plastics and decreasing waste/ increasing recycling rates to align with the “Mercy Health Caring for People and Planet Strategy”.

### Outcomes:

- Nitrous Oxide (N<sub>2</sub>O) is a potent greenhouse gas with a 100-year Global Warming Potential 273 times that of carbon dioxide. Research has found up to 90% of Nitrous Oxide is leaked into the atmosphere prior to reaching patients. N<sub>2</sub>O leaks are financially wasteful and are a significant contributor to the anaesthetic gas carbon footprint of healthcare. A Nitrous Oxide leak detection project has been initiated for the Mercy Hospital for Women and Werribee Mercy Hospital sites. The initial phase involves investigating the existence and estimating the potential extent of Nitrous Oxide leakages. Findings from the initial investigation will be referred to the Health Services, Medical Gas Oversight Committee.
- The Green Champions network has grown in size again after an expression of interest period in late 2023, with 70 passionate staff across six sites and 40 departments now championing sustainability in their departments.
- Waste diversion initiatives led by Green Champions across wards and departments has led to:
  - diversion of clear soft plastics from landfill in our Mercy Hospital for Women peri-operative and supply departments
  - expansion of the PVC recycling program to two new wards, totalling seven wards across Mercy Hospital for Women and Werribee Mercy Hospital

- the development of an approved protocol for recycling single use metal instruments in two clinical areas at Mercy Hospital for Women
- increased use of centralised recycling stations for hard to recycle items, installed at Mercy Hospital for Women and Werribee Mercy Hospital in July 2023
- Desflurane, a potent anaesthetic gas, is only used in limited circumstances. Alternative anaesthetics like propofol and sevoflurane with lower global warming potentials have become the default choice.

**Build a better understanding of the health service's carbon footprint, including Scope 3 (indirect emissions), to inform effective action.**

*Status: Complete*

Submit an article for peer reviewed publication to share the methodology and results of Mercy Health's comprehensive carbon footprint analysis across Scopes 1, 2 and 3 with health and aged care providers across Australia and beyond.

Develop an evidenced based decarbonisation trajectory for Mercy Health across Scopes 1, 2 and 3; with targets for emissions reduction by 2026, 2028, 2030 and 2035.

### Outcomes:

- A peer-reviewed article detailing the methodology and results of Mercy Health's carbon footprinting study across Scopes 1, 2, and 3, undertaken in 2022, was submitted and published in the Australian Health Review in October 2023:

*Desmond, S., Smith, J., Hogg, J., Walton-Hespe, J., & Gardner-Marlin, J. (2023). Gathering the Evidence: Health and Aged Care Carbon Inventory Study. Australian Health Review, 47(6), 634-640.*

This publication contributes to the body of academic and professional literature on environmental sustainability and serves as a valuable resource for the health and aged care sector in Australia and beyond. The publication provides an evidence-based case study that underscores the importance of context-specific carbon footprinting and tailored interventions providing data and insights that can be replicated or adapted to inform policy and practice. It also highlights Mercy

Health's commitment to environmental sustainability and alignment with national and global sustainability goals.

- Following Mercy Health's carbon footprinting assessment in 2022, an evidence-based Decarbonisation Trajectory has been developed to guide the organisation to Net Zero by 2036. The development of the proposed trajectory involved exploring opportunities within 15 emissions categories that were utilised in the Carbon Footprint study (Desmond, et al., 2023) and consideration of emission reductions by scope.
- The recommended scenario for Mercy Health is considered an ambitious, yet suitable long-term target for the organisation. It proposes the organisation pursue ~80% total emissions reduction on FY 21 baseline by 2035 and the remaining ~20% of emissions to be offset via the purchase of carbon offsets credits in 2036 to achieve carbon neutrality.
- Development of a high-level Decarbonisation Action Plan 2024–26 for the organisation which sets the aim to reduce Mercy Health's carbon footprint by 23.8% (26.49 kT Co2-e) on FY 21 baseline by 2026 by focussing on decarbonisation initiatives, within the categories Delivery of Care, Supply Chain, Personal Travel and Commissioned Health Services.

## Care Closer to Home

**Improve pathways through the health system and implement models of care to enable more people to access care closer to, or in their homes.**

*Status: Complete*

Implement and expand the capacity of Hospital in the Home beds across Mercy Hospitals Victoria Ltd.

### Outcomes:

- The Hospital In The Home (HITH) program at Werribee Mercy has achieved its growth targets with 60 beds now open. The program now mirrors our inpatient model of care, with adult surgical, medical, geriatric evaluation medicine, maternity, paediatrics, and neonates. In May, our occupancy was above 70%. However, with the addition of Paediatric HITH in June, it was above 80%.

**Support improved access to services for people managing chronic disease by improving access to home-based and remote service delivery.**

*Status: In progress*

Develop a model of care in conjunction with St Vincent's Hospital Melbourne to improve access to home-based renal therapies.

### Outcomes:

- This project was not achieved and needs to be revisited in 2024–25. Our partnership with St Vincent's regarding our satellite unit requires strengthening, and this item will need to be on the agenda for 2024–25.

## Moving from Competition to Collaboration

**Partner with other organisations (for example community health, ACCHOs, PHNs, General Practice, private health) to drive further collaboration and build a more integrated system.**

*Status: Complete*

Continue to strengthen the Priority Primary Care Centre (PPCC) pathways at Werribee Mercy Hospital.

### Outcomes:

- Werribee Mercy engaged with the Werribee Primary Care Centre and developed streamlined pathways of patient transfer from the Emergency Department to the PPCC. We have continued to build on this relationship in preparation for winter 2024.

**Engage in integrated planning and service design approaches, whilst assuring consistent and strong clinical governance with partners, to join up the system to deliver seamless and sustainable care pathways and build sector collaboration.**

*Status: Complete*

Continue to develop the Rapid Access Hub model of care at Werribee Mercy Hospital to include targeted ESIS activity.

### Outcomes:

- The Werribee Mercy Hospital Endoscopy Rapid Access Hub (RAH) symbolises a partnership initiated in April 2023, supported by the Department of Health (DH) and West Metro Health Service Providers (WMHSP). This collaboration has transformed an unused former operating theatre suite into an RAH, with the goal of delivering high-quality endoscopy services to patients from across the region.
- The RAH was officially launched at Werribee Mercy Hospital in April 2023, in collaboration with the Royal Melbourne Hospital (RMH), Royal Children's Hospital (RCH) and Western Health. The Werribee Mercy Hospital Endoscopy RAH welcomed Peter MacCallum Cancer Centre (PMCC) as a partner in November 2023. In the FY23/24 there were 2,216 patients across the five partner health services. The scope of the RAH has now expanded beyond endoscopy to include day-surgery urology for paediatrics.

## A Stronger Workforce

**Improve employee experience across four initial focus areas to assure safe, high-quality care: leadership, health and safety, flexibility, and career development and agility.**

*Status: In progress*

Commence implementation of the Mercy Health People Strategy 2023–27.

### Outcomes:

- In February 2024, Mercy Health launched its first People Strategy. The People Strategy recognises that investing in the Mercy Health workforce is fundamental to delivering excellent patient, resident, and client care. The People Strategy outlines an ambitious four-year program to prioritise the wellbeing of our people, invest in professional development opportunities, and foster a culture of collaboration and connection to build a more resilient workforce capable of meeting the challenges of today and tomorrow.
- In 2023, Mercy Health implemented its first employee value proposition (EVP), which will play a key role in attracting, engaging, and retaining our talent, ensuring a more sustainable workforce. The tangible assets from the EVP include video stories about our people and refreshed candidate communications, job advertisements and careers information.

- Throughout 2023, Mercy Health conducted an international recruitment campaign aimed at qualified overseas nurses to address critical staffing needs in specialised areas of nursing. This campaign successfully secured eight nurses and midwives for Mercy Hospital for Women, Werribee Mercy Hospital, and Mercy Mental Health and Wellbeing Services.

**Explore new and contemporary models of care and practice, including future roles and capabilities.**

*Status: In progress*

Identify Allied Health advanced practice opportunities and build capacity and capability in clinical practice.

### Outcomes:

- Several Advanced Practice Allied Health opportunities have been identified and are endorsed by Medical and Nursing teams. These include Hand Therapy clinic, Emergency Department musculoskeletal therapy and OsteoArthritis Hip and Knee Service (OAHKS) clinic roles.
- Capacity has been built in each of these roles.
- The subsequent focus is to ensure permanent approvals to continue advanced practice models following temporary implementation projects.

## Improving equitable access to healthcare and wellbeing

**Address service access issues and equity of health outcomes for rural and regional people including more support for primary, community, home-based and virtual care, and addiction services.**

*Status: In progress*

Establish a Women's Health Clinic at Mercy Hospital for Women and Werribee Mercy Hospital in partnership with the Department.

### Outcomes:

This has not yet been achieved.

## **Strengthen programs that support Aboriginal people to access early intervention and prevention services.**

*Status: In progress*

Implement key actions documented in the Mercy Hospitals Victoria Ltd Aboriginal Cultural Safety Plan 2023–2024.

### **Outcomes:**

The goals of improving our services for Aboriginal and Torres Strait Islander Peoples remain ongoing. In 2023–24 Mercy Health implemented a number of initiatives and changes in support of improving cultural safety for Aboriginal and Torres Strait Islander People.

- Aboriginal and/or Torres Strait Islander identification has been added to patient labels (only if patients ticked yes on registration)
  - Create a welcoming environment
  - Acknowledgment of Country plaques were purchased from Kinya Lerrk and are displayed at all Health Services public entrances
  - Plans to install Dixon Patten's artwork from the Health Services Reconciliation Action Plan (RAP) in all birth suites at Werribee Mercy Hospital and Mercy Hospital for Women. Consultation with Aboriginal community members is underway.
- Cultural Safety Training
  - As part of the Replanting the Birthing Trees (RBT) project staff from Mercy Hospital for Women, including senior leaders, participated in a full day cultural training session and co-design workshop facilitated by the RBT project team
  - Thirteen staff from Werribee Mercy Hospital and Mercy Hospital for Women social workers and midwives participated in the First 1000 Australia: Early Life Strategies for Aboriginal and Torres Strait Islander Children and Families training which provides participants with the capacity to address intergenerational trauma and promote strategies for family resilience, mental health, cultural safety, and social and emotional wellbeing
  - 91.4% of Health Services staff have completed the mandatory Aboriginal cultural awareness e-learning package.
- CEO and Leadership
  - Reviewed governance of the Aboriginal Reference Committee so that it reports to Health Services Executive Committee (HSEC)
  - RAP (2021–23), Cultural Safety Plan and Aboriginal and Torres Strait Islander dashboard reported to HSEC
  - Aboriginal Elder invited to perform NAIDOC Week 2024 Welcome to Country and Smoking Ceremony
  - Reporting on Aboriginal and Torres Strait Islander patient discharge against medical advice and left against medical advice, and plans to address this
  - As part of the RBT Project with La Trobe University, currently being implemented at Mercy Hospital for Women, around 10 staff have completed the orientation to become a Wellbeing Champion. Champions are required to complete two, two-day workshops and learn about the We-A-Li approach to understanding complex trauma in Aboriginal families.
- Identifying health needs of Aboriginal and Torres Strait Islander population and plans to address:
  - Health Services Aboriginal and Torres Strait Islander dashboard in DecisionPoint enables live monitoring of the health outcome data of our Aboriginal patients and clients. The data is measured against non-Aboriginal data to reflect our goals in Closing the Gap. The metrics align with our reporting requirements for Aboriginal programs under Indigenous Australians' Health Program (IAHP) funding and the National Key Performance Indicators for Aboriginal and Torres Strait Islander primary health care (NKPI) reports that are nationally reported
  - Past (<5 years) patients of Mercy Hospital for Women will be interviewed as part of the RBT project and birthing experience at Mercy Hospital for Women.

## Excellence in clinical governance

**Working with Safer Care Victoria to reduce hospital acquired complications, including minimising COVID-19 transmission into and within the health service, including to staff and patients.**

*Status: Complete*

Implement a hospital acquired complications (HAC) Working Party and develop strategies to address the HAC rate.

### **Outcomes:**

Establishment of the Hospital Acquired Complication (HAC) Committee including terms of reference.

Creation of a dashboard for HACs. All HACs are assigned to the National Standards Committee where appropriate. The remainder are monitored through the Clinical Care Council.

**Improve access to timely emergency care by implementing strategies that improve whole of system patient flow to reduce emergency department wait times and improve ambulance to health service handover times.**

*Status: In progress*

Implement the Whole of Hospital Access Improvement Work Plan (Project 8) at Werribee Mercy Hospital and evaluate previous projects for sustainability.

### **Outcomes:**

- This is an ongoing priority for Werribee Mercy Hospital. We have made improvements in our ambulance offload time in 2023–24 with year-to-date performance at 71%, compared to 67% in 2022–23. This is despite being on track to receive more ambulances than the year prior. This has been achieved through the work of Whole of Hospital Project 8 and the redesign of our ambulance offload processes. Our work continues to improve our time to treat performance. Current performance is slightly less than in 2022–23, with an increase in presentations greater than 3%.

**Develop strong and effective systems to support early and accurate recognition and management of deterioration of paediatric patients.**

*Status: Complete*

Improve paediatric patient outcomes through the implementation of the “ViCTOR track and trigger” observation chart and escalation system, whenever children have observations taken.

Implement staff training on the “ViCTOR track and trigger” tool to enhance identification and prompt response to deteriorating paediatric patient conditions.

### **Outcomes:**

- The ViCTOR charts have been implemented across all areas that provide Paediatric and Neonatal Care. Use of these charts have been embedded in education frameworks. Chart use is audited by the education teams and fed back to Nurse and Midwifery Unit Managers.

## Working to achieve long term financial sustainability

**Co-operate with and support Department-led reforms that look towards reducing waste and improving efficiency to address financial sustainability, operational and safety performance, and system management.**

*Status: In progress*

Data-driven decision-making: Utilise data analytics and performance metrics to identify areas of inefficiency and waste and make evidence-based decisions to improve financial sustainability and operational performance.

### **Outcomes:**

- A business case for data analytics has been approved.

**Development of a health service financial sustainability plan in partnership with the Department with a goal to achieving long term health service safety and sustainability.**

*Status: In progress*

Implement the financial recovery road map for Mercy Health Services.

### **Outcomes:**

- MHVL Financial Improvement Management Plan was developed.

# PERFORMANCE PRIORITIES

In 2023–24, Mercy Health continued to respond to increased demand. Mercy Health has outperformed in a number of key result areas this year. For those areas where we have not met targets, we will be focused on meeting them through our program of continuous improvement work.

\*The outcomes reported below are reflective of published data available at the time of authoring.

Here, Werribee Mercy Hospital appears as (WMH) and Mercy Hospital for Women appears as (MHW).

## High quality and safe care

| Key performance measure                                                                                                                              | Target               | Result       |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------|-------|
| Infection prevention and control                                                                                                                     |                      |              |       |
| Compliance with the Hand Hygiene Australia program                                                                                                   | 85%                  | 85.3%        |       |
| Percentage of healthcare workers immunised for influenza                                                                                             | 94%                  | 96%          |       |
| Continuing care                                                                                                                                      |                      |              |       |
| Functional independence gain from an episode of rehabilitation admission to discharge relative to length of stay                                     | ≥ 0.645              | 0.686        |       |
| Healthcare associated infections (HAI's)                                                                                                             |                      |              |       |
| Rate of central line (catheter) associated blood stream infections (CLABSI) in intensive care units, per 1,000 central line days                     | Zero                 | 0            |       |
| Rate of healthcare-associated <i>S. aureus</i> bloodstream infections per 10,000 bed days                                                            | ≤ 0.7                | 0.3          |       |
| Patient experience                                                                                                                                   |                      |              |       |
| Percentage of patients who reported positive experiences of their hospital stay – Quarter 1                                                          | 95%                  | 87.6%        |       |
| Percentage of patients who reported positive experiences of their hospital stay – Quarter 2                                                          | 95%                  | 83.2%        |       |
| Percentage of patients who reported positive experiences of their hospital stay – Quarter 3                                                          | 95%                  | 86.2%        |       |
| Maternity and newborn                                                                                                                                |                      | MHW          | WMH   |
| Percentage of full-term babies (without congenital anomalies) who are considered in poor condition shortly after birth (APGAR score <7 to 5 minutes) | ≤ 1.4%               | 1.3%         | 0.7%  |
| Percentage of singleton babies with severe fetal growth restriction (FGR) delivered at 40 or more weeks gestation                                    | ≤ 28.6%              | 17.9%        | 17.9% |
| Aboriginal Health                                                                                                                                    |                      | MHW          | WMH   |
| Percentage of Aboriginal admitted patients who left against medical advice                                                                           | 25% reduction in gap | Not Achieved |       |
| Percentage of Aboriginal emergency department presentations who did not wait to be seen                                                              | 25% reduction in gap | Achieved     |       |

| Key performance measure                                                                                                          | Target | Result |
|----------------------------------------------------------------------------------------------------------------------------------|--------|--------|
| <b>Mental Health</b>                                                                                                             |        |        |
| <b>Patient Experience</b>                                                                                                        |        |        |
| Percentage of mental health consumers who rated their overall experience of care with a service in the last 3 months as positive | 80%    | 61.9%  |
| Percentage of mental health consumers reporting they 'usually' or 'always' felt safe using this service                          | 90%    | 88.6%  |
| Percentage of families/carers reporting a positive experience of the service                                                     | 80%    | 29.4%  |
| Percentage of families/carers who report they were 'always' or 'usually' felt their opinions as a carer were respected           | 90%    | 65.1%  |
| <b>Post-Discharge Follow-up</b>                                                                                                  |        |        |
| Percentage of consumers followed up within 7 days of separation – Inpatient (adult)                                              | 88%    | 88.76% |
| <b>Readmission</b>                                                                                                               |        |        |
| Percentage of consumers re-admitted within 28 days of separation – Inpatient (adult)                                             | < 14%  | 15%    |
| <b>Seclusion</b>                                                                                                                 |        |        |
| Rate of seclusion episodes per 1,000 occupied bed days – Inpatient (adult)                                                       | ≤ 8    | 4      |
| <b>Unplanned Readmissions</b>                                                                                                    |        |        |
| Unplanned readmissions to any hospital following a hip replacement procedure                                                     | ≤ 6%   | NA     |

## Strong governance and leadership

| Key performance measure                                                                                         | Target | Result         |
|-----------------------------------------------------------------------------------------------------------------|--------|----------------|
| <b>Organisational culture</b>                                                                                   |        |                |
| People matter survey – Percentage of staff with an overall positive response to safety culture survey questions | 62%    | Not Applicable |

## Timely access to care

| Key Performance Measure                                                                                                                                            | Target                                             | Result |      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------|------|
| Planned Surgery                                                                                                                                                    |                                                    |        |      |
| Percentage of urgency category 1 planned surgery patients admitted within 30 days                                                                                  | 100%                                               | 100%   |      |
| Percentage of all planned surgery patients admitted within clinically recommended time                                                                             | 94%                                                | 66%    |      |
| Number of patients on the planned surgery waiting list                                                                                                             | 1,960                                              | 2,333  |      |
| Number of patients admitted from the planned surgery waiting list                                                                                                  | 5,738                                              | 5,250  |      |
| Number of patients (in addition to base) admitted from the planned surgery waiting list                                                                            | 1,040                                              | 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 | 41.3%  |      |
| Number of hospital-initiated postponements per 100 scheduled elective surgery admissions                                                                           | ≤ 7                                                | 7.2    |      |
| Emergency Care                                                                                                                                                     |                                                    | MHW    | WMH  |
| Percentage of patients transferred from ambulance to emergency department within 40 minutes                                                                        | 90%                                                | 98%    | 73%  |
| 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%                                                | 83%    | 37%  |
| Percentage of emergency patients with a length of stay in the emergency department of less than four hours                                                         | 81%                                                | 74%    | 39%  |
| Number of patients with a length of stay in the emergency department greater than 24 hours                                                                         | 0                                                  | 0      | 278  |
| Mental Health                                                                                                                                                      |                                                    |        |      |
| Percentage of mental health-related emergency department presentations with a length of stay of less than 4 hours                                                  | 81%                                                | 20%    |      |
| 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%                                                | 16%    |      |

| Key Performance Measure                                                                                               | Target                                    | Result |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------|
| <b>Specialist Clinics</b>                                                                                             |                                           |        |
| Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days | 100%                                      | 49%    |
| Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days | 90%                                       | 94%    |
| <b>Home Based Care</b>                                                                                                |                                           |        |
| Percentage of admitted bed days delivered at home                                                                     | Equal to or better than prior year result | 10%    |
| Percentage of admitted episodes delivered at least partly at home                                                     | Equal to or better than prior year result | 5%     |

## Effective financial management

| Key performance indicator                                                                                              | Target                                                | 2023/24 Result<br>(30 June actual result) |
|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------|
| Operating result (\$m)                                                                                                 | \$0.00                                                | -\$1.72                                   |
| Average number of days to pay trade creditors                                                                          | 60 days                                               | 48                                        |
| Average number of days to receive patient fee debtors                                                                  | 60 days                                               | 128                                       |
| Adjusted current asset ratio                                                                                           | 0.7 or 3% improvement from health service base target | 0.56                                      |
| Actual number of days available cash, measured on the last day of each month                                           | 14 days                                               | 31 days                                   |
| Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June | Variance $\leq$ \$250,000                             | not achieved                              |
| Actual number of days available cash, measured on the last day of each month.                                          | 14 days                                               | 31 days                                   |

Note these results are based on Interim calculations from the June 2024 Victorian Health Services Performance Monitor unless able to be calculated from actual final financial data.

## Activity funding

| Funding Type                                                             | Activity / Actual |
|--------------------------------------------------------------------------|-------------------|
| <b>Consolidated Activity Funding</b>                                     |                   |
| Acute admitted, subacute admitted, emergency services, non-admitted NWAU | 74,635            |
| <b>Acute Admitted</b>                                                    |                   |
| National Bowel Cancer Screening Program NWAU                             | 8                 |
| Acute admitted DVA                                                       | 43                |
| <b>Subacute/Non-Acute, Admitted and Non-admitted</b>                     |                   |
| Subacute – DVA                                                           | 5                 |
| Transition Care – Bed days                                               | 1482              |
| Transition Care – Home days                                              | 375               |

## ICT expenditure

The total ICT expenditure incurred during 2023-24 is \$11,205,466 (excluding GST) with the details shown below.

| Business As Usual (BAU) ICT expenditure | Non-Business As Usual (non-BAU) ICT expenditure                         |                                                               |                                                           |
|-----------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|
| Total (excluding GST)                   | (Total=Operational expenditure and Capital Expenditure) (excluding GST) | Non Business As Usual Operational expenditure (excluding GST) | Non Business As Usual Capital expenditure (excluding GST) |
| \$9.729m                                | \$1.476m                                                                | \$0m                                                          | \$1.476m                                                  |

## Consultancies

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

In 2023/24, there was two consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2023/24 in relation to these consultancies is **\$14,197** (excl. GST).

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

In 2023/24, there were three consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2023/24 in relation to these consultancies is **\$45,141** (excl. GST).

| Consultant         | Purpose of consultancy         | Start date | End date | Total approved project fee (excl. GST) | Expenditure for 2023/24 (excl. GST) | Future expenditure (excl. GST) |
|--------------------|--------------------------------|------------|----------|----------------------------------------|-------------------------------------|--------------------------------|
| Karabena           | Aboriginal Employment Plan     | Sep-22     | Jun-23   | 125,745                                | 13,845                              | 0                              |
| O'Connell Advisory | Medical Imaging Tender         | Nov-22     | Jul-23   | 56,432                                 | 17,256                              | 2,133                          |
| Trakright          | Maintenance Engineering Review | Jun-24     | Jun-25   | 75,640                                 | 14,040                              | 61,600                         |

# REPORTING PROCEDURES

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## Gender Equality Act 2020

While Mercy Health is not considered a defined entity for the purposes of the Act, Mercy Health has a longstanding commitment to gender equity and has voluntarily participated and been recognised as an Employer of Choice by the Workplace Gender Equality Agency (WGEA) (or its equivalent) since 2008.

In 2024, Mercy Health was the only large organisation in the Health and Social Assistance industry to hold a citation across Australia and looks forward to maintaining the citation in years to come. Our application to renew our citation was completed in 2024.

Mercy Health has a three-year Gender Equity Plan, based on the criteria set by WGEA, which sets annual targets aimed at addressing issues of equality. Women are well represented in management and senior roles and the mean gender pay gap between men and women has been trending down since 2019–20.

Mercy Health continues to work hard to improve gender equity through our attraction, development and engagement programs which focus on bringing female talent to our organisation, advancing women at all levels, and supporting women to develop.

## Safe Patient Care Act 2015

Mercy Hospitals Victoria Ltd complies with the obligations under section 40 of the Safe Patient Care Act 2015. The hospital has no matters to report in relation to its obligations under section 40 of the Safe Patient Care Act 2015.

## Car Parking

Mercy Hospitals Victoria Ltd complies with the Victorian Department of Health circular on car parking fees and details of car parking fees and concession benefits can be viewed at [mercyhealth.com.au](https://www.mercyhealth.com.au).

## Public Interest Disclosures Act 2012

Mercy Hospitals Victoria Ltd (MHVL) is committed to the aims and objectives of the Public Interest Disclosures Act 2012 (Vic).

MHVL does not tolerate detrimental action being taken against any person in relation to the making of a public interest disclosure or any other 'whistleblower' disclosure protected by law.

MHVL has developed procedures for the protection of persons from detrimental action being taken against them by MHVL's officers and employees. These procedures include information about the welfare support MHVL will provide to a person who makes a disclosure.

The procedures are readily available to MHVL's officers and employees through Mercy Health's intranet. The procedure accessible to members of the public is available at <https://www.mercyhealth.com.au/legal/policy-information/whistleblowers/>. The Mercy Health website search function also points to the relevant procedure through the search terms of 'whistleblower', 'protected disclosure' and 'public interest disclosure'.

## Additional information available on request

In compliance with the requirements of FRD 22 Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained by Mercy Hospitals Victoria Ltd (MHVL) and are available to the relevant Ministers, Members of Parliament, and the public on request (subject to the Freedom of Information requirements, if applicable):

- a statement of pecuniary interests of all relevant officers
- details of shares held by senior officers as nominee or held beneficially or in a statutory authority or subsidiary
- details of publications produced by MHVL about the activities of MHVL and how these can be obtained.
- details of changes in prices, fees, charges, rates, and levies charged by MHVL
- details of any major external reviews carried out on MHVL
- details of major research and development activities undertaken by MHVL
- 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 MHVL to develop community awareness of MHVL and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees

- general statement on industrial relations within MHVL and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by MHVL, the purposes of each committee and the extent to which those purposes have been achieved, and
- details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

## Disclosures under the Public Interest Disclosures Act 2012

|                                                                                                                                          | 2023–24  | 2022–23  |
|------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
|                                                                                                                                          | Quantity | Quantity |
| The number of disclosures made by an individual to the Department and notified to the Independent Broad-based Anti-corruption Commission | 0        | 0        |
| Assessable disclosures                                                                                                                   | 0        | 0        |

## Environmental performance

Mercy Health is guided by the Mercy Health Strategic Framework 2023 – 2027, which identifies ‘Leading in Sustainability and Agility’ as one of the five strategic commitments to achieve the organisation’s Mission, Vision and Strategic Direction. Specifically, reducing carbon emissions is referenced in the strategy.

Alongside the strategic framework, Mercy Health continues to uphold its Caring for People and Planet 2020–2025 strategy as the roadmap to achieving sustainable models of care, addressing climate change, and maintaining ethical and social responsibility.

The focus in financial year 2023-24 has been on continuous improvement in data collection and harnessing the passion for action exhibited by our network of Green Champions to drive sustainability and waste reduction initiatives across health services.

The Eden Suite Environmental Data Management System (EDMS) collects and tracks environmental data for reporting purposes. This data is analysed to determine trends and impacts of strategic waste reduction initiatives.

The Green Champions is a network of 60 passionate,

environmentally conscious clinical and non-clinical staff across six sites and more than 40 departments. Green Champions are supported in developing Local Action Plans to drive sustainability focused projects and initiatives in their wards or departments.

In 2023-24, the Green Champions introduced PVC recycling in two new wards, clear soft plastics recycling in a theatre department, and developed an approved protocol for recycling single use metal instruments in two departments.

### *Reporting boundary for environmental data*

The environmental data presented in this report covers MHVL locations under operational control, specifically:

- Mercy Hospital for Women (MHW)
- Werribee Mercy Hospital (including Mercy Mental Health services located within Werribee Mercy Hospital) (WMH)
- Mercy Mental Health Community Care Unit
- Mercy Palliative Care
- O’Connell Family Centre

Mercy Mental Health services also operate from three leased sites: Saltwater Clinic, Prevention and Recovery Care (PARC) and Wyndham Clinic.

Saltwater Clinic is considered to be within the MHVL reporting boundary for environmental data, with electricity procurement and waste management within operational control. PARC and Wyndham Clinic operate from shared community health facilities, with utilities, general waste and recycling services and facility management outside of MHVL's operational control and therefore outside of the MHVL reporting boundary for environmental data. However, clinical waste activities at PARC and confidential paper recycling at Wyndham Clinic have been included in MHVL totals as the data is readily available. Corporate fleet data and air travel data associated with the operation of these sites are also included in MHVL totals.

Mercy Health began operating early parenting services at the newly built Woi-wurrung-yagila-wulumperi, Whittlesea Early Parenting Centre (WEPC) in December 2023, however a lease agreement has not yet been executed to bring MHVL onto the property lease. For this reason, WEPC is not considered to be within the MHVL reporting boundary. However, general waste and recycling data has been included in MHVL totals as the data is readily available.

Where appreciable variation in data exist between reporting years, contextual information regarding changes in service operation or data availability will be provided. Completeness of data sets for Werribee Mercy Hospital and Mercy Hospital for Women has been of particular focus as these are the most resource intensive sites within the MHVL reporting boundary.

### *Greenhouse gas emissions*

Consistent with standard reporting conventions, MHVL reports its greenhouse gas emissions as Scopes 1, 2 and 3 emissions. Scope 1 refers to emissions directly emitted by organisationally owned or controlled assets into the local atmosphere, such as backup power diesel generators. Scope 2 refers to indirect emissions from purchased electricity provision, which are emitted at power stations across the National Electricity Market (NEM). These power stations are largely powered by fossil fuels. Scope 3 refers to all other indirect emissions that are not covered by Scopes 1 or 2. These emissions may be beyond the organisation's direct control and

result from the organisation's operations and supply chain, and include indicators such as waste generation and corporate air travel.

Scope 1 emissions increased by 3.3% from 4,355.9 tonnes CO<sub>2</sub>e in 2022-23 to 4,502.0 tonnes CO<sub>2</sub>e in 2023-24. Use of medical gases desflurane, sevoflurane and nitrous oxide increased, while refrigerant leakage remained similar to 2022-23. Changes to values reported in previous financial years arise from a revised apportionment arrangement in EDMS between Mercy Hospital for Women and Austin Health for natural gas use, as well as rounding errors in previous manual refrigerant leakage calculations.

Scope 2 emissions from electricity generation decreased by 3.6% from 9,862.4 tonnes CO<sub>2</sub>e in to 9,503.1 tonnes CO<sub>2</sub>e. Changes to values reported in previous financial years arise from a revised apportionment arrangement in EDMS between Mercy Hospital for Women and Austin Health.

Scope 3 emissions also decreased by 5.6% over this period from 4,664.3 tonnes CO<sub>2</sub>e to 4,403.3 tonnes CO<sub>2</sub>e. This was a result of indirect emissions from commercial air travel, waste disposal, stationary energy and transport decreasing by 1-8%. Reported values that have changed from previous annual reports arise from changes to waste data availability, and from changes to the natural gas apportionment arrangement in EDMS between Mercy Hospital for Women and Austin Health.

Net total greenhouse gas emissions reduced by 2.5% from 18,882.5 tonnes CO<sub>2</sub>e to 18,408.4 tonnes CO<sub>2</sub>e. This result is made more pleasing when taking MHVL's normalising factors into account – ED Departures, Full-Time Equivalent, Length of Stay, Occupied Bed Days and Separations all increased by 3-7% in the same period. While MHVL expanded its services, total CO<sub>2</sub>e emissions decreased.

| GREENHOUSE GAS EMISSIONS                                                                                                              | Jul 23 to Jun 24 | Jul 22 to Jun 23 | Jul 21 to Jun 22 |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|
| G1 Total scope one (direct) greenhouse gas emissions [tonnes CO2e]                                                                    |                  |                  |                  |
| Carbon Dioxide                                                                                                                        | 2,544.7          | 2,644.8          | 2,596.1          |
| Methane                                                                                                                               | 4.6              | 4.8              | 4.8              |
| Nitrous Oxide                                                                                                                         | 2.0              | 2.0              | 1.9              |
| Total                                                                                                                                 | <b>2,551.3</b>   | <b>2,651.7</b>   | <b>2,602.8</b>   |
| GHG emissions from stationary fuel (F2 Scope 1) [tonnes CO2-e]                                                                        | 2,333.5          | 2,466.3          | 2,433.5          |
| GHG emissions from vehicle fleet (T3 Scope 1) [tonnes CO2-e]                                                                          | 217.9            | 185.4            | 169.3            |
| Medical/Refrigerant gases                                                                                                             |                  |                  |                  |
| Desflurane                                                                                                                            | 4.5              | 2.7              | 11.7             |
| Nitrous oxide                                                                                                                         | 1,871.1          | 1,627.7          | 2,770.8          |
| Refrigerant – R134A (HFC-134A)                                                                                                        | 24.4             | 24.4             | -                |
| Refrigerant – R22 (HCFC-22)                                                                                                           | 4.5              | 4.5              | -                |
| Refrigerant – R32 (HFC-32)                                                                                                            | 0.2              | 0.2              | -                |
| Refrigerant – R404A (HFC-404A)                                                                                                        | 1.0              | 1.0              | -                |
| Refrigerant – R407C (blend R32/R125/R134a)                                                                                            | 0.1              | 0.1              | -                |
| Refrigerant – R410A (HFC-410A)                                                                                                        | 21.8             | 21.5             | -                |
| Sevoflurane                                                                                                                           | 23.1             | 22.2             | 21.5             |
| G1 Total scope one (direct) greenhouse gas emissions [tonnes CO2e]                                                                    | <b>4,502.0</b>   | <b>4,355.9</b>   | <b>5,406.8</b>   |
| G2 Total scope two (indirect electricity) greenhouse gas emissions [tonnes CO2e]                                                      |                  |                  |                  |
| Electricity                                                                                                                           | 9,503.1          | 9,862.4          | 10,403.6         |
| G2 Total scope two (indirect electricity) greenhouse gas emissions [tonnes CO2e]                                                      | <b>9,503.1</b>   | <b>9,862.4</b>   | <b>10,403.6</b>  |
| G3 Total scope three (other indirect) greenhouse gas emissions associated with commercial air travel and waste disposal (tonnes CO2e) |                  |                  |                  |
| Commercial air travel                                                                                                                 | 924.7            | 1,008.9          | -                |
| Waste emissions (WR5)                                                                                                                 | 981.0            | 992.5            | 977.6            |
| Indirect emissions from Stationary Energy                                                                                             | 1,354.4          | 1,463.0          | 1,325.5          |
| Indirect emissions from Transport Energy                                                                                              | 980.0            | 1,055.7          | 9.0              |
| Paper emissions                                                                                                                       | -                | -                | 92.9             |
| Any other Scope 3 emissions                                                                                                           | 163.2            | 144.1            | 144.1            |
| G3 Total scope three greenhouse gas emissions [tonnes CO2e]                                                                           | <b>4,403.3</b>   | <b>4,664.3</b>   | <b>2,549.1</b>   |
| Net greenhouse gas emissions (tonnes CO2e)                                                                                            |                  |                  |                  |
| Gross greenhouse gas emissions (G1 + G2 + G3) [tonnes CO2e]                                                                           | 18,408.4         | 18,882.5         | 18,359.5         |
| Any Reduction Measures Offsets purchased (EL4-related)                                                                                | 0.0              | 0                | 0                |
| Any Offsets purchased                                                                                                                 | 0.0              | 0                | 0                |
| Net greenhouse gas emissions [tonnes CO2e]                                                                                            | <b>18,408.4</b>  | <b>18,882.5</b>  | <b>18,359.5</b>  |

## Electricity use

Electricity use data is supplied directly to EDMS by the energy providers for upload on a monthly basis. Mercy Hospital for Women is an exception because the facility's metered electricity use is manually recorded by Austin Health staff. The manual recordings are then provided to Mercy Health at the end of the financial year. Changes to values reported in previous financial years arise from a revised apportionment arrangement in EDMS between Mercy Hospital for Women and Austin Health.

Due to the nature of billing cycles, estimate data was used for Werribee CCU and Saltwater Clinic for the final billing cycle.

There has been a slight increase in electricity use across MHVL, from 14,356.7 MWh in 2022-23 to 14,448.6 MWh in 2023-24.

There have been continued efforts to replace broken fluorescent lighting with LED equivalents at every opportunity across MHVL.

MHVL continues to draw all electricity requirements from the NEM electricity grid as it has not yet pursued onsite renewable electricity generation in any form. No additional electricity offsets have been purchased to offset continued reliance on fossil fuels. The organisation is therefore falling short of its commitment in the Caring for People and Planet strategy to "work towards...100 per cent renewable energy at all sites".

| ELECTRICITY USE                                                              | Jul 23 to Jun 24 | Jul 22 to Jun 23 | Jul 21 to Jun 22 |
|------------------------------------------------------------------------------|------------------|------------------|------------------|
| EL1 Total electricity consumption segmented by source [MWh]                  |                  |                  |                  |
| Purchased                                                                    | 14,448.6         | 14,356.7         | 14,246.7         |
| Self-generated                                                               | 0.0              | 0.0              | 0.0              |
| EL1 Total electricity consumption [MWh]                                      | <b>14,448.6</b>  | <b>14,356.7</b>  | <b>14,246.7</b>  |
| EL2 On site-electricity generated [MWh] segmented by:                        |                  |                  |                  |
| Consumption behind-the-meter                                                 | 0.0              | 0.0              | 0.0              |
| Solar Electricity                                                            | 0.0              | 0.0              | 0.0              |
| Total Consumption behind-the-meter [MWh]                                     | 0.0              | 0.0              | 0.0              |
| Exports                                                                      | 0.0              | 0.0              | 0.0              |
| EL2 Total On site-electricity generated [MWh]                                | <b>0.0</b>       | <b>0.0</b>       | <b>0.0</b>       |
| EL3 On-site installed generation capacity [kW converted to MW] segmented by: |                  |                  |                  |
| Diesel Generator                                                             | 1.5              | 1.5              | 1.5              |
| EL3 Total On-site installed generation capacity [MW]                         | <b>1.5</b>       | <b>1.5</b>       | <b>1.5</b>       |
| EL4 Total electricity offsets segmented by offset type [MWh]                 |                  |                  |                  |
| RPP (Renewable Power Percentage in the grid)                                 | 2,716.3          | 2,699.1          | 2,648.5          |
| EL4 Total electricity offsets [MWh]                                          | <b>2,716.3</b>   | <b>2,699.1</b>   | <b>2,648.5</b>   |

## Stationary energy

Heating and hot water systems are powered by natural gas at most MHVL sites. Natural gas use data is supplied directly to EDMS by the energy providers for upload on a monthly basis. Mercy Hospital for Women is an exception because the facility's reported use is based on a Delineation of Responsibilities agreement with Austin Health. Changes to values reported in previous financial years arise from a revised apportionment arrangement in EDMS between Mercy Hospital for Women and Austin Health.

Due to the nature of billing cycles, estimate data was used for Mercy Palliative Care, O'Connell Family Centre, Werribee Mercy Hospital and Werribee CCU for the final billing cycle.

Natural gas use is comparable to two years ago (approximately 77,000,000 MJ in 2023-24 to 76,000,000 MJ in 2021-22) indicating that the higher use reported in 2022-23 was an outlier. As discussed in the 2022-23 annual report, this high usage was largely attributable to Mercy Hospital for Women, but due to the apportionment arrangement with Austin Health it is difficult to understand the cause.

Diesel is used at Werribee Mercy Hospital for back-up power generation. Refuelling data is collected annually as a proxy for annual fuel usage. No diesel was purchased in 2023-24 due to the refuelling in 2022-23. Diesel fuel generators at Mercy Hospital for Women are not under operational control and are therefore not included in this data.

| STATIONARY ENERGY                                                                                  | Jul 23<br>to Jun 24 | Jul 22<br>to Jun 23 | Jul 21 to<br>Jun 22 |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| F1 Total fuels used in buildings and machinery segmented by fuel type [MJ]                         |                     |                     |                     |
| Natural gas                                                                                        | 45,283,658          | 47,756,202          | 47,225,552          |
| Diesel                                                                                             | 0                   | 76,818              | 0                   |
| F1 Total fuels used in buildings [MJ]                                                              | <b>45,283,658</b>   | <b>47,833,020</b>   | <b>47,225,552</b>   |
| F2 Greenhouse gas emissions from stationary fuel consumption segmented by fuel type [Tonnes CO2-e] |                     |                     |                     |
| Natural gas                                                                                        | 2,333.5             | 2,460.9             | 2,433.5             |
| Diesel                                                                                             | 0.0                 | 5.4                 | 0.0                 |
| F2 Greenhouse gas emissions from stationary fuel consumption [Tonnes CO2-e]                        | <b>2,333.5</b>      | <b>2,466.3</b>      | <b>2,433.5</b>      |

## Transportation

Transport data covers all of MHVL, including leased sites that are otherwise not considered part of the organisational boundary for environmental data.

Corporate fleet data is obtained annually from the organisation's fleet leasing partner. In 2023-24 the MHVL fleet used three fuel sources: petrol, petrol (E10), and diesel. The fleet increased from 98 passenger vehicles in 2022-23 to 103 passenger vehicles in 2023-24 due to further growth in Hospital in the Home services. The rise in the number of vehicles in the fleet has been accompanied by a rise in kilolitres of petrol used and greenhouse gas emissions. No efforts have yet been made to introduce plug-in hybrid or electric vehicles to the corporate fleet, which falls short of the Caring for People and Planet strategy step of "reviewing the hospital car fleet".

Air travel was again captured manually for 2023-24 due to an absence of a centralised travel booking system, however an improvement in the process has ensured

that all approved continuing medical education (CME) claims containing flight travel are captured. Staff groups which were most likely to travel by air were identified to be senior medical staff travelling for CME purposes, and staff in senior leadership and executive roles. CME air travel was extracted from approved claims in the CME claim portal. Assistance in obtaining information about air travel by senior leaders and executive was sought from administrative support staff. Approximately 2.5 million kilometres were travelled on commercial flights, where 99% arose from CME. The reported figure is very similar to 2022-23 data in both number of kilometres travelled and proportion of CME.

MHVL recognises the health and environmental benefits of active travel to and from work by staff. Werribee Mercy Hospital and Mercy Hospital for Women both offer secure bike parking, end-of-trip facilities and a membership discount to Bicycle Network. In October 2023, participation in National Ride2Work day was encouraged.

| TRANSPORT ENERGY                                                                                                                                         | Jul 23<br>to Jun 24 | Jul 22<br>to Jun 23 | Jul 21 to<br>Jun 22 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| T1 Total energy used in transportation (vehicle fleet) within the Entity,<br>segmented by fuel type [MJ]                                                 |                     |                     |                     |
| Petrol                                                                                                                                                   | 3,121,095           | 2,594,073           | 2,396,736           |
| Petrol (E10)                                                                                                                                             | 5,309               | 35,766              | 0                   |
| Diesel                                                                                                                                                   | 92,246              | 110,797             | 102,298             |
| T1 Total energy used in transportation (vehicle fleet) [MJ]                                                                                              | <b>3,218,650</b>    | <b>2,740,637</b>    | <b>2,499,034</b>    |
| T2 Number and proportion of vehicles in the organisational boundary<br>segmented by engine/fuel type and vehicle category                                |                     |                     |                     |
| Road vehicles                                                                                                                                            | 108 (100%)          | 9 (100%)            | 79 (100%)           |
| T2 Passenger vehicles                                                                                                                                    | <b>108 (100%)</b>   | <b>98 (100%)</b>    | <b>79 (100%)</b>    |
| Petrol                                                                                                                                                   | 103 (95%)           | 89 (91%)            | 78 (99%)            |
| E10                                                                                                                                                      | 3 (3%)              | 8 (8%)              | 0 (0%)              |
| Diesel                                                                                                                                                   | 2 (2%)              | 1 (1%)              | 1 (1%)              |
| T2 Internal combustion engine                                                                                                                            | <b>108 (100%)</b>   | <b>98 (100%)</b>    | <b>79 (100%)</b>    |
| T2 Hybrid (independently charged)                                                                                                                        | <b>0 (0%)</b>       | <b>0 (0%)</b>       | <b>0 (0%)</b>       |
| T2 Electric propulsion                                                                                                                                   | <b>0 (0%)</b>       | <b>0 (0%)</b>       | <b>0 (0%)</b>       |
| T3 Greenhouse gas emissions from transportation (vehicle fleet)<br>segmented by fuel type [tonnes CO2-e]                                                 |                     |                     |                     |
| Petrol                                                                                                                                                   | 211                 | 175                 | 162                 |
| Petrol (E10)                                                                                                                                             | 0.3                 | 2                   | 0                   |
| Diesel                                                                                                                                                   | 7                   | 8                   | 7                   |
| T3 Total Greenhouse gas emissions from transportation (vehicle fleet)<br>[tonnes CO2-e]                                                                  | <b>218</b>          | <b>185</b>          | <b>169</b>          |
| T4 Total distance travelled by commercial air travel (passenger km travelled<br>for business purposes by entity staff on commercial or charter aircraft) |                     |                     |                     |
| T4 Total distance travelled by commercial air travel                                                                                                     | 2,582,285           | 2,568,746           | -                   |

Total energy use

MHVL’s total energy use decreased by 4% in 2023-24 compared to 2022-23. While total energy use from transport increased, this was offset by a larger decrease in stationary fuel use. Total energy use from electricity

increased to its highest value in three years. Renewable energy sources listed in E3 arise from the renewable portion of ethanol in E10 fuel and the renewable power percent (RPP) of the National Electricity Market. Energy use when normalised to LOS, separations and floor area all decreased from the previous financial year.

| TOTAL ENERGY USE                                                                                | Jul 23<br>to Jun 24 | Jul 22<br>to Jun 23 | Jul 21<br>to Jun 22 |
|-------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| E1 Total energy usage from fuels, including stationary fuels (F1) and transport fuels (T1) [MJ] |                     |                     |                     |
| Total energy usage from stationary fuels (F1) [MJ]                                              | 45,283,658          | 47,833,020          | 47,225,552          |
| Total energy usage from transport (T1) [MJ]                                                     | 3,218,650           | 2,740,637           | 2,499,034           |
| Total energy usage from fuels, including stationary fuels (F1) and transport fuels (T1) [MJ]    | 48,502,308          | 50,573,657          | 49,724,586          |
|                                                                                                 |                     |                     |                     |
| E2 Total energy usage from electricity [MJ]                                                     |                     |                     |                     |
| E2 Total energy usage from electricity [MJ]                                                     | 52,014,793          | 51,684,093          | 51,288,011          |
|                                                                                                 |                     |                     |                     |
| E3 Total energy usage segmented by renewable and non-renewable sources [MJ]                     |                     |                     |                     |
| Renewable                                                                                       | 9,779,312           | 9,720,186           | 9,534,441           |
| Non-renewable (E1 + E2 – E3 Renewable)                                                          | 90,737,789          | 92,537,564          | 91,478,156          |
|                                                                                                 |                     |                     |                     |
| E4 Units of Stationary Energy used normalised: (F1+E2)/normaliser                               |                     |                     |                     |
| Energy per unit of LOS [MJ/LOS]                                                                 | 504                 | 550                 | 568                 |
| Energy per unit of Separations [MJ/Separations]                                                 | 1,525               | 1,638               | 1,649               |
| Energy per unit of floor space [MJ/m2]                                                          | 1,769               | 1,810               | 1,879               |

Sustainable buildings and infrastructure

2023-24 saw the demolition of an old building block at Werribee Mercy Hospital to make way for the new Emergency Department. Construction works will begin in 2024-25, and once completed any sustainable design features will be disclosed in future reports.

Steps were taken this year to revise Mercy Hospital for Women’s NABERS Energy rating for 2023-24. In previous years an Energy rating of 0 was reported due to an incorrect apportionment of electricity and gas use in EDMS. Actual energy use data for Mercy Hospital for Women was sourced with help from representatives at Austin Health, which was passed onto VHBA to revise the NABERS rating.

| Site                     | NABERS Energy star rating 2023-24 | NABERS Water star rating 2023-24 |
|--------------------------|-----------------------------------|----------------------------------|
| Mercy Hospital for Women | 3.5                               | 4.0                              |
| Werribee Mercy Hospital  | 5.5                               | 5.0                              |
| O’Connell Family Centre  | 4.5                               | 6.0                              |

## Water use

Potable water data is supplied directly to EDMS by the water provider for upload every two months. Due to nature of the billing cycles, estimate data was required for the final billing cycles of 2023-24 for Mercy Palliative Care, O'Connell Family Centre, Werribee Mercy Hospital and Werribee CCU. For the same reason, reported water consumption for 2022-23 and 2021-22 differs from previous annual reports.

Total units of potable water consumed increased by 14% (approximately 10,000kL) from 2022-23 to

2023-24. There has been a marked decrease of 53% in alternate supply consumption (Class A Recycled Water) from previous years, which is only consumed at Werribee Mercy Hospital. Class A Recycled Water invoices between December 2023 and June 2024 could not be sourced, so use during that period has not been reported.

Normalised water consumption has only slightly increased when normalised against LOS, Separations and floor space.

| WATER USE                                                                                                                | Jul 23<br>to Jun 24 | Jul 22<br>to Jun 23 | Jul 21 to<br>Jun 22 |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| W1 Total units of metered water consumed by water source (kl)                                                            |                     |                     |                     |
| Potable water [kL]                                                                                                       | 96,828.0            | 85,091.2            | 76,693.0            |
| Alternate supply consumption [kL]                                                                                        | 1,317.0             | 2,812.0             | 2,822.0             |
| W1 Total units of water consumed [kl]                                                                                    | <b>98,145.0</b>     | <b>87,903.2</b>     | <b>79,515.0</b>     |
|                                                                                                                          |                     |                     |                     |
| W2 Units of metered water consumed normalised by FTE, headcount, floor area, or other entity or sector specific quantity |                     |                     |                     |
| Water per unit of LOS [kL/LOS]                                                                                           | 0.51                | 0.49                | 0.46                |
| Water per unit of Separations [kL/Separations]                                                                           | 1.54                | 1.45                | 1.33                |
| Water per unit of floor space [kL/m2]                                                                                    | 1.78                | 1.60                | 1.52                |

## Waste and recycling

Waste and recycling data is collected directly from waste providers through various data collection arrangements – most waste reports are collected on a monthly basis, while others are collected on a quarterly or ad hoc basis.

There has been a modest increase of 0.8% to the recycling rate from the previous year (19.9% in 2022-23 to 20.7% in 2023-24), a direct result of continued efforts across MHVL to divert recyclables from landfill. These efforts arise from a dedicated Green Champions program designed to empower staff to undertake waste diversion initiatives across their wards or departments, and from projects overseen by the Health Services Sustainability Committee. Three key Green Champion initiatives have led to single use metal instrument diversion from the clinical waste stream at Mercy Hospital for Women; increased participation in a clinical product collection and remanufacturing service at Mercy Hospital for Women and Werribee Mercy Hospital, newly reported under the Other recycling

activity; and clear soft plastics recycling at Mercy Hospital for Women.

2023-24 was the first financial year the centralised recycling stations were fully operational at Werribee Mercy Hospital and Mercy Hospital for Women. The recycling stations were installed to offer staff an accessible way to recycle hard to recycle items. Battery and e-waste recycling increased by over 60% and 80% by weight respectively from 2022-23 figures which can be partly attributed to the availability of these recycling stations. Blister pack recycling is a new recycling stream to MHVL reporting, with a total of 56kg collected (approximately 37,200 blister packs). The recycling stations also allowed staff to recycle approximately 80kg of aluminium coffee pods, contributing to the Other recycling activity figure.

To make way for upcoming construction of the new Emergency Department at Werribee Mercy Hospital, two existing building blocks were decanted in October 2023, for demolition in early 2024. The decant project sparked a 'Spring Clean' of the entire hospital campus,

leading to large increases in e-waste and metals recycling. However, the demolition also required a revision of the toner cartridge recycling process, resulting in a decrease in toner cartridges collections. The new process has been in progress for some months, and with further planned improvements MHVL should see a return to values in previous years.

General waste, commingled recycling, paper recycling and soft plastics recycling services at Mercy Hospital for Women are shared with the Austin hospital as both hospitals are co-located. Mercy Health has been advised by Austin Health that almost all commingled recycling from the site is being disposed of in landfill due to unacceptable levels of contamination. Mercy Health has aligned itself with Austin Health by reporting

commingled recycling weights from the health service under the General waste activity in EDMS for 2023-24, resulting in a lower than anticipated commingled recycling rate.

PVC recycling increased again from the previous year (538.0kg in 2022-2023 to 564.0kg in 2023-24), a direct result from efforts by Green Champions to continue diverting PVC from general waste bins.

There has been an increase in confidential paper recycling across MHVL (81,926.8 kg in 2022-23 to 89,565.7kg in 2023-24). While this could be seen in a positive light, it may hint at higher rates of document printing across the health service.

| WASTE AND RECYCLING                                                           | Jul 23<br>to Jun 24 | Jul 22<br>to Jun 23 | Jul 21 to<br>Jun 22 |
|-------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| WR1 Total units of waste disposed of by waste stream and disposal method [kg] |                     |                     |                     |
| Landfill (total)                                                              |                     |                     |                     |
| General waste – bins                                                          | 202,432.4           | 194,057.8           | 189,827.2           |
| General waste – compactors                                                    | 351,460.0           | 336,930.0           | 304,990.0           |
| General waste – skips                                                         | 26,639.1            | 38,000.0            | 44,600.0            |
| Offsite treatment                                                             |                     |                     |                     |
| Clinical waste – incinerated                                                  | 7,279.8             | 6,344.3             | 6,024.0             |
| Clinical waste – sharps                                                       | 3,940.1             | 4,986.3             | 3,382.2             |
| Clinical waste – treated                                                      | 165,236.2           | 185,186.5           | 205,148.9           |
| Recycling/recovery (disposal)                                                 |                     |                     |                     |
| Batteries                                                                     | 640.9               | 392.0               | 172.8               |
| Blister Packs                                                                 | 56.0                | 0.0                 | 0.0                 |
| Commingled                                                                    | 6,198.6             | 7,993.8             | 5,464.8             |
| E-waste                                                                       | 3,634.8             | 1,909.0             | 935.6               |
| Fluorescent tubes                                                             | 95.0                | 104.7               | 164.2               |
| Grease traps                                                                  | 7,048.4             | 5,047.5             | 3,277.5             |
| Metals                                                                        | 1,071.0             | 0.0                 | 0.0                 |
| Organics (food)                                                               | 0.0                 | 0.0                 | 1,330.0             |
| Other recycling                                                               | 826.8               | 0.0                 | 0.0                 |
| Packaging plastics/films                                                      | 117.0               | 0.0                 | 0.0                 |
| Paper (confidential)                                                          | 89,565.7            | 81,926.8            | 62,311.2            |
| Paper (recycling)                                                             | 87,185.0            | 91,939.0            | 64,247.3            |
| PVC                                                                           | 564.0               | 538.0               | 535.0               |
| Toner & print cartridges                                                      | 395.8               | 561.7               | 461.4               |
| WR1 Total units of waste disposed [kg]                                        | <b>954,386.4</b>    | <b>955,917.3</b>    | <b>892,872.0</b>    |

|                                                                                                                                             |           |           |           |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| WR1 Total units of waste disposed of by waste stream and disposal method [%]                                                                |           |           |           |
| Landfill (total)                                                                                                                            |           |           |           |
| General waste                                                                                                                               | 60.83%    | 59.52%    | 60.41%    |
| Offsite treatment                                                                                                                           |           |           |           |
| Clinical waste – incinerated                                                                                                                | 0.76%     | 0.66%     | 0.67%     |
| Clinical waste – sharps                                                                                                                     | 0.41%     | 0.52%     | 0.38%     |
| Clinical waste – treated                                                                                                                    | 17.31%    | 19.37%    | 22.98%    |
| Recycling/recovery (disposal)                                                                                                               |           |           |           |
| Batteries                                                                                                                                   | 0.07%     | 0.04%     | 0.02%     |
| Blister Packs                                                                                                                               | 0.01%     | 0.00%     | 0.00%     |
| Commingled                                                                                                                                  | 0.65%     | 0.84%     | 0.61%     |
| E-waste                                                                                                                                     | 0.38%     | 0.20%     | 0.10%     |
| Fluorescent tubes                                                                                                                           | 0.01%     | 0.01%     | 0.02%     |
| Grease traps                                                                                                                                | 0.74%     | 0.53%     | 0.37%     |
| Metals                                                                                                                                      | 0.11%     | 0.00%     | 0.00%     |
| Organics (food)                                                                                                                             | 0.00%     | 0.00%     | 0.15%     |
| Other recycling                                                                                                                             | 0.09%     | 0.00%     | 0.00%     |
| Packaging plastics/films                                                                                                                    | 0.01%     | 0.00%     | 0.00%     |
| Paper (confidential)                                                                                                                        | 9.38%     | 8.57%     | 6.98%     |
| Paper (recycling)                                                                                                                           | 9.14%     | 9.62%     | 7.20%     |
| PVC                                                                                                                                         | 0.06%     | 0.06%     | 0.06%     |
| Toner & print cartridges                                                                                                                    | 0.04%     | 0.06%     | 0.05%     |
|                                                                                                                                             |           |           |           |
| WR2 Percentage of office sites covered by dedicated collection services for each waste stream                                               | N/A       |           |           |
|                                                                                                                                             |           |           |           |
| WR3 Total units of waste disposed normalised by FTE, headcount, floor area, or other entity or sector specific quantity, by disposal method |           |           |           |
| Total waste to landfill per patient treated [(kg general waste)/PPT]                                                                        | 1.8       | 1.8       | 1.8       |
| Total waste to offsite treatment per patient treated [(kg offsite treatment)/PPT]                                                           | 0.5       | 0.6       | 0.7       |
| Total waste recycled and reused per patient treated [(kg recycled and reused)/PPT]                                                          | 0.6       | 0.6       | 0.5       |
|                                                                                                                                             |           |           |           |
| WR4 Recycling rate [%]                                                                                                                      |           |           |           |
| Weight of recyclable and organic materials [kg]                                                                                             | 197,398.9 | 190,412.5 | 138,899.8 |
| Weight of total waste [kg]                                                                                                                  | 954,386.4 | 955,917.3 | 892,872.0 |
| WR4 Recycling rate [%]                                                                                                                      | 20.7%     | 19.9%     | 15.6%     |
|                                                                                                                                             |           |           |           |
| WR5 Greenhouse gas emissions associated with waste disposal [tonnes CO2-e]                                                                  |           |           |           |
| tonnes CO2-e                                                                                                                                | 981.0     | 992.5     | 977.6     |

## Carers Recognition Act 2012

Mercy Hospitals Victoria Ltd (MVHL) recognises, promotes, and values the role of carers. The main purposes of the Carers Recognition Act 2012 are to:

- recognise, promote, and value the role of people in care relationships
- recognise the different needs of people in care relationships
- support and acknowledge the benefits care relationships bring to the people in the care relationship and to the community
- enact care relationship principles to promote understanding of the significance of care relationships.

MHVL takes all practical measures to comply with its obligations under the Act, including:

- Promoting the principles of the Act to people in care relationships who receive our services and to the wider community. For example:
  - Support groups and information sessions for bereaved carers run by the Mercy Palliative Care program
  - Employed mental health care consultant and carer peer workers
  - Regular mental health carer support sessions
  - Promotion of and adherence to the Charter of Healthcare Rights.
- Ensuring that our staff have awareness and understanding of the care relationship principles set out in the Act. For example:
  - Induction and training programs offered by the organisation include discussion of the principles of the Act
  - Person-centred care initiatives include engagement of carers in documentation and training
  - REACH escalation program is in place to support carers to address care issues
  - Mental health staff training includes carer participation training.
- Consideration of the carer relationship principles set out in the Act when setting policies and providing services. For example:
  - Flexible working arrangements including leave provisions for employees who are in care relationships is documented in specific policies and procedures

- Our employees and people in care relationships have access to our Employee Assistance Program
- MVHL references the Carer Recognition Act 2012 in its policy and procedure documents.
- Patient experience surveys used by the organisation measures carer recognition, involvement and support in care and decision-making.

## Building Act 1993

Mercy Hospitals Victoria Ltd (MHVL) ensures buildings, plant, and equipment that it owns and leases, are maintained in accordance with the requirements of all relevant statutory authorities. All new building works performed by or on behalf of MHVL comply with current requirements of the Building Code of Australia and other applicable Australian standards, statutory authorities, and codes of practice.

## Freedom of information

The Freedom of Information Act 1982 (Vic) (the Act) allows the public a right of access to documents held by Mercy Hospitals Victoria Ltd.

During 2023–24 Mercy Health Victoria Limited (MHVL) received 816 Freedom of Information (FOI) applications from the general public. There were no requests made from Members of Parliament or the media. Of these requests received:

- access was granted in full to 583 requests
- access was granted in part to 95
- access denied in full to one
- 14 applications were withdrawn
- one was transferred to another agency
- 58 had no documents
- 53 had not yet been finalised as of 30 June 2024.

There were 596 decisions made within statutory period of 30 days. Of the decisions made outside the statutory period:

- 80 were within 45 days with mandatory extensions applied
- 38 decisions exceeded 45 days after mandatory extensions had been applied or extensions were agreed upon by the applicant
- on average decisions were made 16 days after the request was deemed valid.

During 2023–24 three requests were subject to a

complaint/internal review by Office of the Victorian Information Commissioner (OVIC). One request has progressed to the Victorian Civil and Administrative Tribunal (VCAT).

### **Making a request**

Access to documents may be obtained through written request to the Freedom of Information (FOI) Manager, as detailed in section 17 of the Act. In summary, the requirements for making a request of MHVL are:

- the application should be made in writing
- the application should identify as clearly as possible which type of document is being requested
- the application should be accompanied by the appropriate application fee of \$31.80 (as of 30 June 2024). The fee may be waived in upon request.

FOI fact sheets and an access request form are available on the 'Access your information' section of the Mercy Health website at [mercyhealth.com.au](https://mercyhealth.com.au). Requests for documents in possession of MHVL should be addressed to the relevant facility/service:

### **Mercy Hospital for Women/Mercy Health O'Connell Family Centre/Whittlesea Early Parenting Centre**

Freedom of Information Officer  
Health Information Services  
163 Studley Rd Heidelberg Vic 3084

### **Werribee Mercy Hospital**

Freedom of Information Officer  
Health Information Services  
300 Princes Hwy Werribee Vic 3030

### **Mercy Mental Health**

Freedom of Information Officer  
PO Box 2083 Footscray Vic 3011

### **Mercy Hospitals Victoria Ltd**

Freedom of Information Officer  
Level 2, 12 Shelley St Richmond Vic 3121

Access charges may also apply once documents have been processed and a decision on access is made; for example, photocopying and search and retrieval charges.

If an applicant is not satisfied with a decision made by MHVL, they have the right to seek a review, under section 49A of the Act, by the OVIC within 28 days of receiving a decision letter.

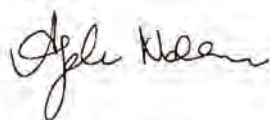
Further information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act, and at [ovic.vic.gov.au](https://ovic.vic.gov.au).

# ATTESTATIONS

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## Integrity, fraud and corruption

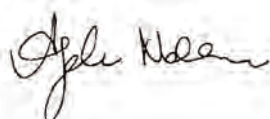
I, Angela Nolan, certify that Mercy Hospitals Victoria Ltd has put in place appropriate internal controls and processes to ensure that Integrity, fraud, and corruption risks have been reviewed and addressed at Mercy Hospitals Victoria Ltd during the year.



Angela Nolan  
Accountable Officer  
13 August 2024

## Conflict of interest

I, Angela Nolan, certify Mercy Hospitals Victoria Ltd that 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 Mercy Hospitals Victoria Ltd 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.



Angela Nolan  
Accountable Officer  
13 August 2024

## Data integrity

I, Angela Nolan, certify that Mercy Hospitals Victoria Ltd has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Mercy Hospitals Victoria Ltd has critically reviewed these controls and processes during the year.



Angela Nolan  
Accountable Officer  
13 August 2024

# DISCLOSURE INDEX

The Mercy Hospitals Victoria Ltd Report of Operations 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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| FRD22                                                      | Significant changes in key initiatives and expectations for the future   | 3-4            |
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| <b>Financial information</b>                               |                                                                          |                |
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| FRD 22                                                     | Compliance with building and maintenance provisions of Building Act 1993 | 44             |
| FRD 22                                                     | Application and operation of Public Interest Disclosure Act 2012         | 32             |
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# YEAR IN REVIEW



## Early Parenting Centres

Woi Wurrung Yagila Wulumperi Whittlesea Early Parenting Centre (WEPC) opened on Monday 27 November 2023.

The name of the centre in Woi-wurrung Language by Wurundjeri Elder Aunty Doreen Garvey Wandin Woi-wurrung-yagila-wulumperi in English is 'To Learn Good Health Learning is knowledge and caring- Health is normally a good condition of someone's body'.

WEPC is part of the Victorian Government \$163 million investment to expand Victoria's Early Parenting Centres (EPC's) network and is one of nine new centres being built across the state. EPCs are a free primary health service. They provide specialist support for Victorian families with children from birth and up to four years.

First Nations artist, Tommy Day was commissioned to install artwork throughout WEPC and his art first welcomes families at the front door before taking them on a journey through the building. Even though the artwork is incomplete, it has already contributed to the building feel safe, warm, welcoming and fun.

EPC's deliver flexible, targeted services that aim to enhance the parent-child relationship. They also support parents with strategies to achieve their parenting goals such as:

- sleep and settling
- child behaviour
- parent and child health and wellbeing.





WEPC is funded to provide:

- a residential program over three to four nights, which is a centre-based intensive early parenting program with a target of 500 families per year
- centre-based day programs with a target of 500 families per year
- home-based care which is intended to be flexible and provide additional support to families to work towards their identified goals. This may be provided as a standalone service, or in conjunction with a mix of residential or day programs. WEPC target is 38 (four hours each target).

WEPC is staffed by a multidisciplinary workforce, which comprises administration, early parenting practitioners, maternal and child health nurses, midwives, nurses, and also includes a psychologist and psychiatrist.

### Community Hub name

In accordance with government approved naming conventions, WEPC is called the Woi-wurrung-yagila-wulumperi Whittlesea Early Parenting Centre so that the Aboriginal name is followed by the English name. As part of the broader EPC network, the WEPC could not specifically reference Mercy Health, however Mercy Health's logo is displayed on signage.

In the WEPC front-of-house building in the administration area, there is a large multipurpose space that has been designed for community use. Approval was sought by the Mercy Ministry Companions and Mercy Health Board to name this space The Mercy and Family Care Sisters Community Hub. This name reflects the long history and work of the Family Care Sisters in support of families with young children (since 1930), as well as the continuation of that work by Mercy Health (since 2008 at the Mercy Health O'Connell Family Centre in Canterbury).





## Werribee Mercy Hospital

### Werribee Mercy Hospital Endoscopy – Rapid Access Hub

The Werribee Mercy Hospital Endoscopy Rapid Access Hub (RAH) is a partnership that commenced services in April 2023 and is supported by the Department of Health (DH) and West Metro Health Service Partnership (WMHSP). The Werribee Mercy Hospital Endoscopy RAH exemplifies the spirit of collaborative healthcare delivery, unified by a shared vision and dedication to patient-centred care. The collaboration transformed an unused former operating theatre suite into a RAH, with the goal of delivering high-quality endoscopy services to patients from across the Western Metropolitan region of Melbourne.

In the 2022–23, the RAH treated 656 patients. In 2023–24, across the five partnering health services, a total of 2,984 patients have been treated. This is a significant milestone in improving healthcare accessibility and efficiency that benefits both Werribee Mercy Hospital patients and patients from our partner health services, demonstrating the wide-reaching impact of our collaborative efforts.

Wait times were reduced for patients needing essential diagnostic and interventional procedures. This timely access to care that is provided by Werribee Mercy

Hospital Endoscopy RAH is vital for:

- diagnosing colorectal cancer because a colonoscopy can detect and remove pre-cancerous polyps, preventing the progression to advanced stages of disease which require surgery and treatment (a wait time that may otherwise take six months or longer)
- managing cases of inflammatory bowel disease
- promptly addressing uncomfortable gastrointestinal symptoms like diarrhoea.

The increased productivity for patients in receipt of this accelerated care has enabled them to resume active participation in personal, social and community activities.

Werribee Mercy Hospital Endoscopy RAH patient Natasha's (name changed for privacy) potential two-month wait was reduced to less than a week when her procedure was fast-tracked. Natasha said the fast turnaround on her colonoscopy procedure brought her peace of mind. 'I would recommend (treatment via the Werribee Mercy Hospital Endoscopy RAH) because the treatment is the same, but it removes the stress of waiting. It's also nice knowing the doctors travel as well.'

Moreover, elective surgery waitlists at Werribee Mercy Hospital and other partner health services have also

been reduced, strengthening the overall Victorian healthcare system by optimising resource allocation, and improving patient outcomes. Natasha's story, alongside data demonstrating improved patient outcomes and reduced waiting times, serves as compelling evidence of the partnership's efficacy and success in achieving its objectives.

The scope of the Werribee Mercy Hospital Endoscopy RAH expanded to include day-surgery urology for paediatrics, further enhancing Werribee Mercy Hospital's reputation for quality paediatric care whilst also attracting skilled staff to work at the hospital. This additional partnership enables surgeons from Royal Children's Hospital (RCH) to deliver day-surgery urology procedures for Wyndham children. As part of the COVID-19 Catch-Up Plan, 72 paediatric urology services were performed at Werribee Mercy Hospital Endoscopy RAH this year. This initiative has fostered a self-sustaining partnership between Werribee Mercy Hospital and RCH, allowing for future direct referrals to their combined waitlist for paediatric urology patients.

Further benefits of the Werribee Mercy Hospital Endoscopy RAH include:

- inter-hospital collaboration
- expanding same-day models of care

- sharing of scarce Anaesthetic Specialist resource to optimise regional service delivery
- inter-hospital connectivity of data and intelligence infrastructure to support inter-hospital communication and secure file transfer protocols for sharing sensitive health information
- integration of diagnostic/pathology results direct to patients domiciled health service and lead proceduralist, either via pathology provider results portal, or direct upload into EPIC EMR for Parkville precinct hospitals
- established networks and infrastructure as a foundation for future collaborations and expansion into broader scopes of practice.

The transition from theatre-based care to a purpose-renovated endoscopy facility, which was initially partially staffed by specialised endoscopy nurses, has bolstered the unit's skills mix and capabilities. This development has led to significant improvements in clinical efficiency and patient safety. The Werribee Mercy Hospital Endoscopy RAH exemplifies the power of collaborative healthcare and showcases a partnership model that delivers a well-connected healthcare system and better healthcare outcomes for Victorians.

## Mercy Mental Health and Wellbeing Service Reducing Restrictive Interventions Collaborative (RRI)

Mercy Mental Health and Wellbeing Service (MMH&WS) was excited to collaborate with Safer Care Victoria (SCV) on the Reducing Restrictive Interventions Collaborative (RRI Collaborative). The objective was to train healthcare staff to develop initiatives supporting a 20% reduction in restrictive practices, including seclusion, by April 2024.

Seclusion is defined as the sole confinement of a person to a room or other enclosed space from which it is not within the control of the person confined to leave.

Using improvement science, and the implementation of strategies such as the Infant, Child and Adolescent (ICA) group programs, RRI Huddles, and ICA environmental changes, MMH&WS successfully reduced episodes of seclusion for mental health consumers by 66%, while reducing the number of consumers exposed to seclusion by 50%. Exposure to mechanical restraints also decreased by 35%.

## Mercy Palliative Care Urgent Need Identification and Team Evaluation Program

Mercy Palliative Care (MPC) is a community palliative care service based in Melbourne's Western Metropolitan region, covering seven local government areas. MPC's multidisciplinary team, available 24/7, cares for 600 patients at any given time, receives 2,220 referrals annually, and manages 120 deaths per month. MPC's Urgent Need Identification and Team Evaluation (UNITE) program addresses urgent and complex patient needs identified during daily multidisciplinary meetings within 24 hours. A multidisciplinary team of senior clinicians provides home visits to manage symptoms, support carers, and ensure necessary equipment is available, enabling patients to remain at home for end-of-life care.

The UNITE Program reviewed a total of 265 patients in 2023–24.

Notable outcomes are outlined below:

- improved response to complex pain in patients in the unstable and deteriorating phase
- improved response to complex symptom management
- improved response to complex family dynamics
- enhanced multidisciplinary team communication and approach to patient goals of care
- 90% of UNITE patients were seen within 24 hours.
- 84% of UNITE patients died in their preferred place of choice.

## Mercy Palliative Care celebrates 40 years

On 6 June 2024 over 50 esteemed past and present leaders, staff, volunteers, and donors gathered at The Pavilion, Werribee Mansion to acknowledge the achievements of 40 years of Mercy Palliative Care (MPC).

Sister of Mercy and first Mercy Hospice Director, Sister Margaret Ryan as well as local parish priest, Father O'Reilly opened proceedings. Mercy Health Group Chief Executive Officer Angela Nolan, honoured the important work of the team, thanking both former and current staff.

'Thank you for your deep understanding about the meaning of life. For your presence. For your unwavering commitment to being with our patients in their living and in their dying. For easing their pain, for helping them find meaning at the end of their lives, for being a hopeful presence to friends and family,' Angela said.



MPC began as a small community service of 20 volunteers, today it comprises 37 nurses, seven doctors, 17 after hours staff and numerous volunteers. The multidisciplinary specialist palliative care team of doctors, nurses, social workers, grief and bereavement counsellors and volunteers, provide a range of services supporting patients and their families. Of note, the 24-hour visiting service offers in-person medical support from a Registered Nurse and Palliative Care Physician and is the only service of its kind in Victoria.

Mercy Health is proud of this tremendous achievement and continues our commitment to providing a high-quality palliative care service to patients and families.



## Mercy Hospital for Women

### Advancing Models of Care for women and babies

#### Homebirth

In 2023, Mercy Hospital for Women was successful in obtaining a Department of Health (DH) grant to establish a publicly funded Homebirth Model of Care.

Research shows that women receiving care through continuity of care models have improved outcomes and higher satisfaction ratings. Expanding the existing Midwifery Group Practice, continuity of care model at Mercy Hospital for Women was deemed the best fit for a home birth program.

A multidisciplinary steering group was formed to provide project governance and determine clinical processes. The steering group worked collaboratively with a range of departments and clinicians to develop a

robust clinical guideline, to set up the support systems and processes, and procure the appropriate equipment for the program.

The program will support women wishing to birth at home who have uncomplicated pregnancies and live within 30 minutes' drive of the hospital. Midwives are currently working in the program to undertake shadowing shifts with homebirth midwives at Joan Kirner hospital. Following this, these staff will participate in scenario simulation training sessions with Ambulance Victoria.

Several women wishing to birth at home are currently receiving antenatal care with the first homebirth planned for November 2024. Gradual expansion of the program to include approximately 60 women will occur across 2025.

## Neonatal Hospital in the Home – Phototherapy at Home for babies with jaundice

The Neonatal Phototherapy at Home Program was launched in June 2024. The program was developed at Mercy Hospital for Women to facilitate treatment of jaundice in babies at home rather than through readmission to hospital. It is funded through the DH Better at Home grant and is a collaboration between Neonatal Services and Mercy at Home teams.

The aim of this program is to provide safe and evidenced-based care, while keeping babies and their primary caregivers together and at home. The program has set criteria for babies and families to be eligible, includes training for staff to educate families, plus has dedicated equipment for the treatment and monitoring of babies.

## Neonatal Nursery Family Hub

In December 2023, Mercy Hospital for Women celebrated the opening of the Neonatal Services Parent Hub with key benefactor, Stephen Mitchell in attendance at the launch. The Parent Hub was redesigned and developed with support of The Mercy Health Foundation through a generous donation from Mr Mitchell and team at Oak Capital.

Mr Mitchell is a past parent of the Special Care Nursery where his son spent many weeks a number of years ago. He shared his personal experience, touching on the trauma families face when their infant is admitted to the Neonatal Intensive Care Unit (NICU).

Mr Mitchell acknowledged the incredible team of doctors who helped them on their journey and despite all the ups and downs, he said the Mercy NICU felt safe and like home.

The Parent Hub is the vision of Mr Mitchell and his team, who wanted to provide a quiet place for parents to take a break. It comprises a lounge area with kitchenette, an outside play area and several rooms for parents to stay overnight as they prepare for discharge.

The design of the Parent Hub feels homely and provides a spacious, calm, light-filled area for parents to treat as their own, away from the clinical surrounds of the Special Care Nursery.





## **MERCY HOSPITALS VICTORIA LTD.**

ABN 74 762 230 429

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

Level 2  
12 Shelley Street  
Richmond Victoria 3121  
Telephone: 03 8416 7777  
Facsimile: 03 8416 7888

# MERCY HOSPITALS VICTORIA LTD.

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# MERCY HOSPITALS VICTORIA LTD.

## Directory

### BOARD

|                                                 |                        |
|-------------------------------------------------|------------------------|
| Ms Virginia Bourke                              | Chair                  |
| Ms Jo Barker                                    |                        |
| Mr Martin Day                                   |                        |
| Ms Penelope Eden                                |                        |
| Ms Jane Edge                                    |                        |
| Dr Colin Feekery                                | Commenced 1 June 2024  |
| Dr Jane Fischer                                 |                        |
| Adjunct Clinical Associate Professor Ian Haines | Ceased 15 January 2024 |
| Sr Berice Livermore rsm                         |                        |
| Mr Timothy O'Leary                              |                        |
| Adjunct Professor Susan Pascoe AM               | Deputy Chair           |
| Adjunct Professor Francis Sullivan AO           |                        |

**SECRETARY** Ms Alison Moran

**REGISTERED  
OFFICE** Level 2, 12 Shelley Street, Richmond, Victoria 3121

**AUDITOR** Victorian Auditor-General's Office

## MERCY HOSPITALS VICTORIA LTD.

### Board Member's, Group Chief Executive Officer's and Chief Finance Officer's Declaration

The attached financial statements for Mercy Hospitals Victoria Ltd. have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and *Regulations 2022*, 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 2024 and the financial position of Mercy Hospitals Victoria Ltd. as at 30 June 2024.

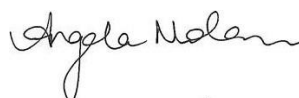
Based on our assessment of these Financial Statements there are reasonable grounds to believe that Mercy Hospitals Victoria Ltd. will be able to pay its debts as and when they become due and payable. The financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

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 30<sup>th</sup> October 2024.



Ms Virginia Bourke  
Chair



Ms Angela Nolan  
Group Chief Executive Officer



Mr Matthew Posar  
Chief Financial Officer

Dated the 30th day of October 2024  
Melbourne

## Auditor-General's Independence Declaration

### To the Board, Mercy Hospitals Victoria Ltd

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

### *Independence Declaration*

As auditor for Mercy Hospitals Victoria Ltd for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.



MELBOURNE  
31 October 2024

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

# Independent Auditor's Report

## To the Board of Mercy Hospitals Victoria Ltd

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Opinion</b>                                           | <p>I have audited the financial report of Mercy Hospitals Victoria Ltd (the health service) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2024</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including material accounting policy information</li> <li>• board member's, group chief executive officer's and chief finance officer's declaration.</li> </ul> <p>In my opinion the financial report is in accordance with Part 7 of the <i>Financial Management Act 1994</i> and Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none"> <li>• presenting fairly, in all material respects, the financial position of the health service as at 30 June 2024 and of its financial performance and its cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2022</i>.</li> </ul> |
| <b>Basis for Opinion</b>                                 | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>                                                                                                                                                                                        |
| <b>Board's responsibilities for the financial report</b> | <p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Financial Management Act 1994</i> and the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, 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.</p> <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                               |

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**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.

I also provide the Board with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

---



Dominika Ryan  
as delegate for the Auditor-General of Victoria

MELBOURNE  
31 October 2024

# MERCY HOSPITALS VICTORIA LTD.

## Comprehensive Operating Statement For the Financial Year Ended 30 June 2024

|                                                              | Note | 2024<br>\$'000  | 2023<br>\$'000 |
|--------------------------------------------------------------|------|-----------------|----------------|
| <b>Revenue and Income from Transactions</b>                  |      |                 |                |
| Operating Activities                                         | 2.1  | 623,271         | 586,990        |
| Non Operating Activities                                     | 2.1  | 2,792           | 2,492          |
| <b>Total Revenue and Income from Transactions</b>            |      | <b>626,063</b>  | <b>589,482</b> |
| <b>Expenses from Transactions</b>                            |      |                 |                |
| Employee Expenses                                            | 3.1  | (475,826)       | (443,496)      |
| Supplies and Consumables                                     | 3.1  | (52,052)        | (45,648)       |
| Finance Costs – Self Funded Activity                         | 3.1  | (171)           | (188)          |
| Depreciation                                                 | 4.3  | (14,559)        | (15,979)       |
| Other Administrative Expenses                                | 3.1  | (65,063)        | (61,447)       |
| Other Operating Expenses                                     | 3.1  | (30,024)        | (29,609)       |
| <b>Total Expenses from Transactions</b>                      |      | <b>637,695</b>  | <b>596,367</b> |
| <b>Net Result from Transactions – Net Operating Balance</b>  |      | <b>(11,632)</b> | <b>(6,885)</b> |
| <b>Other Economic Flows included in Net Result</b>           |      |                 |                |
| Other Gains/(Losses) from Other Economic Flows               | 3.2  | 688             | (197)          |
| <b>Net Result for the year</b>                               |      | <b>(10,944)</b> | <b>(7,082)</b> |
| <b>Other Economic Flows - Other Comprehensive Income</b>     |      |                 |                |
| <b>Items that will not be reclassified to Net Result</b>     |      |                 |                |
| Changes in Property, Plant and Equipment Revaluation Surplus |      | 89,744          | -              |
| <b>Total Other Comprehensive Income</b>                      |      | <b>89,744</b>   | <b>-</b>       |
| <b>Comprehensive Result for the year</b>                     |      | <b>78,800</b>   | <b>(7,082)</b> |

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

# MERCY HOSPITALS VICTORIA LTD.

## Balance Sheet

As at 30 June 2024

|                                                   | Note | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------------------------|------|----------------|----------------|
| <b>Current Assets</b>                             |      |                |                |
| Cash and Cash Equivalents                         | 6.2  | 61,185         | 68,903         |
| Receivables                                       | 5.1  | 4,979          | 5,542          |
| Contract Assets                                   | 5.2  | 3,817          | 803            |
| Inventories                                       |      | 891            | 874            |
| Prepaid Expenses and Other Assets                 |      | 1,212          | 788            |
| <b>Total Current Assets</b>                       |      | <b>72,084</b>  | <b>76,910</b>  |
| <b>Non Current Assets</b>                         |      |                |                |
| Receivables                                       | 5.1  | 23,251         | 22,033         |
| Property, Plant & Equipment                       | 4.1  | 215,553        | 131,496        |
| Right-of-use Assets                               | 4.2  | 1,408          | 1,474          |
| <b>Total Non Current Assets</b>                   |      | <b>240,212</b> | <b>155,003</b> |
| <b>TOTAL ASSETS</b>                               |      | <b>312,296</b> | <b>231,913</b> |
| <b>Current Liabilities</b>                        |      |                |                |
| Payables                                          | 5.3  | 43,195         | 48,539         |
| Contract Liabilities                              | 5.4  | 2,263          | 927            |
| Borrowings                                        | 6.1  | 1,266          | 1,283          |
| Employee Benefits                                 | 3.3  | 82,771         | 77,805         |
| <b>Total Current Liabilities</b>                  |      | <b>129,495</b> | <b>128,554</b> |
| <b>Non Current Liabilities</b>                    |      |                |                |
| Borrowings                                        | 6.1  | 2,968          | 3,600          |
| Employee Benefits                                 | 3.3  | 18,647         | 17,373         |
| <b>Total Non Current Liabilities</b>              |      | <b>21,615</b>  | <b>20,973</b>  |
| <b>TOTAL LIABILITIES</b>                          |      | <b>151,110</b> | <b>149,527</b> |
| <b>NET ASSETS</b>                                 |      | <b>161,186</b> | <b>82,386</b>  |
| <b>EQUITY</b>                                     |      |                |                |
| Restricted Specific Purpose Reserve               | SCE  | 4,017          | 3,882          |
| Property, Plant and Equipment Revaluation Surplus | SCE  | 89,744         | -              |
| Accumulated Surplus                               | SCE  | 67,425         | 78,504         |
| <b>TOTAL EQUITY</b>                               |      | <b>161,186</b> | <b>82,386</b>  |

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

## MERCY HOSPITALS VICTORIA LTD.

### Statement of Changes in Equity For the Financial Year Ended 30 June 2024

|                                         | Restricted<br>Specific<br>Purpose<br>Reserve | Property,<br>Plant and<br>Equipment<br>Revaluation<br>Surplus | Accumulated<br>Surplus | Total          |
|-----------------------------------------|----------------------------------------------|---------------------------------------------------------------|------------------------|----------------|
|                                         | \$'000                                       | \$'000                                                        | \$'000                 | \$'000         |
| <b>Balance at 1 July 2022</b>           | <b>3,529</b>                                 | <b>-</b>                                                      | <b>85,939</b>          | <b>89,468</b>  |
| Net result for the year                 | -                                            | -                                                             | (7,082)                | (7,082)        |
| Transfer to/from accumulated surplus    | 353                                          | -                                                             | (353)                  | -              |
| <b>Balance at 30 June 2023</b>          | <b>3,882</b>                                 | <b>-</b>                                                      | <b>78,504</b>          | <b>82,386</b>  |
| Net result for the year                 | -                                            | -                                                             | (10,944)               | (10,944)       |
| Other Comprehensive Income for the year | -                                            | 89,744                                                        | -                      | 89,744         |
| Transfer to/from accumulated surplus    | 135                                          | -                                                             | (135)                  | -              |
| <b>Balance at 30 June 2024</b>          | <b>4,017</b>                                 | <b>89,744</b>                                                 | <b>67,425</b>          | <b>161,186</b> |

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

# MERCY HOSPITALS VICTORIA LTD.

## Cash Flow Statement

For the Financial Year Ended 30 June 2024

|                                                                 | Note | 2024<br>\$'000   | 2023<br>\$'000   |
|-----------------------------------------------------------------|------|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>                     |      |                  |                  |
| Operating Grants from State Government                          |      | 634,902          | 586,535          |
| Operating Grants from Commonwealth Government                   |      | 6,728            | 4,907            |
| Capital Grants from State Government                            |      | 5,113            | 9,941            |
| Patient Fees Received                                           |      | 16,526           | 16,061           |
| Donations and Bequests Received                                 |      | 1,093            | 610              |
| Interest Received                                               |      | 2,792            | 2,492            |
| Other Receipts Received                                         |      | 8,073            | 9,954            |
| <b>Total Receipts</b>                                           |      | <b>675,227</b>   | <b>630,500</b>   |
| Payments to Employees                                           |      | (467,546)        | (439,808)        |
| Payments for Supplies and Consumables                           |      | (61,328)         | (49,419)         |
| Payments for Medical Indemnity Insurance                        |      | (19,516)         | (17,632)         |
| Payments for Repairs and Maintenance                            |      | (13,074)         | (14,407)         |
| GST Paid to ATO                                                 |      | (42,878)         | (41,679)         |
| Finance Costs                                                   |      | (171)            | (188)            |
| Support Service Charges                                         |      | (36,332)         | (31,752)         |
| Other Payments                                                  |      | (32,644)         | (31,505)         |
| <b>Total Payments</b>                                           |      | <b>(673,489)</b> | <b>(626,390)</b> |
| <b>Net Cash Flows from Operating Activities</b>                 | 8.1  | <b>1,738</b>     | <b>4,110</b>     |
| <b>Cash Flows from Investing Activities</b>                     |      |                  |                  |
| Purchase of Non Financial Assets                                |      | (8,167)          | (10,810)         |
| <b>Net Cash Flows used in Investing Activities</b>              |      | <b>(8,167)</b>   | <b>(10,810)</b>  |
| <b>Cash Flows from Financing Activities</b>                     |      |                  |                  |
| Repayment of Borrowings                                         |      | (1,289)          | (1,240)          |
| <b>Net Cash Flows used in Financing Activities</b>              |      | <b>(1,289)</b>   | <b>(1,240)</b>   |
| <b>Net Decrease in Cash and Cash Equivalents Held</b>           |      | <b>(7,718)</b>   | <b>(7,940)</b>   |
| <b>Cash and Cash Equivalents at Beginning of Financial Year</b> |      | <b>68,903</b>    | <b>76,843</b>    |
| <b>Cash and Cash Equivalents at End of Financial Year</b>       | 6.2  | <b>61,185</b>    | <b>68,903</b>    |

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

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## **Note 1: Basis of Presentation**

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### **Structure**

#### **1.1 Basis of Preparation of the Financial Statements**

#### **1.2 Abbreviations and Terminology used in the Financial Statements**

#### **1.3 Material Accounting Estimates and Judgements**

#### **1.4 Accounting Standards Issued but not yet Effective**

#### **1.5 Goods and Services Tax (GST)**

#### **1.6 Objectives and Funding**

#### **1.7 Equity**

#### **1.8 Reporting Entity**

These financial statements represent the audited general purpose financial statements for Mercy Hospitals Victoria Ltd. for the year ended 30 June 2024. The report provides users with information about Mercy Hospitals Victoria Ltd.'s stewardship of resources entrusted to it.

Mercy Hospitals Victoria Ltd. (MHVL) is a company limited by guarantee, incorporated and domiciled in Australia, which operates entirely within Victoria.

This section explains the basis of preparing the financial statements.

### **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 *Australian Charities and Not-for-profits Commission Act 2012 and Regulations 2022*, 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.

Mercy Hospitals Victoria Ltd. is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Services 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 the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## **Note 1 – Basis of Preparation of the Financial Statements (Continued)**

The financial statements have been prepared on a going concern basis (refer to Note 1.3).

The financial statements are presented in Australian dollars.

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 Mercy Hospitals Victoria Ltd. on 30th October 2024.

### **Note 1.2: 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                                  |
| MHVL      | Mercy Hospitals Victoria Ltd.                                  |
| NWAU      | National Weighted Activity Unit                                |
| SD        | Standing Direction                                             |
| VAGO      | Victorian Auditor General's Office                             |
| MACC      | Mercy Aged & Community Care Ltd.                               |

### **Note 1.3: Material 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.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 1 – Basis of Preparation of the Financial Statements (Continued)

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### Note 1.3: Material Accounting Estimates and Judgements (continued)

The material accounting 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 and related on-costs
- Note 4.1: Property, plant and equipment
- Note 4.2: Right-of-use Assets
- Note 4.3: Depreciation
- Note 5.1: Receivables
- Note 5.2: Contract assets
- Note 5.3: Payables
- Note 5.4: Contract liabilities
- Note 6.1(a): Lease liabilities
- Note 7.4: Fair Value determination

### Note 1.3(i): Going Concern

The Financial statements have been prepared on a going concern basis. The Board of the company in forming this view have noted the following:

- The company reported a net loss for the financial year ended 30 June 2024 of \$10,944,000 before revaluation gains of \$89,744,000 (2023: Loss \$7,082,000).
- The company reported positive cashflows from operating activities of \$1,738,000 (2023: \$4,110,000)
- The company reported a working capital deficiency of \$57,411,000 (2023: \$51,644,000)
- Net equity of \$161,186,000 (2023: \$82,386)
- The working capital deficiency reflects the recognition of the full legal obligations associated with employee entitlements, which are not expected to be repaid in full in the coming twelve months (i.e. annual leave and long service leave). Current leave provisions amount to \$82,771,000 (2023: \$77,805,000) of which only \$40,572,000 (2023: \$38,064,000) is expected to be settle in the next 12 months.

The Directors have reviewed cash flow forecasting and believe the Company has sufficient cash reserves to be able to continue to pay its debts as and when they fall due for at least twelve months from the date of signing the financial statements and as such have prepared the financial statements on the going concern basis. In making this assessment, the ability of the Company as a going concern is dependent upon a combination of the following:

- Continued funding from the Department of Health (DH), as the majority of the Company's revenue used to operate the health service are from DH. At the date of this report, the Directors have received communication from DH confirming that DH will continue to fund Mercy Hospitals Victoria Limited consistently with public hospitals into the future. Funding notification for the financial year ended 30 June 2025 and scheduled cashflows for the year ended 30 June 2026 have been received from DH and timings of cashflows are expected to be received similar to historical patterns, which allows for positive cashflows to be maintained at all times.

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 1 – Basis of Preparation of the Financial Statements (Continued)**

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- Cost saving initiatives currently underway and being implemented by the company, consistent with DH directives.
- Any revisions to funding not known at this time would be accretive to revenue and in line with activity levels, and that any award-based salary and wages also not known at this time, including impact on entitlement will be DH funded.

Should the above matters not occur, a material uncertainty would exist which may cast significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classifications of liabilities, that may be necessary should the Company be unable to continue as a going concern.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 1 – Basis of Preparation of the Financial Statements (Continued)

#### Note 1.4: 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 Mercy Hospitals Victoria Ltd. and their potential impact when adopted in future periods is outlined below:

| Standard                                                                                                                                                      | Adoption Date                                           | Impact                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------|
| AASB 2022-5: <i>Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</i>                                                   | Reporting periods beginning on or after 1 January 2024. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-9: <i>Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector</i>                                                  | Reporting periods beginning on or after 1 January 2026. | Adoption of this standard is not expected to have a material impact. |
| AASB 2022-10: <i>Amendments to Australian Accounting Standards – Fair Values Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> | 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 Mercy Hospitals Victoria Ltd. in future periods.

#### Note 1.5 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 Tax Office (ATO). In this case 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, contingent assets and liabilities are presented on a gross basis.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 1 – Basis of Preparation of the Financial Statements (Continued)

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### Note 1.6: Objectives and Funding

The predominant objects for which the Company is established are:

- (a) to carry on or assist in the carrying on of the charitable activities of Mercy Ministry Companions (our sole member) in connection with hospital, health care and related services;
- (b) to operate:
  - (i) Mercy Hospital for Women, Heidelberg
  - (ii) Werribee Mercy Hospital; and
  - (iii) other hospitals, health and related services, as determined by the Company; and
- (c) to educate and train:
  - (i) medical, nursing, social welfare and pastoral care students at undergraduate, intern and postgraduate level; and
  - (ii) others engaged in hospital, health care and related services on a paid or voluntary basis.

The Company will:

- (a) operate at all times as part of the mission of the Catholic Church, conforming to its law and teachings;
- (b) reflect in its policies and practices the ideals and values exemplified by Jesus Christ;
- (c) uphold and nurture the tradition of service to 'the poor, sick and uneducated' begun by Venerable Catherine McAuley in the name of God's mercy; and
- (d) promote the theological framework of Mercy Ministry Companions (our sole member).

Mercy Hospitals Victoria Ltd. is predominantly funded by grant funding from the Department of Health for the provision of outputs. Mercy Hospitals Victoria Ltd. also receives income from the supply of services.

### Note 1.7: Equity

Consistent with the requirements of *AASB 1004 Contributions*, contributions by members are treated as equity transactions and, therefore, do not form part of the income and expenses of Mercy Hospitals Victoria Ltd.

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

The Company has one class of membership, and as at 30 June 2024, 1 member. Should the Company be wound up, each current member or former member (who was a member during the year prior to commencement of the winding up) must contribute \$100 to the Company's property.

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 1 – Basis of Preparation of the Financial Statements (Continued)**

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#### **Note 1.8: Reporting Entity**

The financial statements include all the controlled activities of Mercy Hospitals Victoria Ltd.

Mercy Hospitals Victoria Ltd.'s principal address is:

Level 2  
12 Shelley Street  
Richmond  
Victoria 3121

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

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 2: Funding Delivery of our Services

Mercy Hospitals Victoria Ltd. overall objective is outlined in Note 1.6. Mercy Hospitals Victoria Ltd. is predominantly funded by grant funding for the provision of outputs. Mercy Hospitals Victoria Ltd. also receives income from the supply of services.

### Structure

#### 2.1 Revenue and Income from Transactions

##### 2.1(a) Timing of Revenue from Contracts with Customers

#### Material judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates                                        | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Identifying performance obligations                                      | Mercy Hospitals Victoria Ltd. applies material judgement 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 criterion is met, the contract/funding agreement is treated as a contract with a customer, requiring Mercy Hospitals Victoria Ltd. to recognise revenue as or when the health service transfers promised goods or services to the beneficiaries.<br><br>If this criterion is not met, funding is recognised immediately in the net result from operations. |
| Determining timing of revenue recognition                                | Mercy Hospitals Victoria Ltd. applies material 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 time of capital grant income recognition                     | Mercy Hospitals Victoria Ltd. applies material 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 | Mercy Hospitals Victoria Ltd. applies material judgement to determine the fair value of assets and services provided free of charge or for nominal value.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

| <b>Note 2.1 : Revenue and Income from Transactions</b>                    | <b>Note</b>   | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|---------------------------------------------------------------------------|---------------|------------------------|------------------------|
| <b>Operating Activities</b>                                               |               |                        |                        |
| <b>Revenue from Contracts with Customers</b>                              |               |                        |                        |
| Government Grants (State) - Operating                                     |               | 260,928                | 364,295                |
| Government Grants (Commonwealth) - Operating                              |               | 6,728                  | 4,907                  |
| Patient Fees                                                              |               | 12,606                 | 14,854                 |
| Private Practice Fees                                                     |               | 3,324                  | 3,317                  |
| Commercial Activities                                                     |               | 4,488                  | 4,178                  |
| <b>Total Revenue from Contracts with Customers</b>                        | <b>2.1(a)</b> | <b>288,074</b>         | <b>391,551</b>         |
| <b>Other Sources of Income</b>                                            |               |                        |                        |
| Government Grants (State) - Operating                                     |               | 323,814                | 179,951                |
| Government Grants (State) - Capital                                       |               | 4,648                  | 9,037                  |
| Other Revenue from Operating Activities (including non-capital donations) |               | 6,735                  | 6,451                  |
| <b>Total Other Sources of Income</b>                                      |               | <b>335,197</b>         | <b>195,439</b>         |
| <b>TOTAL REVENUE AND INCOME FROM OPERATING ACTIVITIES</b>                 |               | <b>623,271</b>         | <b>586,990</b>         |
| <b>Non-operating Activities</b>                                           |               |                        |                        |
| <b>Income from Other Sources</b>                                          |               |                        |                        |
| Other Interest                                                            |               | 2,792                  | 2,492                  |
| <b>TOTAL INCOME FROM NON-OPERATING ACTIVITIES</b>                         |               | <b>2,792</b>           | <b>2,492</b>           |
| <b>TOTAL REVENUE AND INCOME FROM TRANSACTIONS</b>                         |               | <b>626,063</b>         | <b>589,482</b>         |

## Note 2.1(a): Timing of Revenue from Contracts with Customers

Mercy Hospitals Victoria Ltd. disaggregates revenue by the timing of revenue recognition.

### Goods and Services transferred to customers

|                                                    |                |                |
|----------------------------------------------------|----------------|----------------|
| At a point in time                                 | 283,586        | 387,373        |
| Over time                                          | 4,488          | 4,178          |
| <b>Total Revenue from Contracts with Customers</b> | <b>288,074</b> | <b>391,551</b> |

### How we recognise revenue and income from operating activities

#### Government operating grants

To recognise revenue, Mercy Hospitals Victoria Ltd. 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*.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## **Note 2.1: Revenue and Income from Transactions (Continued)**

When both these conditions are satisfied, the health service:

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

If a contract liability is recognised, Mercy Hospitals Victoria Ltd. 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, the health service:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example, AASB 9, AASB 16, AASB 116 and AASB 138),
- 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.

In contracts with customers, the 'customer' is typically a funding body, who is the party that promises funding in exchange for Mercy Hospitals Victoria Ltd.'s goods or services. Mercy Hospitals Victoria Ltd. 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.

The policy applies to each of Mercy Hospitals Victoria Ltd.'s revenue streams, with information detailed below relating to Mercy Hospitals Victoria Ltd.'s significant revenue streams.

The types of government grants recognised under *AASB 15: Revenue from Contracts with Customers* includes:

| <b>Government grant</b>                                                     | <b>Performance obligation</b>                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 point in time, which is when a patient is discharged. |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 2.1: Income from Transactions (Continued)

| Government grant                                                                                                | Performance obligation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mental Health Inpatient<br>Mental Health Community<br>Emergency Department<br>Sub-Acute NWAU<br>Early Parenting | The Mental Health program supports mental health management services both in hospital and the community with service delivery targets.<br>The Emergency department program supports the in hospital service available to the urgent medical needs of local community on a 24 hour a day basis.<br>The performance obligations of Sub-Acute NWAU are the number and mix of attendees for Geriatric Evaluation and Management, Palliative Care and Rehabilitation services in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities.<br>For all of these revenue is recognised over time, as and when the services are delivered. |

#### Capital Grants

Where Mercy Hospitals Victoria Ltd. 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 Mercy Hospitals Victoria Ltd.'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 Fees

Patient fees are charges that can be levied on patients for some services they receive. Patient fees are recognised at a point in time when the performance obligation, the provision of services, is satisfied, except where the patient 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 training and seminar fees and property rentals. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

#### How we recognise revenue and income from non-operating activities

##### Interest Income

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

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 2.1: Income from Transactions (Continued)

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

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

| Supplier                              | Description                                                                                                                                                                                                                                                                                                |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Victorian Managed Insurance Authority | The Department of Health purchases non-medical indemnity insurance for Mercy Hospitals Victoria Ltd. 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) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements with the Department of Health.                                                                                                                     |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 3: The Cost of Delivering our Services

This section provides an account of the expenses incurred by the health service in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the costs associated with provision of services are disclosed.

### Structure

#### 3.1 Expenses from Transactions

#### 3.2 Other Economic Flows

#### 3.3 Employee Benefits and Related on-costs

#### 3.4 Superannuation

### Material judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates        | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Classifying employee benefit liabilities | <p>Mercy Hospitals Victoria Ltd. applies material judgement when measuring its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if Mercy Hospitals Victoria Ltd. 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.</p> <p>Employee benefit liabilities are classified as a non-current liability if Mercy Hospitals Victoria Ltd. 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.</p>                                                                                                                                                                                                                                                                                                                                                                                         |
| Measuring employee benefit liabilities   | <p>Mercy Hospitals Victoria Ltd. applies material judgement when measuring its employee benefit liabilities.</p> <p>The health service applies judgement to determine when it expects its employee entitlements to be paid.</p> <p>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.</p> <p>Expected future payments incorporate:</p> <ul style="list-style-type: none"><li>• an inflation rate of 4.45%, reflecting the future wage and salary levels</li><li>• 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 that have not yet reached the vesting period. The estimated probability rates are between 13.43% and 95.86%</li><li>• discounting at the rate of 4.348%, as determined with reference to market yields on government bonds at the end of the reporting period.</li></ul> <p>All other entitlements are measured at their nominal value.</p> |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|                                                      | 2024<br>\$'000 | 2023<br>\$'000 |
|------------------------------------------------------|----------------|----------------|
| <b>Note 3.1: Expenses from Transactions</b>          |                |                |
| Salaries and Wages                                   | 415,833        | 384,434        |
| On-costs                                             | 41,076         | 37,020         |
| Agency Expenses                                      | 14,477         | 17,417         |
| Fee for Service Medical Officer Expenses             | 600            | 979            |
| Workcover Premium                                    | 3,840          | 3,646          |
| <b>Total Employee Expenses</b>                       | <b>475,826</b> | <b>443,496</b> |
| Drug Supplies                                        | 9,872          | 9,033          |
| Medical and Surgical Supplies (including Prostheses) | 20,668         | 18,952         |
| Diagnostic and Radiology Supplies                    | 18,392         | 14,882         |
| Other Supplies and Consumables                       | 3,120          | 2,841          |
| <b>Total Supplies and Consumables</b>                | <b>52,052</b>  | <b>45,648</b>  |
| Finance Costs                                        | 171            | 188            |
| <b>Total Finance Costs</b>                           | <b>171</b>     | <b>188</b>     |
| Other Administrative Expenses                        | 65,063         | 61,447         |
| <b>Total Other Administrative Expenses</b>           | <b>65,063</b>  | <b>61,447</b>  |
| Fuel, Light, Power and Water                         | 3,068          | 3,339          |
| Repairs and Maintenance                              | 3,113          | 3,156          |
| Maintenance Contracts                                | 5,590          | 6,602          |
| Medical Indemnity Insurance                          | 18,253         | 16,512         |
| <b>Total Other Operating Costs</b>                   | <b>30,024</b>  | <b>29,609</b>  |
| <b>TOTAL OPERATING EXPENSES</b>                      | <b>623,136</b> | <b>580,388</b> |
| Depreciation and Amortisation (refer Note 4.3)       | 14,559         | 15,979         |
| <b>TOTAL DEPRECIATION AND AMORTISATION</b>           | <b>14,559</b>  | <b>15,979</b>  |
| <b>TOTAL NON OPERATING EXPENSES</b>                  | <b>14,559</b>  | <b>15,979</b>  |
| <b>TOTAL EXPENSES FROM TRANSACTIONS</b>              | <b>637,695</b> | <b>596,367</b> |

## How we recognise expenses from transactions

### 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, termination payments);
- On-costs;
- Agency expenses;
- Fee for service medical officer expenses;
- Workcover premium.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## **Note 3.1: Expenses from Transactions (Continued)**

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### **Supplies and Consumables**

Supplies and service 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:

- Interest on bank overdrafts and short-term and long-term borrowings (interest expense is recognised in the period in which it is incurred); and
- Finance charges in respect of leases which are recognised in accordance with AASB 16 *Leases*.

### **Other operating expenses**

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

- Fuel, light, power and water;
- Repairs and maintenance; and
- Other administrative expenses.

The Department of Health also makes certain payments on behalf of Mercy Hospitals Victoria Ltd. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and also recording a corresponding expense.

### **Non-operating expenses**

Other non-operating expenses generally represent expenditure outside the normal operations such as depreciation and amortisation.

| <b>Note 3.2: Other Economic Flows</b>                          | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|----------------------------------------------------------------|------------------------|------------------------|
| Net gain/(loss) arising from revaluation of long service leave | 688                    | (197)                  |
| <b>Total Gains/(Losses) from Other Economic Flows</b>          | <b>688</b>             | <b>(197)</b>           |

### **How we recognise other economic flows**

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

Other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes in bond interest rates and wage inflation rate movements.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|                                                                          | 2024<br>\$'000 | 2023<br>\$'000 |
|--------------------------------------------------------------------------|----------------|----------------|
| <b>Note 3.3: Employee Benefits and Related on-costs</b>                  |                |                |
| <b>Current Employee Benefits and Related on-costs</b>                    |                |                |
| Accrued Days Off                                                         |                |                |
| - Unconditional and expected to be settled within 12 months <sup>i</sup> | 932            | 774            |
| Annual Leave                                                             |                |                |
| - Unconditional and expected to be settled within 12 months <sup>i</sup> | 26,159         | 24,140         |
| - Unconditional and expected to be settled after 12 months <sup>ii</sup> | 4,616          | 4,260          |
| Long Service Leave                                                       |                |                |
| - Unconditional and expected to be settled within 12 months <sup>i</sup> | 5,588          | 5,637          |
| - Unconditional and expected to be settled after 12 months <sup>ii</sup> | 32,227         | 30,684         |
|                                                                          | 69,522         | 65,495         |
| Provisions related to employee benefit on-costs                          |                |                |
| - Unconditional and expected to be settled within 12 months <sup>i</sup> | 7,894          | 7,513          |
| - Unconditional and expected to be settled after 12 months <sup>ii</sup> | 5,355          | 4,797          |
|                                                                          | 13,249         | 12,310         |
| <b>TOTAL CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>              | <b>82,771</b>  | <b>77,805</b>  |
| <b>Non-Current Employee Benefits and Related on-costs</b>                |                |                |
| Conditional Long Service Leave <sup>ii</sup>                             | 16,538         | 15,546         |
| Provisions related to employee expenses on-costs <sup>ii</sup>           | 2,109          | 1,827          |
| <b>TOTAL NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>          | <b>18,647</b>  | <b>17,373</b>  |
| <b>TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>                      | <b>101,418</b> | <b>95,178</b>  |

<sup>i</sup> The amounts disclosed are nominal amounts.

<sup>ii</sup> The amounts disclosed are discounted to present values.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|                                                                 | 2024<br>\$'000 | 2023<br>\$'000 |
|-----------------------------------------------------------------|----------------|----------------|
| <b>Note 3.3(a): Employee Benefits and Related On-costs</b>      |                |                |
| Unconditional Long Service Leave Entitlements                   | 42,636         | 40,588         |
| Unconditional Annual Leave Entitlements                         | 39,085         | 36,352         |
| Unconditional Accrued Days Off                                  | 1,050          | 865            |
| <b>Total Current Employee Benefits and Related On-costs</b>     | <b>82,771</b>  | <b>77,805</b>  |
| Conditional Long Service Leave Entitlements                     | 18,647         | 17,373         |
| <b>Total Non-current Employee Benefits and Related On-costs</b> | <b>18,647</b>  | <b>17,373</b>  |
| <b>TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>             | <b>101,418</b> | <b>95,178</b>  |
| <b>Attributable to:</b>                                         |                |                |
| Employee Benefits                                               | 86,060         | 81,041         |
| Provision for Related On-costs                                  | 15,358         | 14,137         |
| <b>TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>             | <b>101,418</b> | <b>95,178</b>  |

### Note 3.3(b): Provision for related on-costs movement schedule

|                                                                   |               |               |
|-------------------------------------------------------------------|---------------|---------------|
| <b>Carrying Amount at start of year</b>                           | <b>14,137</b> | <b>12,454</b> |
| Additional provisions recognised                                  | 8,620         | 8,288         |
| Net gain arising from revaluation of long service leave liability | 2,114         | 2,098         |
| Amounts incurred during the year                                  | (9,513)       | (8,703)       |
| <b>Carrying Amount at end of year</b>                             | <b>15,358</b> | <b>14,137</b> |

### How we recognise employee benefits

#### Employee Benefit Recognition

Employee benefits are accrued for employees in respect to 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 sick leave 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 Mercy Hospitals Victoria Ltd. 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 Mercy Hospitals Victoria Ltd. expects to wholly settle within 12 months; or

Present value – if Mercy Hospitals Victoria Ltd. does not expect to wholly settle within 12 months.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 3.3: Employee Benefits (Continued)

### 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 Mercy Hospitals Victoria Ltd. 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 the health service expects to wholly settle within 12 months; and
- Present value – if the health service does not expect to wholly settle within 12 months.

Conditional LSL is measured at present value and disclosed as a non-current liability. 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.

### 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 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 provisions for employee benefits.

## Note 3.4: Superannuation

|                                          | Paid Contributions<br>for the year |               | Contributions<br>outstanding at |              |
|------------------------------------------|------------------------------------|---------------|---------------------------------|--------------|
|                                          | 2024                               | 2023          | 2024                            | 2023         |
|                                          | \$'000                             | \$'000        | \$'000                          | \$'000       |
| <b>Defined Benefit Plan <sup>i</sup></b> |                                    |               |                                 |              |
| First State Super Fund                   | 75                                 | 96            | 8                               | 7            |
| <b>Defined Contribution Plans</b>        |                                    |               |                                 |              |
| First State Super Fund                   | 15,126                             | 14,746        | 1,687                           | 1,483        |
| HESTA                                    | 15,026                             | 13,641        | 1,786                           | 1,486        |
| Australian Super                         | 1,393                              | 1,017         | 162                             | 158          |
| Hostplus                                 | 950                                | 747           | 116                             | 93           |
| REST                                     | 596                                | 428           | 82                              | 87           |
| Others <sup>ii</sup>                     | 4,485                              | 3,419         | 539                             | 305          |
| <b>Total</b>                             | <b>37,651</b>                      | <b>34,094</b> | <b>4,380</b>                    | <b>3,619</b> |

<sup>i</sup> The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

<sup>ii</sup> Other Superannuation funds main contributors are Q Super and Uni Super.

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 3.4: Superannuation (Continued)**

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#### **How we Recognise Superannuation**

Employees of Mercy Hospitals Victoria Ltd. are entitled to receive superannuation benefits and it contributes to both defined benefit and defined contribution plans.

#### **Defined Benefit Superannuation Plans**

A 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 Mercy Hospitals Victoria Ltd. to the superannuation plans in respect of the services of current Mercy Hospitals Victoria Ltd. staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based on actuarial advice.

Mercy Hospitals Victoria Ltd. does not recognise any unfunded defined benefit liability in respect of the plans because the health service 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. Superannuation contributions paid or payable for the reporting period however, are included as part of employee benefits in the Comprehensive Operating Statement of Mercy Hospitals Victoria Ltd.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Mercy Hospitals Victoria Ltd. 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 name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by Mercy Hospitals Victoria Ltd. are disclosed above.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 4: Key Assets to Support Service Delivery

Mercy Hospitals Victoria Ltd. 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 Mercy Hospitals Victoria Ltd. to be utilised for delivery of those outputs.

#### Structure

##### 4.1 Property, Plant & Equipment

##### 4.2 Right-of-use Assets

##### 4.3 Depreciation

##### 4.4 Impairment of Assets

#### Material judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Estimating useful life of property, plant and equipment | Mercy Hospitals Victoria Ltd. assigns an estimated useful life to each item of property, plant and equipment. This is used to calculate depreciation of the asset. The health service 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 the health service 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>Mercy Hospitals Victoria Ltd. applies material judgement to determine whether or not it is reasonably certain to exercise such purchase options. |
| Estimating restoration costs at the end of a lease      | Where a lease agreement requires Mercy Hospitals Victoria Ltd. to restore a right-of-use asset to its original condition at the end of a lease, the health service estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.                                                                                                            |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 4: Key Assets to Support Service Delivery

| Key judgements and estimates         | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Identifying indicators of impairment | <p>At the end of each year, Mercy Hospitals Victoria Ltd. assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment.</p> <p>The health service considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"><li>• If an asset's value has declined more than expected based on normal use</li><li>• If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset</li><li>• If an asset is obsolete or damaged</li><li>• 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</li><li>• If the performance of the asset is or will be worse than initially expected.</li></ul> <p>Where an impairment trigger exists, the health services applies material judgement and estimate to determine the recoverable amount of the asset.</p> |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|                                                               | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| <b>Note 4.1: Property Plant &amp; Equipment</b>               |                |                |
| Leasehold Improvements at Fair Value                          | 191,749        | 174,169        |
| Less Accumulated Depreciation                                 | (8,438)        | (72,175)       |
| <b>Total Buildings - Leasehold Improvements at Fair Value</b> | <b>183,311</b> | <b>101,994</b> |
| Plant and Equipment at Fair Value                             | 23,842         | 23,659         |
| Less Accumulated Depreciation                                 | (16,713)       | (14,880)       |
| Sub-total – Plant and Equipment at Fair Value                 | <b>7,129</b>   | <b>8,779</b>   |
| Medical Equipment at Fair Value                               | 47,959         | 45,240         |
| Less Accumulated Depreciation                                 | (38,006)       | (35,972)       |
| Sub-total – Medical Equipment at Fair Value                   | <b>9,953</b>   | <b>9,268</b>   |
| Computers & Communication at Fair Value                       | 21,432         | 20,971         |
| Less Accumulated Depreciation                                 | (20,158)       | (19,082)       |
| Sub-total - Computers & Communication at Fair Value           | <b>1,274</b>   | <b>1,889</b>   |
| Other Equipment at Fair Value                                 | 1,871          | 1,727          |
| Less Accumulated Depreciation                                 | (1,496)        | (1,454)        |
| Sub-total Other Equipment at Fair Value                       | <b>375</b>     | <b>273</b>     |
| <b>Total Plant &amp; Equipment at Fair Value</b>              | <b>18,731</b>  | <b>20,209</b>  |
| Furniture & Fittings at Fair Value                            | 4,088          | 3,639          |
| Less Accumulated Depreciation                                 | (2,713)        | (2,541)        |
| <b>Total Furniture &amp; Fittings at Fair Value</b>           | <b>1,375</b>   | <b>1,098</b>   |
| <b>Work in Progress – Leasehold Improvements</b>              | <b>9,672</b>   | <b>7,299</b>   |
| <b>Work in Progress – Plant &amp; Equipment</b>               | <b>2,464</b>   | <b>896</b>     |
| <b>TOTAL PROPERTY PLANT &amp; EQUIPMENT</b>                   | <b>215,553</b> | <b>131,496</b> |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 4.1: Property Plant & Equipment (Continued)

#### (b) Reconciliations of the carrying amounts of each class of asset

|                                 | Buildings & Leasehold Improvements<br>\$'000 | Plant & Equipment<br>\$'000 | Furniture & Fittings<br>\$'000 | Work in Progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------|----------------------------------------------|-----------------------------|--------------------------------|----------------------------|-----------------|
| <b>Balance at 1 July 2022</b>   | <b>110,837</b>                               | <b>22,190</b>               | <b>882</b>                     | <b>2,060</b>               | <b>135,969</b>  |
| Additions                       | 55                                           | 3,994                       | 359                            | 6,402                      | 10,810          |
| Net transfers between classes   | -                                            | 267                         | -                              | (267)                      | -               |
| Depreciation (refer Note 4.3)   | (8,898)                                      | (6,242)                     | (143)                          | -                          | (15,283)        |
| <b>Balance at 30 June 2023</b>  | <b>101,994</b>                               | <b>20,209</b>               | <b>1,098</b>                   | <b>8,195</b>               | <b>131,496</b>  |
| Additions                       | 264                                          | 2,262                       | 138                            | 5,503                      | 8,167           |
| Revaluation increments          | 89,744                                       | -                           | -                              | -                          | 89,744          |
| Net transfers between classes   | -                                            | 1,246                       | 310                            | (1,556)                    | -               |
| Transfer to Right-of-use Assets | -                                            | -                           | -                              | (6)                        | (6)             |
| Depreciation (refer Note 4.3)   | (8,691)                                      | (4,986)                     | (171)                          | -                          | (13,848)        |
| <b>Balance at 30 June 2024</b>  | <b>183,311</b>                               | <b>18,731</b>               | <b>1,375</b>                   | <b>12,136</b>              | <b>215,553</b>  |

#### How we recognise property, plant and equipment

Property, plant and equipment are tangible items that are used by Mercy Hospitals Victoria Ltd. 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 (excluding right-of-use assets) 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. The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 4.1: Property Plant & Equipment (Continued)

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### Subsequent measurement

Items of property, plant and equipment (excluding right-of-use assets) 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 below.

### 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, Mercy Hospitals Victoria Ltd. perform a managerial assessment to estimate possible changes in fair value of land and buildings since the date of the last independent valuation with reference to Valuer-General of Victoria (VGV) indices.

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 property, plant and equipment revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the decrement is recognised as an expense in the net result.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

### Note 4.2: Right-of-use Assets

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

|                                                                |              |              |
|----------------------------------------------------------------|--------------|--------------|
| Land – Right-of-use at Fair Value                              | 352          | 352          |
| Buildings – Right-of-use at Fair Value                         | 4,652        | 4,007        |
| Less Accumulated Depreciation                                  | (3,596)      | (2,885)      |
| <b>Total Land &amp; Buildings – Right-of-use at Fair Value</b> | <b>1,408</b> | <b>1,474</b> |

#### (b) Reconciliations of the carrying amounts of each class of asset

|                                | Land Right-of-use<br>\$'000 | Buildings Right-of-use<br>\$'000 | Total<br>\$'000 |
|--------------------------------|-----------------------------|----------------------------------|-----------------|
| <b>Balance at 1 July 2022</b>  | <b>352</b>                  | <b>1,818</b>                     | <b>2,170</b>    |
| Depreciation (refer Note 4.3)  | -                           | (696)                            | (696)           |
| <b>Balance at 30 June 2023</b> | <b>352</b>                  | <b>1,122</b>                     | <b>1,474</b>    |
| Additions                      | -                           | 639                              | 639             |
| Transfer from Work in Progress | -                           | 6                                | 6               |
| Depreciation (refer Note 4.3)  | -                           | (711)                            | (711)           |
| <b>Balance at 30 June 2024</b> | <b>352</b>                  | <b>1,056</b>                     | <b>1,408</b>    |

#### How we recognise right-of-use assets

Where Mercy Hospitals Victoria Ltd. 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. Mercy Hospitals Victoria Ltd. 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                 | 75 years   |
| Leased building             | 5.5 years  |

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 4.2: Right-of-use Assets (Continued)**

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#### **Initial recognition**

When a contract is entered into, Mercy Hospitals Victoria Ltd. assesses if the contract contains or is 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.

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
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received

Mercy Hospitals Victoria Ltd. holds lease agreements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives.

The health service has applied temporary relief and continues to measure those right-of-use assets at cost. Refer to Note 6.1 for further information regarding the nature and terms of the concessional lease, and Mercy Hospitals Victoria Ltd.'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.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|                                                         | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------------------------------|----------------|----------------|
| <b>Note 4.3: Depreciation</b>                           |                |                |
| <b>Depreciation</b>                                     |                |                |
| <b>Property, Plant and Equipment</b>                    |                |                |
| Leasehold Improvements - Buildings                      | 8,691          | 8,898          |
| Plant & Equipment                                       |                |                |
| - Plant                                                 | 1,834          | 1,946          |
| - Medical                                               | 2,034          | 1,830          |
| - Computers & Communication                             | 1,076          | 2,434          |
| - Other Equipment                                       | 42             | 32             |
| Furniture & Fittings                                    | 171            | 143            |
| <b>Total Depreciation Property, Plant and Equipment</b> | <b>13,848</b>  | <b>15,283</b>  |
| <b>Right-of-use Assets</b>                              |                |                |
| Leased Buildings                                        | 27             | 27             |
| Leased Assets Right of use Buildings                    | 684            | 669            |
| <b>Total Depreciation Right-of-use Assets</b>           | <b>711</b>     | <b>696</b>     |
| <b>TOTAL DEPRECIATION</b>                               | <b>14,559</b>  | <b>15,979</b>  |

## How we recognise depreciation

All buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis at rates that allocate 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 shortest. Where a lease transfers ownership of the underlying leased asset or the cost of the right-of-use asset reflects that the health service anticipates exercising a purchase option, the specific right-of-use asset is depreciated over the useful life of the underlying asset.

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

|                                      | 2024            | 2023            |
|--------------------------------------|-----------------|-----------------|
| Plant & Equipment                    | Up to 20 years  | Up to 20 years  |
| Medical Equipment                    | Up to 10 years  | Up to 10 years  |
| Computers & Communication            | Up to 10 years  | Up to 10 years  |
| Other Equipment                      | Up to 20 years  | Up to 20 years  |
| Furniture & Fittings                 | Up to 10 years  | Up to 10 years  |
| Leasehold Improvements - Buildings   | Up to 40 years  | Up to 21 years  |
| Leased Buildings                     | Up to 5.5 years | Up to 5.5 years |
| Leased Assets Right of Use Buildings | Up to 10 years  | Up to 10 years  |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 4.4: Impairment of Assets

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#### How we recognise impairment

At the end of each reporting period, Mercy Hospitals Victoria Ltd. reviews the carrying amount of its tangible 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 Mercy Hospitals Victoria Ltd. 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. Assets with indefinite useful lives (and assets not yet available for use) are tested annually for impairment, in addition to where there is an indication that the asset may be impaired.

When performing an impairment test, Mercy Hospitals Victoria Ltd. 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, Mercy Hospitals Victoria Ltd. estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Mercy Hospitals Victoria Ltd. did not record any impairment losses for the year ended 30 June 2024 (2023: \$Nil).

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 5: Other Assets and Liabilities

This section sets out those assets and liabilities that arose from Mercy Hospitals Victoria Ltd.'s operations.

### Structure

#### 5.1 Receivables

#### 5.2 Contract Assets

#### 5.3 Payables

#### 5.4 Contract Liabilities

### Material judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates                                                 | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Estimating the provision for expected credit losses                               | Mercy Hospitals Victoria Ltd. 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 | <p>Mercy Hospitals Victoria Ltd. applies material 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.</p> <p>The health service considers a range of scenarios when classifying a sub-lease. A sub-lease typically meets the definition of a finance lease if:</p> <ul style="list-style-type: none"><li>▪ The lease transfers ownership of the asset to the lessee at the end of the term</li><li>▪ 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</li><li>▪ The lease term is for the majority of the asset's useful life</li><li>▪ The present value of lease payments amount to the approximate fair value of the leased asset and</li><li>▪ The leased asset is of a specialised nature that only the lessee can use without significant modification.</li></ul> <p>All other sub-lease arrangements are classified as an operating lease.</p> |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 5: Other Assets and Liabilities (continued)

| Key judgements and estimates            | Description                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measuring contract liabilities          | Mercy Hospitals Victoria Ltd. applies material judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. 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.                                         |
| Measuring deferred capital grant income | Where Mercy Hospitals Victoria Ltd. 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>Mercy Hospitals Victoria Ltd. applies material judgement when measuring the deferred capital grant income balance, which references the estimated stage of completion at the end of each financial year. |

| Note 5.1: Receivables                                      | Note   | 2024<br>\$'000 | 2023<br>\$'000 |
|------------------------------------------------------------|--------|----------------|----------------|
| <b>CURRENT</b>                                             |        |                |                |
| <b>Contractual</b>                                         |        |                |                |
| Patient Fees                                               |        | 4,978          | 5,593          |
| Trade Receivables                                          |        | 828            | 732            |
| Allowance for impairment losses of contractual receivables |        |                |                |
| Patient Fees                                               | 5.1(a) | (700)          | (719)          |
| Sundry Debtors                                             | 5.1(a) | (127)          | (64)           |
| <b>Total Contractual Receivables</b>                       |        | <b>4,979</b>   | <b>5,542</b>   |
| <b>TOTAL CURRENT RECEIVABLES</b>                           |        | <b>4,979</b>   | <b>5,542</b>   |
| <b>NON CURRENT</b>                                         |        |                |                |
| <b>Contractual</b>                                         |        |                |                |
| Long Service Leave - Department of Health                  |        | 23,251         | 22,033         |
| <b>TOTAL NON CURRENT RECEIVABLES</b>                       |        | <b>23,251</b>  | <b>22,023</b>  |
| <b>TOTAL RECEIVABLES</b>                                   |        | <b>28,230</b>  | <b>27,575</b>  |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

| <b>Note 5.1: Receivables (Continued)</b>                                      | <b>Note</b>    | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|-------------------------------------------------------------------------------|----------------|------------------------|------------------------|
| Financial assets classified as receivables and contract assets (Note 7.1 (a)) |                |                        |                        |
| Total Receivables                                                             |                | 28,230                 | 27,675                 |
| Provision for Impairment                                                      |                | 827                    | 783                    |
| <b>TOTAL FINANCIAL ASSETS CLASSIFIED AS RECEIVABLES</b>                       | <b>7.1 (a)</b> | <b>29,057</b>          | <b>28,358</b>          |

## Note 5.1(a): Movement in the Allowance for Impairment losses of Contractual Receivables

|                                                                    |            |            |
|--------------------------------------------------------------------|------------|------------|
| <b>Balance at beginning of year</b>                                | 783        | 226        |
| Reversal of allowance written off during the year as uncollectable | (411)      | (267)      |
| Increase in allowance recognised                                   | 455        | 824        |
| <b>Balance at end of year</b>                                      | <b>827</b> | <b>783</b> |

### How we recognise Receivables

Receivables consist of:

**Contractual receivables**, including debtors that relate to goods and services. These receivables are classified as financial instruments and are categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. Mercy Hospitals Victoria Ltd. holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables**, including Goods and Services Tax (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. Mercy Hospitals Victoria Ltd. applies AASB 9 for initial measurement of the statutory receivables and as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Trade debtors are carried at nominal amounts due 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) Contractual receivables at amortised cost for Mercy Hospitals Victoria Ltd.'s contractual impairment losses.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

| <b>Note 5.2: Contract Assets</b>     | <b>Note</b> | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|--------------------------------------|-------------|------------------------|------------------------|
| <b>CURRENT</b>                       |             |                        |                        |
| Contract Assets                      |             | 3,817                  | 803                    |
| <b>Total Current Contract Assets</b> |             | <b>3,817</b>           | <b>803</b>             |
| <b>TOTAL CONTRACT ASSETS</b>         |             | <b>3,817</b>           | <b>803</b>             |

## Note 5.2(a): Movement in Contract Assets

|                                                                       |  |              |            |
|-----------------------------------------------------------------------|--|--------------|------------|
| <b>Balance at Beginning of the year</b>                               |  | 803          | 492        |
| Add: Additional costs incurred that are recoverable from the customer |  | 3,841        | 409        |
| Less: Transfer to revenue recognition                                 |  | (827)        | (98)       |
| <b>Total Contractual Assets (Current)</b>                             |  | <b>3,817</b> | <b>803</b> |

### How we recognise Contract Assets

Contract assets relate to the Mercy Hospitals Victoria Ltd.'s right to consideration in exchange for goods transferred to customers for works completed, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, at this time an invoice is issued. Contract assets are expected to be recovered during the next financial year.

## Note 5.3: Payables

### CURRENT

#### Contractual

|                                    |         |               |               |
|------------------------------------|---------|---------------|---------------|
| Trade Creditors                    |         | 6,360         | 5,724         |
| Accrued Expenses                   |         | 12,107        | 16,797        |
| Accrued Salaries and Wages         |         | 12,877        | 10,017        |
| Deferred Capital Grant Income      | 5.3 (a) | -             | 7,000         |
| Amounts Payable to Related Parties |         | 3,641         | 4,257         |
|                                    |         | <b>34,985</b> | <b>43,795</b> |

#### Statutory

|             |  |              |              |
|-------------|--|--------------|--------------|
| GST Payable |  | 8,210        | 4,744        |
|             |  | <b>8,210</b> | <b>4,744</b> |

#### TOTAL CURRENT PAYABLES

**43,195 48,539**

|                                                                                      |                |               |               |
|--------------------------------------------------------------------------------------|----------------|---------------|---------------|
| Financial liabilities classified as payables and contract liabilities (Note 7.1 (a)) |                |               |               |
| Total Payables                                                                       |                | 43,195        | 48,539        |
| Deferred Grant Income                                                                |                | -             | (7,000)       |
| GST Payable                                                                          |                | (8,210)       | (4,744)       |
| <b>TOTAL FINANCIAL LIABILITIES CLASSIFIED AS PAYABLES</b>                            | <b>7.1 (a)</b> | <b>34,985</b> | <b>36,795</b> |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 5.3: Payables (continued)

#### How we recognise Payables

Payables consist of:

- **Contractual payables**, including payables that relate 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 Mercy Hospitals Victoria Ltd. prior to the end of the financial year that are unpaid;
- **Statutory payables** including Goods and Services Tax (GST) payable. 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.

The normal credit terms for accounts payable are usually Net 60 days.

|                                                               | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| <b>Note 5.3(a): Movement in Deferred Capital Grant Income</b> |                |                |
| Opening Balance of Deferred Capital Grant Income              | 7,000          | 7,000          |
| Recognised as income                                          | (7,000)        | -              |
| <b>CLOSING BALANCE OF DEFERRED CAPITAL GRANT INCOME</b>       | <b>-</b>       | <b>7,000</b>   |

#### How we recognise deferred capital grant income

Grant consideration was received from Department of Health to support the development of an Electronic Medical Records system. During the year, the obligations pertaining to these funds were removed, resulting in recognition as income.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

|                                           | 2024<br>\$'000 | 2023<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| <b>Note 5.4: Contract Liabilities</b>     |                |                |
| <b>CURRENT</b>                            |                |                |
| Contract Liabilities                      | 2,263          | 927            |
| <b>Total Current Contract Liabilities</b> | <b>2,263</b>   | <b>927</b>     |
| <b>TOTAL CONTRACT LIABILITIES</b>         | <b>2,263</b>   | <b>927</b>     |

### Note 5.4(a) Movement in Contract Liabilities

|                                                                                                |              |            |
|------------------------------------------------------------------------------------------------|--------------|------------|
| Opening Balance of Contract Liabilities                                                        | 927          | 9,342      |
| Grant Consideration for sufficiently specific Performance Obligations received during the year | 2,263        | 927        |
| Revenue Recognised for the Completion of a Performance Obligation                              | (927)        | (9,342)    |
| <b>TOTAL CONTRACT LIABILITIES</b>                                                              | <b>2,263</b> | <b>927</b> |

#### How we recognise contract liabilities

Contract liabilities include consideration received in advance from customers in respect of services provided under Department of Health Statement of Priorities and agreements with other parties.

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

#### Financial guarantees

Payments that are contingent under financial guarantee contracts are recognised as a liability, at fair value, at the time the guarantee is issued. Subsequently, should there be a material increase in the likelihood that the guarantee may have to be exercised, the liability is recognised at the higher of the amount determined in accordance with the expected credit loss model under *AASB 9 Financial Instruments* and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the Department of Health by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the health service in the event of default.

#### Maturity analysis of payables

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

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 6: How we Finance our Operations

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

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

### Material judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates                                              | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Determining if a contract is or contains a lease                               | Mercy Hospitals Victoria Ltd. applies material judgement to determine if a contract is or contains a lease by considering if the health service: <ul style="list-style-type: none"><li>▪ has the right-to-use an identified asset</li><li>▪ has the right to obtain substantially all economic benefits from the use of the leased asset, and</li><li>▪ can decide how and for what purpose the asset is used throughout the lease.</li></ul>                                                                                                                                                             |
| Determining if a lease meets the short-term or low value asset lease exemption | Mercy Hospitals Victoria Ltd. applies material judgement when determining if a lease meets the short-term or low value lease exemption criteria.<br>The health service 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>The health service 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 the health service applies the short-term lease exemption. |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 6: How we Finance our Operations (Continued)

| Material judgements and estimates              | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate applied to future lease payments | Mercy Hospitals Victoria Ltd. 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, Mercy Hospitals Victoria Ltd. 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. For leased land and buildings, Mercy Hospitals Victoria Ltd. estimates the incremental borrowing rate to be between 3.08% and 5.2%.                                                                                                                                                                                                                                                                                         |
| Assessing the lease term                       | <p>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 Mercy Hospitals Victoria Ltd. is reasonably certain to exercise such options.</p> <p>Mercy Hospitals Victoria Ltd. determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:</p> <ul style="list-style-type: none"> <li>▪ If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>▪ If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>▪ The health service considers historical lease durations and the costs and business disruption to replace such leased assets.</li> </ul> |

|                                     | 2024<br>\$'000 | 2023<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>Note 6.1: Borrowings</b>         |                |                |
| <b>CURRENT</b>                      |                |                |
| TCV Loan (i)                        | 608            | 591            |
| Lease Liability (ii)                | 658            | 692            |
| <b>TOTAL CURRENT BORROWINGS</b>     | <b>1,266</b>   | <b>1,283</b>   |
| <b>NON CURRENT</b>                  |                |                |
| TCV Loan (i)                        | 1,935          | 2,543          |
| Lease Liability (ii)                | 1,033          | 1,057          |
| <b>TOTAL NON CURRENT BORROWINGS</b> | <b>2,968</b>   | <b>3,600</b>   |
| <b>TOTAL BORROWINGS</b>             | <b>4,234</b>   | <b>4,883</b>   |

- (i) This is an unsecured loan at an interest rate of 2.915% (2023: 2.915%).
- (ii) 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.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 6.1: Borrowings (Continued)

### How we recognise borrowings

Borrowings refer to interest bearing liabilities mainly raised from advances from the Treasury Corporation of Victoria (TCV) and other funds raised through lease liabilities, service concession arrangements and other interest-bearing arrangements.

### 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 initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method. Non-interest bearing borrowings are measured at fair value through profit or loss.

### Maturity analysis of borrowings

Please refer to note 7.2(b) for ageing analysis of borrowings.

### Defaults and breaches

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

|                            | 2024   | 2023   |
|----------------------------|--------|--------|
| 6.1 (a): Lease liabilities | \$'000 | \$'000 |

Mercy Hospitals Victoria Ltd. lease liabilities are summarised below:

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Total undiscounted lease liabilities | 4,171        | 4,264        |
| Less unexpired finance expenses      | (2,480)      | (2,515)      |
| <b>TOTAL LEASE LIABILITIES</b>       | <b>1,691</b> | <b>1,749</b> |

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

### Leases

|                                                  |              |              |
|--------------------------------------------------|--------------|--------------|
| No later than one year                           | 811          | 780          |
| Later than one year and no later than five years | 336          | 460          |
| Longer than five years                           | 3,024        | 3,024        |
| <b>Minimum future lease payments</b>             | <b>4,171</b> | <b>4,264</b> |
| Less unexpired finance expenses                  | (2,480)      | (2,515)      |
| <b>PRESENT VALUE OF LEASE LIABILITY</b>          | <b>1,691</b> | <b>1,749</b> |

### Represented by:

|                              |              |              |
|------------------------------|--------------|--------------|
| Current liabilities          | 658          | 692          |
| Non Current liabilities      | 1,033        | 1,057        |
| <b>TOTAL LEASE LIABILITY</b> | <b>1,691</b> | <b>1,749</b> |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 6.1: Borrowings (Continued)

#### Note 6.1(a): Lease Liabilities (Continued)

##### How we recognise lease liabilities

A lease is defined as a contract, or part of a contract, that conveys the right for Mercy Hospitals Victoria Ltd. to use an asset for a period of time in exchange for payment.

To apply this definition, Mercy Hospitals Victoria Ltd. 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 Mercy Hospitals Victoria Ltd. and for which the supplier does not have substantive substitution rights
- Mercy Hospitals Victoria Ltd. 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 Mercy Hospitals Victoria Ltd. has the right to direct the use of the identified asset throughout the period of use, and
- Mercy Hospitals Victoria Ltd. has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

Mercy Hospitals Victoria Ltd.'s lease arrangements consist of the following:

| Type of asset leased | Lease term |
|----------------------|------------|
| Leased land          | 75 years   |
| Leased building      | 5.5 years  |

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. The following low value, short term and variable lease payments are recognised in profit or loss:

| Type of payment          | Description of payment                                                             | Type of leases captured        |
|--------------------------|------------------------------------------------------------------------------------|--------------------------------|
| Low value lease payments | Leases where the underlying asset's fair value, when new, is no more than \$10,000 | Printers and Medical Equipment |

##### 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 Mercy Hospitals Victoria Ltd's incremental borrowing rate. Our lease liability has been discounted by rates of between 3.08% to 5.2%.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 6.1: Borrowings (Continued)

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#### Note 6.1(a): Lease Liabilities (Continued)

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.

The following types of lease arrangements, contain extension and termination options:

- Short Term Property Lease - Footscray

These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the health service and not by the respective lessor.

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.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$639,000.

#### Subsequent measurement

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

Mercy Hospitals Victoria Ltd. 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 arrangements.

The land and buildings comprising Mercy Hospital for Women, Heidelberg are owned by the Crown and are used by Mercy Hospitals Victoria Ltd. under license and sublease agreement from Austin Health for a nominal fee of \$1 per year. The land and buildings comprising Werribee Mercy Hospital are owned by the Department of Health and Human Services and are made available under the Health Services Agreement for the Hospital.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 6.1 Borrowings (Continued)

#### Note 6.1(a): Lease Liabilities (Continued)

The nature and terms of such lease arrangements, including Mercy Hospitals Victoria Ltd's dependency on such lease arrangements is described below:

| Description of leased asset                | Our dependence on lease                                                                                                                                                                                                                                                                            | Nature and terms of lease                                                                                                          |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Lease of Mercy Hospital for Women property | <p>The leased property is used for the purposes of running a public hospital and providing health care to the Victorian public.</p> <p>Mercy Hospitals Victoria Ltd.'s dependence on this lease is considered high. The hospital will be unable to operate without the lease of this property.</p> | <p>Lease payments of \$1 are required per annum.</p> <p>The lease commenced on 12 May 2005 and has a lease term of 21 years.</p>   |
| Lease of Werribee Mercy Hospital property  | <p>The leased property is used for the purposes of running a public hospital and providing health care to the Victorian public.</p> <p>Mercy Hospitals Victoria Ltd.'s dependence on this lease is considered high. The hospital will be unable to operate without the lease of this property.</p> | <p>Lease payments of \$1 are required per annum.</p> <p>The lease commenced on 1 August 2015 and has a lease term of 21 years.</p> |

#### Leases

Mercy Hospitals Victoria Ltd. has entered into leases related to O'Connell Family Centre Canterbury and Nicholson Street Footscray properties. In June 2024 Mercy Hospitals Victoria Ltd. signed a lease for premises in Williams Landing. The lease is likely to commence in late August 2024 with a end date of 1 November 2028.

A lease relates to the long term lease of the O'Connell Family Centre. The lease is for a term of 75 years.

The weighted average interest rate implicit in the finance lease is 3.73% (2023: 3.67%).

| <b>Note 6.2: Cash and Cash Equivalents</b>             | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|--------------------------------------------------------|------------------------|------------------------|
| Cash on Hand                                           | 16                     | 16                     |
| Cash at Bank                                           | 101                    | 101                    |
| Cash on Deposit with Mercy Aged and Community Care Ltd | 61,068                 | 68,786                 |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>                 | <b>61,185</b>          | <b>68,903</b>          |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 6.2: Cash and Cash Equivalents (Continued)

#### How we recognise Cash and Cash Equivalents

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).

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes and are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet.

MACC operates a central treasury function to maximise interest earnings throughout the health ministry and is disclosed in Note 8.2.

| <b>Note 6.3: Commitments for Expenditure</b>                            | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|-------------------------------------------------------------------------|------------------------|------------------------|
| <b>Capital Expenditure Commitments</b>                                  |                        |                        |
| Less than 1 year                                                        | 13,472                 | 8,448                  |
| Longer than 1 year but not longer than 5 years                          | 16,610                 | 19,712                 |
| <b>Total Capital Expenditure Commitments</b>                            | <b>30,082</b>          | <b>28,160</b>          |
| <b>Operating Expenditure Commitments</b>                                |                        |                        |
| Less than 1 year                                                        | 1,926                  | 1,497                  |
| <b>Total Operating Expenditure Commitments</b>                          | <b>1,926</b>           | <b>1,497</b>           |
| <b>Non-cancellable Short Term and Low Value Lease Commitments</b>       |                        |                        |
| Less than 1 year                                                        | 631                    | -                      |
| Longer than 1 year but no longer than 5 years                           | 2,409                  | -                      |
| <b>Total Non-cancellable Short Tern and Low Value Lease Commitments</b> | <b>3,040</b>           | <b>-</b>               |
| <b>Total Commitments for expenditure (inclusive of GST)</b>             | <b>35,048</b>          | <b>29,657</b>          |
| Less GST recoverable from the Australian Tax Office                     | (3,186)                | (2,696)                |
| <b>Total Commitments for expenditure (exclusive of GST)</b>             | <b>31,862</b>          | <b>26,961</b>          |

#### How we disclose our commitments

Our commitments relate to expenditure and short term and low value leases.

#### Expenditure commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. Commitments where no contract currently exists include capital commitments for projects where Mercy Hospitals Victoria Ltd. has received Department of Health funding approval and is in advanced stages of procurement. These commitments are disclosed at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 6.3: Commitments for Expenditure (Continued)**

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#### **Short term and low value leases**

Mercy Hospitals Victoria Ltd. 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.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 7: Risks, Contingencies & Valuation Uncertainties

Mercy Hospitals Victoria Ltd. 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 the health service 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

### Note 7.1: Financial Instruments

#### Material judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measuring fair value of non-financial assets | <p>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.</p> <p>In determining the highest and best use, Mercy Hospitals Victoria Ltd. 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.</p> <p>Mercy Hospitals Victoria Ltd. uses a range of valuation techniques to estimate fair value, which include the following:</p> <ul style="list-style-type: none"><li>▪ Market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.</li><li>▪ 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 Mercy Hospitals Victoria Ltd.'s leasehold improvements, furniture, fittings, plant and equipment are measured using this approach.</li><li>▪ Income approach, which converts future cash flows or income and expenses to a single undiscounted amount. Mercy Hospitals Victoria Ltd. does not use this approach to measure fair value.</li></ul> |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 7.1: Financial Instruments

### Key judgements and estimates

This section contains the following material judgements and estimates:

| Material judgements and estimates            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measuring fair value of non-financial assets | <p>The health service 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.</p> <p>Subsequently, the health service applies material judgement to categorise and disclose such assets within a fair value hierarchy, which includes:</p> <ul style="list-style-type: none"> <li>Level 1, using quoted prices (unadjusted) in active markets for identical assets that the health service can access at measurement date. Mercy Hospitals Victoria Ltd. does not categorise any fair values within this level.</li> <li>Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Mercy Hospitals Victoria Ltd. does not categorise any fair values at this level.</li> <li>Level 3, where inputs are unobservable. Mercy Hospitals Victoria Ltd. categorises leasehold improvements, plant, equipment, furniture, fittings, vehicles, right-of-use buildings in this level.</li> </ul> |

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 Mercy Hospital Victoria Ltd.'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

|                                        | Financial assets at<br>amortised cost<br>\$'000 | Financial liabilities<br>at amortised cost<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|-------------------------------------------------|------------------------------------------------------|-----------------|
| <b>2024</b>                            |                                                 |                                                      |                 |
| <b>Contractual Financial Assets</b>    |                                                 |                                                      |                 |
| Cash and cash equivalents              | 61,185                                          | -                                                    | 61,185          |
| Receivables and contract assets        | 32,874                                          | -                                                    | 32,874          |
| <b>Total Financial Assets (i)</b>      | <b>94,059</b>                                   | <b>-</b>                                             | <b>94,059</b>   |
| <b>Financial Liabilities</b>           |                                                 |                                                      |                 |
| Payables and contract liabilities      | -                                               | 37,248                                               | 37,248          |
| Borrowings                             | -                                               | 4,234                                                | 4,234           |
| <b>Total Financial Liabilities (i)</b> | <b>-</b>                                        | <b>41,482</b>                                        | <b>41,482</b>   |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 7.1: Financial Instruments (Continued)

#### Note 7.1(a): Categorisation of Financial Instruments (Continued)

|                                        | Financial assets at<br>amortised cost<br>\$'000 | Financial liabilities<br>at amortised cost<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|-------------------------------------------------|------------------------------------------------------|-----------------|
| <b>2023</b>                            |                                                 |                                                      |                 |
| <b>Contractual Financial Assets</b>    |                                                 |                                                      |                 |
| Cash and cash equivalents              | 68,903                                          | -                                                    | 68,903          |
| Receivables and contract assets        | 29,161                                          | -                                                    | 29,161          |
| <b>Total Financial Assets (i)</b>      | <b>98,064</b>                                   | <b>-</b>                                             | <b>98,064</b>   |
| <b>Financial Liabilities</b>           |                                                 |                                                      |                 |
| Payables and contract liabilities      | -                                               | 37,722                                               | 37,722          |
| Borrowings                             | -                                               | 4,883                                                | 4,883           |
| <b>Total Financial Liabilities (i)</b> | <b>-</b>                                        | <b>42,605</b>                                        | <b>42,605</b>   |

- (i) The carrying amount excludes statutory receivables (i.e. DH receivable) and statutory payables (i.e. GST payable, Revenue in Advance and DH payable).

#### How we categorise financial instruments

##### Categories of financial assets

Financial assets are recognised when Mercy Hospitals Victoria Ltd. becomes party to the contractual provisions to the instrument. For financial assets, this is at the date Mercy Hospitals Victoria Ltd. 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 cost 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 Mercy Hospitals Victoria Ltd. 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.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 7.1: Financial Instruments (Continued)**

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#### **Note 7.1(a): Categorisation of Financial Instruments (Continued)**

Mercy Hospitals Victoria Ltd. recognises the following assets in this category:

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

#### **Categories of financial liabilities**

Financial liabilities are recognised when Mercy Hospitals Victoria Ltd. 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 liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in net result over the relevant period. The effective interest is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Mercy Hospitals Victoria Ltd. recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

**Offsetting financial instruments:** Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, Mercy Hospitals Victoria Ltd. has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where Mercy Hospitals Victoria Ltd. does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 7.1: Financial Instruments (Continued)

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#### Note 7.1(a): Categorisation of Financial Instruments (Continued)

**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; or
- Mercy Hospitals Victoria Ltd. retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- Mercy Hospitals Victoria Ltd. has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where Mercy Hospitals Victoria Ltd. has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Mercy Hospitals Victoria Ltd.'s continuing involvement in the asset.

#### Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

#### 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, Mercy Hospitals Victoria Ltd'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

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As a whole, Mercy Hospitals Victoria Ltd. 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.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 7.2: Financial Risk Management Objectives and Policies (Continued)**

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Mercy Hospitals Victoria Ltd. main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. Mercy Hospitals Victoria Ltd. manages these financial risks in accordance with its financial risk management policy.

Mercy Hospitals Victoria Ltd. 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**

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

Credit risk associated with Mercy Hospitals Victoria Ltd.'s contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, the health service is exposed to credit risk.

In addition, Mercy Hospitals Victoria Ltd. does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, Mercy Hospitals Victoria Ltd.'s policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that Mercy Hospitals Victoria Ltd. 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 Mercy Hospitals Victoria Ltd.'s maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to Mercy Hospitals Victoria Ltd.'s credit risk profile for the year ended 30 June 2024.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 7.2: Financial Risk Management Objectives and Policies (Continued)

#### Note 7.2(a): Credit Risk (Continued)

##### Impairment of financial assets under AASB 9

Mercy Hospitals Victoria Ltd. records the allowance for expected credit loss for the relevant financial instruments, in accordance with AASB 9's Expected Credit Loss approach. Subject to AASB 9, the impairment assessment includes Mercy Hospitals Victoria Ltd.'s contractual receivables and statutory receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to an impairment assessment under AASB 9.

Credit loss allowance is classified as other economic flows in the net result.

##### Contractual receivables at amortised cost

Mercy Hospitals Victoria Ltd. applies AASB 9's 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. Mercy Hospitals Victoria Ltd. has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the health services past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On this basis, Mercy Hospitals Victoria Ltd. determines the closing loss allowance at end of the financial year as follows:

| 30 June 2024                                               | Current | Less than<br>1 month | 1–3<br>months | 3 months<br>–1 year | 1–5<br>years | Total        |
|------------------------------------------------------------|---------|----------------------|---------------|---------------------|--------------|--------------|
| <b>Expected loss rate</b>                                  | 0%      | 1%                   | 4%            | 18%                 | 23%          |              |
| Gross carrying amount of<br>contractual receivables \$'000 | 1,000   | 744                  | 170           | 1,725               | 2,167        | <b>5,806</b> |
| <b>Loss allowance</b>                                      | -       | <b>10</b>            | <b>8</b>      | <b>317</b>          | <b>492</b>   | <b>827</b>   |

| 30 June 2023                                               | Current | Less than<br>1 month | 1–3<br>months | 3 months<br>–1 year | 1–5<br>years | Total        |
|------------------------------------------------------------|---------|----------------------|---------------|---------------------|--------------|--------------|
| <b>Expected loss rate</b>                                  | 0%      | 2%                   | 2%            | 17%                 | 32%          |              |
| Gross carrying amount of<br>contractual receivables \$'000 | 1,087   | 870                  | 549           | 2,997               | 822          | <b>6,325</b> |
| <b>Loss allowance</b>                                      | -       | <b>17</b>            | <b>10</b>     | <b>495</b>          | <b>261</b>   | <b>783</b>   |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 7.2: Financial Risk Management Objectives and Policies (Continued)

### Note 7.2(a): Credit Risk (Continued)

#### Statutory receivables and debt investments at amortised cost

Mercy Hospitals Victoria Ltd.'s non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, considering 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.

Mercy Hospitals Victoria Ltd. is exposed to liquidity risk mainly through the financial liabilities as disclosed in the balance sheet and the amounts related to financial guarantees. The health service manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradeable in the financial markets, and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

Mercy Hospitals Victoria Ltd.'s exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of investments and other financial assets.

The following table discloses the contractual maturity analysis for Mercy Hospitals Victoria Ltd.'s financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

#### Maturity analysis of financial liabilities as at 30 June

| Note                                           | Carrying Amount<br>\$'000 | Nominal Amount<br>\$'000 | Maturity Dates       |            |                      |              |                   |
|------------------------------------------------|---------------------------|--------------------------|----------------------|------------|----------------------|--------------|-------------------|
|                                                |                           |                          | Less than<br>1 Month | 1-3 Months | 3 months<br>- 1 Year | 1-5 Years    | Beyond<br>5 Years |
| 2024                                           |                           |                          | \$'000               | \$'000     | \$'000               | \$'000       | \$'000            |
| <b>Financial Liabilities at amortised cost</b> |                           |                          |                      |            |                      |              |                   |
| Payables (i) 5.3                               | 34,985                    | 34,985                   | 34,985               | -          | -                    | -            | -                 |
| Borrowings 6.1                                 | 4,234                     | 4,234                    | 63                   | 276        | 1,046                | 2,260        | 589               |
| <b>Total Financial Liabilities</b>             | <b>39,219</b>             | <b>39,219</b>            | <b>35,048</b>        | <b>276</b> | <b>1,046</b>         | <b>2,260</b> | <b>589</b>        |
| <b>2023</b>                                    |                           |                          |                      |            |                      |              |                   |
| <b>Financial Liabilities at amortised cost</b> |                           |                          |                      |            |                      |              |                   |
| Payables (i) 5.3                               | 36,795                    | 36,795                   | 36,795               | -          | -                    | -            | -                 |
| Borrowings 6.1                                 | 4,883                     | 4,883                    | 60                   | 267        | 1,007                | 2,989        | 560               |
| <b>Total Financial Liabilities</b>             | <b>41,678</b>             | <b>41,678</b>            | <b>36,855</b>        | <b>267</b> | <b>1,007</b>         | <b>2,989</b> | <b>560</b>        |

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

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 7.2: Financial Risk Management Objectives and Policies (Continued)**

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#### **Note 7.2(c): Market risk**

Mercy Hospitals Victoria Ltd.'s exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

#### **Sensitivity disclosure analysis and assumptions**

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

- a change in interest rates of 1% 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. Mercy Hospitals Victoria Ltd. 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. Mercy Hospitals Victoria Ltd. has minimal exposure to cash flow interest rate risks through cash and deposits and term deposits that are at floating rate.

### **Note 7.3: Contingent Assets and Contingent Liabilities**

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There are no contingent assets or contingent liabilities as at 30 June 2024 (2023: \$Nil).

#### **How we measure and disclose contingent assets and contingent liabilities**

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

Contingent assets and contingent 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 the health service.

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

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 7.3: Contingent Assets and Contingent Liabilities

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### 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 the health service, 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

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### How we measure fair value

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:

- 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.

Mercy Hospitals Victoria Ltd. determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

Mercy Hospitals Victoria Ltd. monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 7.4: Fair Value Determination (continued)

An Independent valuation of Mercy Hospitals Victoria Ltd.'s specialised leasehold improvements was conducted by m3 with an effective date of 30 June 2024. This resulted in a revaluation increment of \$89,744,000, predominantly relating to the Werribee Mercy Hospital site.

### 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 non-financial physical assets

|                                                          | Carrying amount as at 30 June 2024 | Fair value measurement at end of reporting period using: |                    |                    |
|----------------------------------------------------------|------------------------------------|----------------------------------------------------------|--------------------|--------------------|
|                                                          | \$'000                             | Level 1 (i) \$'000                                       | Level 2 (i) \$'000 | Level 3 (i) \$'000 |
| Leasehold Improvements at Fair Value                     | 183,311                            | -                                                        | -                  | 183,311            |
| Right-of use Land                                        | 352                                | -                                                        | -                  | 352                |
| Right-of-use Building                                    | 1,056                              | -                                                        | -                  | 1,056              |
| Plant and Equipment at fair value                        | 18,731                             | -                                                        | -                  | 18,731             |
| Furniture and Fittings at fair value                     | 1,375                              | -                                                        | -                  | 1,375              |
| <b>Total non-financial physical assets at fair value</b> | <b>204,825</b>                     | <b>-</b>                                                 | <b>-</b>           | <b>204,825</b>     |

|                                                          | Carrying amount as at 30 June 2023 | Fair value measurement at end of reporting period using: |                    |                    |
|----------------------------------------------------------|------------------------------------|----------------------------------------------------------|--------------------|--------------------|
|                                                          | \$'000                             | Level 1 (i) \$'000                                       | Level 2 (i) \$'000 | Level 3 (i) \$'000 |
| Leasehold Improvements at Fair Value                     | 101,994                            | -                                                        | -                  | 101,994            |
| Right-of-use Land                                        | 352                                | -                                                        | -                  | 352                |
| Right-of-use Buildings                                   | 1,122                              | -                                                        | -                  | 1,122              |
| Plant and Equipment at fair value                        | 20,209                             | -                                                        | -                  | 20,209             |
| Furniture and Fittings at fair value                     | 1,098                              | -                                                        | -                  | 1,098              |
| <b>Total non-financial physical assets at fair value</b> | <b>124,775</b>                     | <b>-</b>                                                 | <b>-</b>           | <b>124,775</b>     |

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

### How we measure fair value of non-financial physical assets

The fair value measurement of non-financial physical assets considers 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.

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 7.4(a): Fair Value Determination of Non-financial Physical Assets (continued)**

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Judgements about highest and best use must consider 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.

Mercy Hospitals Victoria Ltd. 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 asset(s) are not considered 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.

#### **Leased Land and Buildings**

Mercy Hospitals Victoria Ltd. uses land and buildings made available by other parties. These significant resources are made available free of charge or for a nominal fee and are not recorded in the assets of Mercy Hospitals Victoria Ltd. Under the occupancy arrangements, Mercy Hospitals Victoria Ltd. is responsible for maintenance of the buildings.

The land and buildings comprising Mercy Hospital for Women, Heidelberg are owned by the Crown and are used by Mercy Hospitals Victoria Ltd. under license for a nominal fee of \$1 per year. The land and buildings comprising Werribee Mercy Hospital are owned by the Department of Health and Human Services and are made available under the Health Services Agreement for the Hospital.

There were no changes in valuation techniques throughout the period to 30 June 2024. For all assets measured at fair value, the current use is considered the highest and best use.

#### **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 current replacement cost will be materially different from the existing carrying amount.

There were no changes in valuation techniques throughout the period to 30 June 2024.

There have been no transfers between levels during the period.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 7.4(a): Fair Value Determination of Non-financial Physical Assets (continued)

#### Reconciliation of level 3 fair value measurement

|                                | Leasehold<br>Improvements<br>\$'000 | Right-of-<br>use Land<br>\$'000 | Right-of-<br>use<br>Buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Furniture<br>and fittings<br>\$'000 |
|--------------------------------|-------------------------------------|---------------------------------|-----------------------------------------|----------------------------------|-------------------------------------|
| <b>Balance at 1 July 2022</b>  | <b>110,837</b>                      | <b>352</b>                      | <b>1,818</b>                            | <b>22,190</b>                    | <b>882</b>                          |
| Additions/(Disposals)          | 55                                  | -                               | -                                       | 3,994                            | 359                                 |
| Net Transfers between classes  | -                                   | -                               | -                                       | 267                              | -                                   |
| Depreciation                   | (8,898)                             | -                               | (696)                                   | (6,242)                          | (143)                               |
| <b>Balance at 30 June 2023</b> | <b>101,994</b>                      | <b>352</b>                      | <b>1,122</b>                            | <b>20,209</b>                    | <b>1,098</b>                        |
| Additions/(Disposals)          | 264                                 | -                               | 639                                     | 2,262                            | 138                                 |
| Revaluation increments         | 89,744                              | -                               | -                                       | -                                | -                                   |
| Net Transfers between classes  | -                                   | -                               | 6                                       | 1,246                            | 310                                 |
| Depreciation                   | (8,691)                             | -                               | (711)                                   | (4,986)                          | (171)                               |
| <b>Balance at 30 June 2024</b> | <b>183,311</b>                      | <b>352</b>                      | <b>1,056</b>                            | <b>18,731</b>                    | <b>1,375</b>                        |

#### Fair value determination

| Asset Class              | Likely valuation approach | Significant inputs (level 3 only)    |
|--------------------------|---------------------------|--------------------------------------|
| Leasehold Improvements   | Current replacement cost  | Cost per square metre<br>Useful Life |
| Right of Use - Land      | Replacement cost          | Cost per square metre<br>Useful Life |
| Right of Use - Buildings | Current replacement cost  | Cost per square metre<br>Useful Life |
| Plant and equipment      | Current replacement cost  | Cost per unit<br>Useful life         |
| Furniture and fittings   | Current replacement cost  | Cost per Unit<br>Useful life         |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## 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 Disclosure

#### 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 Equity

#### 8.9 Economic Dependency

| <b>Note 8.1: Reconciliation of Net Result for the year to<br/>Net Cash flows from Operating Activities</b> | <b>2024<br/>\$'000</b> | <b>2023<br/>\$'000</b> |
|------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Net Result For The Year</b>                                                                             | (10,944)               | (7,082)                |
| <b>Non-Cash Movements</b>                                                                                  |                        |                        |
| Depreciation                                                                                               | 14,559                 | 15,979                 |
| Loss Allowance for receivables                                                                             | 44                     | 557                    |
| Gain on revaluation of Long Service Leave Liability                                                        | (1,218)                | (2,653)                |
| <b>Movements in Assets and Liabilities</b>                                                                 |                        |                        |
| Increase in Receivables and Contract Assets                                                                | (1,827)                | (3,054)                |
| Increase in Inventory                                                                                      | (17)                   | (78)                   |
| Increase in Prepaid Expenses                                                                               | (424)                  | (457)                  |
| Decrease in Payables and Contract Liabilities                                                              | (2,311)                | (950)                  |
| Increase in GST Payable                                                                                    | 3,466                  | 1,268                  |
| Decrease in Prepaid/Accrued Grant Income                                                                   | (5,830)                | (8,082)                |
| Increase in Employee Provisions                                                                            | 6,240                  | 8,662                  |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                                                           | <b>1,738</b>           | <b>4,110</b>           |

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 8.2: Responsible Persons Disclosure

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.

|                                                   | Begin    | End       |
|---------------------------------------------------|----------|-----------|
| <b>Responsible Ministers</b>                      |          |           |
| The Honourable Mary-Anne Thomas MP:               |          |           |
| Minister for Health                               | 1-Jul-23 | 30-Jun-24 |
| Minister for Health Infrastructure                | 1-Jul-23 | 30-Jun-24 |
| Former Minister for Medical Research              | 1-Jul-23 | 2-Oct-23  |
| Minister for Ambulance Services                   | 2-Oct-23 | 30-Jun-24 |
| The Honourable Gabrielle Williams MP:             |          |           |
| Former Minister for Mental Health                 | 1-Jul-23 | 2-Oct-23  |
| Former Minister for Ambulance Services            | 1-Jul-23 | 2-Oct-23  |
| The Honourable Ingrid Stitt MP                    |          |           |
| Minister for Mental Health                        | 2-Oct-23 | 30-Jun-24 |
| Minister for Ageing                               | 2-Oct-23 | 30-Jun-24 |
| The Honourable Lizzy Blandthorn MP:               |          |           |
| Former Minister for Disability, Ageing and Carers | 1-Jul-23 | 2-Oct-23  |
| Minister for Children                             | 2-Oct-23 | 30-Jun-24 |
| Minister for Disability                           | 2-Oct-23 | 30-Jun-24 |
| <b>Board of Directors</b>                         |          |           |
| Ms Virginia Bourke (Chair of the Board)           | 1-Jul-23 | 30-Jun-24 |
| Ms Jo Barker                                      | 1-Jul-23 | 30-Jun-24 |
| Mr Martin Day                                     | 1-Jul-23 | 30-Jun-24 |
| Ms Penelope Eden                                  | 1-Jul-23 | 30-Jun-24 |
| Mrs Jane Edge                                     | 1-Jul-23 | 30-Jun-24 |
| Dr Colin Feekery                                  | 1-Jun-24 | 30-Jun-24 |
| Dr Jane Fischer                                   | 1-Jul-23 | 30-Jun-24 |
| Adjunct Clinical Associate Professor Ian Haines   | 1-Jul-23 | 15-Jan-24 |
| Sr Berice Livermore rsm                           | 1-Jul-23 | 30-Jun-24 |
| Mr Timothy O'Leary                                | 1-Jul-23 | 30-Jun-24 |
| Adjunct Professor Susan Pascoe AM (Deputy Chair)  | 1-Jul-23 | 30-Jun-24 |
| Adjunct Professor Mr Francis Sullivan AO          | 1-Jul-23 | 30-Jun-24 |
| <b>Accountable Officer</b>                        |          |           |
| Ms Angela Nolan                                   | 1-Jul-23 | 30-Jun-24 |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 8.2: Responsible Persons Disclosure (Continued)

#### Remuneration of Responsible Persons

The number of Responsible Persons is shown in their relevant income bands;

|                                                                                                                        | Total Remuneration |              |
|------------------------------------------------------------------------------------------------------------------------|--------------------|--------------|
|                                                                                                                        | 2024               | 2023         |
|                                                                                                                        | No.                | No.          |
| \$0 - \$9,999                                                                                                          | 14                 | 14           |
| <b>Total Number</b>                                                                                                    | <b>14</b>          | <b>14</b>    |
| <b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b> | <b>\$Nil</b>       | <b>\$Nil</b> |

The Board of Director's remuneration is paid by Mercy Aged and Community Care Ltd. ("MACC") and is on-charged as part of the shared administrative services fee.

The remuneration of the Accountable Officer, who is not a member of the Board, is paid by MACC and is on-charged as part of the shared administrative services fee.

Amounts relating to Responsible Ministers are reported within the State's Annual Financial Report.

#### Other transactions of Responsible Persons and their Related Parties.

The Board of Directors are also board members of MACC.

There were no other transactions between Mercy Hospitals Victoria Ltd. and Responsible Persons.

MACC is the coordinating entity established by the Institute of Sisters of Mercy of Australia and Papua New Guinea to oversee the governance of all of the health entities established as part of their health ministry including Mercy Hospitals Victoria Ltd. On 3 December 2021 Mercy Ministry Companions Ltd became the sole member of Mercy Health Australia, the parent company of Mercy Aged and Community Care Ltd. Mercy Ministry Companions Ltd is a company established by the Institute of Sisters of Mercy of Australia and Papua New Guinea, to which canonical and legal responsibility for the ministries of the Institute of Sisters of Mercy of Australia and Papua New Guinea was passed on that date.

#### Purchases

Purchases from MACC for shared administrative costs made under normal commercial terms and conditions totalled \$39.309M (2023: \$31.752M). At reporting date \$Nil (2023: \$Nil) remains outstanding.

Other purchases by MACC on behalf of Mercy Hospitals Victoria Ltd. under normal commercial terms and conditions totalled \$46.580M (2023: \$41.263M) and \$3.641M (2023: \$4.257M) remains outstanding at reporting date.

There were no other transactions between Mercy Hospitals Victoria Ltd. and Responsible Persons.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 8.2: Responsible Persons Disclosure (Continued)

#### Other Financial Assets Receivables from Responsible Persons and their Related Parties

MACC operates a central treasury function to maximise interest earnings throughout the health ministry. Short term deposits with the central treasury are characterised as cash on deposit and interest is payable on the balances at money market rates. At reporting date there was \$61.068M on deposit with MACC (2023: \$68.786M on deposit) giving rise to interest income of \$2,792,000 (2023: \$2,492,000).

There were no other amounts receivable from or payable to Responsible Persons or their related parties.

### Note 8.3: Remuneration of Executives

#### Executive Officer Remuneration

|                                                           | Total Remuneration |              |
|-----------------------------------------------------------|--------------------|--------------|
|                                                           | 2024<br>No.        | 2023<br>No.  |
| Short-term Benefits                                       | -                  | -            |
| Post-employment Benefits                                  | -                  | -            |
| Other Long-term Benefits                                  | -                  | -            |
| <b>Total Remuneration <sup>i</sup></b>                    | <b>\$Nil</b>       | <b>\$Nil</b> |
| <b>Total Number of Executives</b>                         | -                  | -            |
| <b>Total Annualised Employee Equivalent <sup>ii</sup></b> | -                  | -            |

All executive staff are not remunerated by Mercy Hospitals Victoria Ltd. (2023 Nil). These staff are employed by MACC and form part of the related party charges and are listed in Notes 8.2 and 8.4

- i The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Mercy Hospitals Victoria Ltd. under AASB 124 Related Party Disclosures.
- ii Annualised employee equivalent is based on working 38 ordinary hours per week 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.

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 8.3: Remuneration of Executives (Continued)

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#### 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.

### Note 8.4: Related Parties

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The land and buildings of the two sites which the hospitals operate are owned and controlled by the State of Victoria and Mercy Hospitals Victoria Ltd has been granted the right to operate services via leasing and funding arrangements. The leasing arrangements are set out in Note 6.1. Related parties of the hospital include:

- all key management personnel and their close family members and personal business interests;
- all cabinet ministers and their close family members; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of Mercy Hospitals Victoria Ltd. directly or indirectly.

The Board of Directors and the Executive Directors of Mercy Hospitals Victoria Ltd. are deemed to be KMPs.

#### Key management personnel of Mercy Hospitals Victoria Ltd.

| Entity                            | KMPs                                            | Position/Title            |
|-----------------------------------|-------------------------------------------------|---------------------------|
| Mercy Aged and Community Care Ltd | Ms Virginia Bourke                              | Chair of the Board        |
| Mercy Aged and Community Care Ltd | Ms Joanne Barker                                | Board Member              |
| Mercy Aged and Community Care Ltd | Mr Martin Day                                   | Board Member              |
| Mercy Aged and Community Care Ltd | Ms Penelope Eden                                | Board Member              |
| Mercy Aged and Community Care Ltd | Mrs Jane Edge                                   | Board Member              |
| Mercy Aged and Community Care Ltd | Dr Colin Feekery                                | Board Member              |
| Mercy Aged and Community Care Ltd | Dr Jane Fischer                                 | Board Member              |
| Mercy Aged and Community Care Ltd | Adjunct Clinical Associate Professor Ian Haines | Board Member              |
| Mercy Aged and Community Care Ltd | Sr Berice Livermore rsm                         | Board Member              |
| Mercy Aged and Community Care Ltd | Mr Timothy O'Leary                              | Board Member              |
| Mercy Aged and Community Care Ltd | Adjunct Professor Susan Pascoe AM               | Deputy Chair of the Board |
| Mercy Aged and Community Care Ltd | Adjunct Professor Francis Sullivan AO           | Board Member              |
| Mercy Aged and Community Care Ltd | Ms Angela Nolan                                 | Chief Executive Officer   |
| Mercy Aged and Community Care Ltd | Mr Matthew Posar                                | Chief Financial Officer   |

## MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

### Note 8.4: Related Parties (Continued)

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

|                                           | 2024<br>\$'000 | 2023<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| <b>Compensation - KMPs</b>                |                |                |
| Short-term Employee Benefits <sup>i</sup> | -              | -              |
| Post-employment Benefits                  | -              | -              |
| Other Long-term Benefits                  | -              | -              |
| <b>Total <sup>ii</sup></b>                | -              | -              |

All executive staff are not remunerated by Mercy Hospitals Victoria Ltd. (2023: \$Nil). These staff are employed by MACC and form part of the related party charges.

- i The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Mercy Hospitals Victoria Ltd. under *AASB 124 Related Party Disclosures*.
- ii Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

### Significant Transactions with Government Related Entities

Mercy Hospitals Victoria Ltd. received funding from the Department of Health of \$581.678M (2023: \$544.132M) and indirect contributions of \$1.728M (2023: \$3.137M). Balances outstanding (recall amounts due by Mercy Hospitals Victoria Ltd to Department of Health) as at 30 June 2024 are \$1.041M (2023: \$6.870M).

Expenses incurred by Mercy Hospitals Victoria Ltd. in delivering services and outputs are in accordance with HealthShare Victoria requirements. Goods and services including procurement, diagnostics, patient meals and multi-site operational support are provided by other Victorian Health Service Providers on commercial terms.

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

All borrowings are required to be sourced from Treasury Corporation Victoria unless an exemption has been approved by the Minister for Health and the Treasurer.

In 2024 the Health Service repaid borrowings of \$591,000 (2023: \$574,000). The balance outstanding as at 30 June 2024 is \$2,543,000 (2023: \$3,134,000).

### Transactions with KMPs and Other Related Parties

MACC operates a central treasury function on behalf of Mercy Hospitals Victoria Ltd, refer note 8.2. MACC also provides other administrative services to Mercy Hospitals Victoria Ltd., these are described in note 8.2.

# MERCY HOSPITALS VICTORIA LTD.

Notes to the Financial Statements for the year ended 30 June 2024

## Note 8.4: Related Parties (Continued)

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with Mercy Hospitals Victoria Ltd., there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2024 (2023: \$Nil).

There were no related party transactions required to be disclosed for Mercy Hospitals Victoria Ltd. Board of Directors, Chief Executive Officer and Executive Directors in 2024 (2023: \$Nil).

## Note 8.5: Remuneration of Auditors

|                                       | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Victorian Auditor-General's Office    |                |                |
| Audit of financial statements         | 75             | 72             |
| <b>TOTAL REMUNERATION OF AUDITORS</b> | <b>75</b>      | <b>72</b>      |

## Note 8.6: Ex gratia expenses

Mercy Hospitals Victoria Ltd. has no ex gratia expenses. (2023: \$Nil)

## Note 8.7: Events Occurring after the Balance Sheet Date

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

## Note 8.8: Equity

### Restricted specific purpose reserves

Restricted specific purpose reserves are funds where Mercy Hospitals Victoria Ltd. has possession or title to the funds, but has no discretion to amend or vary the restriction and/or condition underlying the funds.

### Property, plant and equipment revaluation surplus

The property, plant and equipment revaluation surplus arises on the revaluation of, infrastructure, land and buildings. The revaluation surplus is not normally transferred to the accumulated surpluses/(deficits) on recognition of the relevant asset.

## **MERCY HOSPITALS VICTORIA LTD.**

Notes to the Financial Statements for the year ended 30 June 2024

### **Note 8.9: Economic Dependency**

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Mercy Hospitals Victoria Ltd. is dependent on the Department of Health for the majority of its revenue used to operate the health service. At the date of this report, the Board of Directors believes the Department of Health will continue to support Mercy Hospitals Victoria Ltd.





Mercy Health

*Care first*



### **Mercy Health**

Level 2, 12 Shelley Street  
Richmond Victoria 3121  
Phone +61 3 8416 7777  
[mercyhealth.com.au](http://mercyhealth.com.au)

Mercy Health acknowledges Aboriginal and Torres Strait Islander Peoples as the First Australians. We acknowledge the diversity of Indigenous Australia. We respectfully recognise Elders past, present and emerging. This report was produced on Wurundjeri Country.