



# Annual Report 2020-21

Helping to deliver  
safe, affordable and  
sustainable healthcare

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# The year in review

## Report from HSV's Board Chair and Chief Executive

On 1 January 2021, Health Purchasing Victoria (HPV), an independent public entity incorporated under the *Health Services Act 1988* (Vic), transitioned to HealthShare Victoria (HSV), a commercially oriented end-to-end supply chain, logistics and procurement service. Our first objectives are to provide supply chain solutions that drive improved strategic health procurement, improve access to essential medical goods and services, and help drive better healthcare outcomes for patients and communities.

Key to our transformation has been people and stakeholder groups, including the Department of Health and government and health sector agencies, working together.

HSV was established to enable us to undertake more of our legislative functions and achieve savings and benefits identified and proven by other healthcare organisations. HPV has combined with Melbourne Health Logistics (MHL) to form HSV's initial operating business.

The collective effort to bring HSV into being involves several important streams of work, including establishing a new large-scale distribution centre in western Melbourne and associated warehouse and workforce management systems. We have also had a strong focus on embedding a safety culture across our people, places and processes. These physical and organisational changes are the initial steps in putting in place the capability to deliver improved benefits from supply chain services.

At the same time, the second wave of the COVID-19 pandemic in Victoria brought to the fore the benefits we can deliver through our role in securing both personal protective equipment (PPE) and other equipment for the State Supply Chain. We also provide vital ongoing support for health services in accessing and using these products.

Despite the major disruption to normal activities caused by the pandemic, in 2020-21 HSV procurement arrangements provided savings and benefits valued at \$144 million – \$43.5 million above target – working in partnership with Victoria's public health services.

These **savings and benefits are realised through HSV's agreements** available for health services, which together represent an estimated \$1.2 billion in total value under contract. Activities we have undertaken in working with the health services on these agreements in 2020-21 include:

- Forty unique procurement engagements bringing the total number of HSV contracts to 861.
- Twenty-eight extensions, options and price reviews of HSV contracts to ensure ongoing supply for health services to help maintain their ongoing operations during the pandemic period.
- Conducting capital sourcing events for medical imaging and radiotherapy equipment in collaboration with health services, resulting in the lowest possible pricing and improved specifications, maintenance arrangements and software.
- Cluster sourcing in the Information and Computer Technology (ICT) category, achieving improved pricing and service delivery, and reduced duplication of effort.

In 2020-21, **we continued to deliver supporting programs for health services**, with several coming to fruition:

- The first **graduates completing a successful pilot program for a new Certificate IV** in Government – Health Procurement, providing the fundamentals of government procurement for the health sector. The inaugural class included 11 health service employees, supporting capability for their organisations over the long term.

- **Delivery of targeted guidance for health services** to assist them in complying with the *Modern Slavery Act 2018*, including a fit-for-purpose practical toolkit and monthly forums to boost collaboration and shared learnings.
- A **45 per cent increase in reference group nominations** with 403 health service specialist experts approved or awaiting approval.
- **Ongoing regional and rural health service support** across a range of operational activities, including for the Department of Health's fit testing program for PPE use.

As part of our **transition to being an end-to-end provider of supply chain and procurement**, we achieved the following milestones:

- Establishment of a new Board and relevant Board Committees to support HSV's strategy and governance development.
- Commencing the **first stage of our supply chain operations** on 28 June 2021 by taking over the procurement of products on collective agreements for The Royal Melbourne Hospital group, including The Royal Melbourne Hospital, Western Health, Northern Health, the Peter MacCallum Cancer Centre, The Royal Children's Hospital, The Royal Women's Hospital and the Royal Victorian Eye and Ear Hospital.
- Setting up a 22,500 square metre **distribution centre (DC)** in western Melbourne, establishing a new warehouse management system and stocking the DC with bulk medical consumable items.
- Establishing an **Oracle Financial Management Information System (FMIS)** in preparation to become the procurement system to support new supply chain operations.
- Undertaking multiple sector updates and weekly **onboarding briefings** to ensure health services and suppliers were kept fully informed on progress.
- Maintaining **strategic health procurement** activities during this transitional period and supporting health services to access essential goods and services to ensure continued operations.
- **Supporting our people through this change**, maintaining wellbeing initiatives with a focus on capability and training.

The COVID-19 pandemic has highlighted the importance of **access and surety of supply** for health-related products and the importance of planning to mitigate against emerging risks.

While supplies have stabilised since the start of the pandemic, the ongoing effect is longer-term supply chain disruption for raw materials, which has led to shortages in some areas. We continue to work in partnership with health services, the Department of Health, Monash Health, the State Supply Chain, Safer Care Victoria and suppliers to ensure supply surety for Victoria's public health services.

Our indirect products and services, medical equipment and pharmaceutical contracts are helping health services to provide ongoing healthcare services for their patients. Highlights include:

- **Supporting the State Supply Chain** by securing Tier 1 PPE, hand hygiene and other disinfectants, medicines and equipment for central ordering and distribution through the State Supply Chain managed by Monash Health.
- **Maintaining sterilisation wrap supplies** without disruption to elective surgery through strong ongoing collaboration between HSV, the Department of Health, Monash Health, the State Supply Chain and Safer Care Victoria as well as key health service experts.
- **Improving pharmaceutical collaboration** between HSV, the Department of Health, health service pharmacy directors and their teams and other stakeholders. HSV leveraged this strong collaboration, leading to the establishment of a state pharmaceutical reserve, as well as more informed decision-making, strengthened medicine supply chains and better patient outcomes. These achievements are supported by automated pharmaceutical data collection and advanced analytics and reporting.
- **Supporting local manufacturing** by securing orders with four Victorian ventilator manufacturers to supply public hospitals as part of a collaborative government initiative to source products from local businesses.

- **Establishing a Product Information Library** to support health services with information about the efficacy and safety of products sourced through the State Supply Chain.
- **Helping to establish a fit testing program** – we have worked with health services and the Department of Health to help establish a fit testing program for masks to increase clinician safety in the workplace.

Our partnership with Victoria's public health services and hospitals, and our many suppliers, was crucial to our achievements and sector contribution in 2020-21. We are particularly grateful to the dedicated health sector experts who have made invaluable contributions to HSV's reference groups and COVID-19 engagement groups and programs.

We acknowledge the support and commitment of our key stakeholders, led by the Victorian Minister for Health and Minister for Ambulance Services, together with the Department of Health, government and health sector agencies and stakeholders. We thank Monash Health and The Royal Melbourne Hospital for their engagement and guidance in building on the success of the centralised supply model, and we recognise Monash Health for their management of the State Supply Chain and support in HSV's development.

In particular, we thank HSV's Board and Committee members – and their HPV predecessors – for their guidance in an unprecedented year. We also thank HSV's employees, whose exceptional dedication, resilience and professionalism across a range of diverse and complex activities has been instrumental in getting our new organisation off the ground while carrying on important business-as-usual work.

This report recognises our successes and milestones in helping Victorian health services deliver safe, affordable and sustainable healthcare.

## Responsible bodies' declaration

In accordance with the *Financial Management Act 1994*, we are pleased to present HSV's report of operations for the year ending 30 June 2021.



**Lance Wallace**  
HSV Board Chair  
6 September 2021



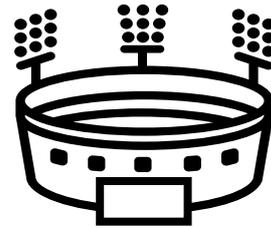
**Neil Rodaway**  
HSV Chief Executive  
6 September 2021

# 2020-21 at a glance

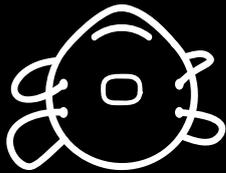
These are some of our achievements from a busy year that involved establishing a new organisation and supply chain, while supporting Victoria's COVID-19 response.



1 January 2021 HPV transitioned to HSV



HSV's 22,500m<sup>2</sup> Derrimut Distribution Centre is the size of the MCG



HSV supports launch of PPE fit testing program in health services

**\$1.2b** value under contract

\$144m in benefits delivered, \$43.5m above target

**861** contracts

in place across 501 suppliers



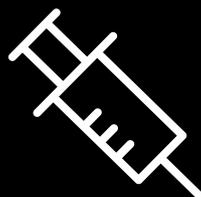
4 local ventilator manufacturers contracted to supply Victoria's public hospitals



9,112 helpdesk enquiries resolved; customer satisfaction rating of 92%



378,372 active products in National Product Catalogue, with 39% reduction in invalid products



Vaccination consumables sourced for COVID-19 vaccination program

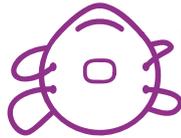


**28 June 2021**

HSV's end-to-end supply chain operations went live



Speak Up contact officer program launched to help create a safe workplace

 **11k**

Managed re-distribution of 11,000 masks close to expiry dates to other entities to enable use and avoid wastage

**45%**

**increase**  
Reference group nominations increase by 45% to 403



**Jaggaer**  
Jaggaer procurement system onboarded to 21 new health service users



Sterilisation wrap stock secured for Victorian health services during global shortage



16,144 contacts made with health services, including 13,591 emails and 485 face-to-face meetings



New COVID-19 pharmaceutical reserve of 100+ critical medicines established

**200**  
**supplier risk assessments**

conducted to meet Modern Slavery Act requirements

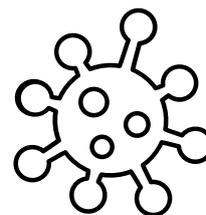
**258**  
**users across**

40 health services received probity training



Implementation of Oracle FMIS, to be able to connect electronically with 76 health services

**\$1.1b**



**COVID-19 response**

Supported the health sector's COVID-19 response via financial management of over 350 purchase orders valued in excess of \$1.1b

**37**  
**MHL employees**

onboarded as part of HSV supply chain go-live

**53** <sub>HSV</sub>  
**new starters**

= 31% growth

**99%**  
**customers**

on HSV website are rated as 'highly engaged'

# About HSV

Health Purchasing Victoria was established in 2001 as an independent public entity under Section 129 of the *Health Services Act 1988* (the Act). HPV's purpose was to improve the collective purchasing power of Victorian public health services and hospitals by achieving 'best value' outcomes in the procurement of health-related goods, services and equipment.

On 1 January 2021, HPV transitioned into a new organisation – HealthShare Victoria. Partnering with Victoria's public health services and suppliers, HSV's role is to deliver best-value health-related goods and services.

HSV brings together the experience and expertise of HPV and Melbourne Health Logistics and provides significant benefits for Victoria's public health system, including:

- **consistent access to goods:**
  - clearer accountabilities and improved coordination of sourcing and distribution of critical PPE, medical supplies
  - greater transparency of critical PPE across health system
  - reduced critical stock distribution inequities at hospitals
- **substantial savings:**
  - using statewide purchasing and economies of scale to generate savings for health services
- **improved quality of care:**
  - improving patient outcomes through evidence-based product selection, reduced non-clinically justified variation in product utilisation and enhanced availability of medical consumables.

## Our vision

**HSV's vision is helping to deliver safe, affordable and sustainable healthcare.**

## Our functions

HSV works in partnership with Victoria's public hospitals and health services to understand their requirements. We then meet these needs by procuring the medical equipment, medical consumables and non-medical products they need via large-scale collective tenders.

Under Section 129 of the Act, we administer a number of compliance-related functions, including working with health services to assist them with meeting their compliance and probity obligations.

We are currently establishing end-to-end supply chain services, and on 28 June 2021 commenced our new supply chain operations for our first tranche of customers. These include The Royal Melbourne Hospital, Western Health, Northern Health, Peter MacCallum Cancer Centre, The Royal Children's Hospital, The Royal Women's Hospital and Royal Victorian Eye and Ear Hospital.

## Our goals

HSV's current-term goals are:

- **Supply surety:** we will work in partnership with health services, the Department of Health and the State Supply Chain to improve supply chain surety for health services.
- **Savings and benefits:** We will deliver material supply chain-related savings and benefits to Victoria's public health services.
- **Supply chain:** We have implemented a new health supply chain for an initial tranche of health services and will roll out supply chain services to the rest of Victoria's health services. This supports more efficient supply of essential and high-quality medical consumables.

## Our policies

HSV's policies aim to guide strong governance and foster fair and equitable procurement practices. They increase value-for-money outcomes and support health services to understand and meet these requirements.

The Commonwealth Modern Slavery Act has been a strong focus for us in 2020-21 and we have been working closely with health services to support them in meeting their obligations under the Act.

HSV also applies and/or implements relevant Victorian and Commonwealth Government policies and codes, including:

- *Gender Equality Act 2020*
- Victorian Industry Participation Policy
- Supplier Code of Conduct
- Local Jobs First
- Buying for Victoria
- Social Procurement Framework
- Absolutely everyone: state disability plan
- the Department of Health and Human Services (DHHS) Disability Employment Strategy 2018-20
- People Matter Survey
- Code of Conduct for Victorian Public Sector Employees issued by the Victorian Public Sector Commission
- *Victorian Charter of Human Rights and Responsibilities Act 2006*.

## Our values

HSV continues to be guided by the following values:



### We are customer-focused

We focus on customer and patient outcomes.



### We keep it simple

We strive for efficient and effective ways to achieve our goals.



### We are collaborative

We work as a team toward common goals.



### We take responsibility

We challenge the status quo; we are responsible for our behaviours, actions and results.



### We inspire confidence

We do the right thing; we are open, honest and trustworthy.

We continue to consider our values and principles to appropriately reflect the business we operate in and the services we provide.

## Locations

Our primary office is located in the Casselden building at 2 Lonsdale Street in Melbourne.

HSV distribution centres:

- HSV's main DC is a large warehouse with offices and a boardroom located at Derrimut in Melbourne's west.
- HSV also operates the former Melbourne Health Logistics Tullamarine DC.

# Establishing a supply chain

Transitioning from a procurement organisation to an end-to-end supply chain organisation has been a significant undertaking for HSV in the 2020-21 financial year in addition to our business-as-usual activities. The transition is taking a phased approach, with the first tranche – the Royal Melbourne Hospital precinct partners – transferring on 28 June 2021. Following are some aspects of the work involved in the transformation.

## HealthShare Victoria launched

In 2020, the former DHHS oversaw the establishment and transition to HSV. As well as planning for the implementation of the new end-to-end supply chain for Victoria's health system, a team comprising key DHHS and project stakeholders led the recruitment of a new Board and Chief Executive for HSV.

With the launch of HSV on 1 January 2021, the DHHS transition team's role ceased and HSV became responsible for standing up the supply chain. Our supply chain project team covers several streams of work, including:

- occupational health and safety – safety has been our priority in establishing the Derrimut distribution centre and supply chain operations (see Safety on page 10 for more information).
- establishing the Oracle FMIS as the procurement system supporting the new end-to-end supply chain
- establishing the warehouse management system
- learning and development
- project and change management, including process mapping
- implementing Kronos, HSV's new workforce management system.

## Distribution centre

We acquired a 22,500 square metre DC in Derrimut, which enables us to integrate sourcing, purchasing, warehousing, delivery and ordering. The new DC is the size of the Melbourne Cricket Ground and has space for more than 23,000 pallets.

A completely new fit-out has been installed, including racking, offices, kitchens, toilets and change rooms, safety barriers, a clean room and rapid-response roller doors as well as IT and security systems.

The Derrimut DC began receiving deliveries on 28 May 2021. Before it becomes fully operational later in 2021, HSV is continuing supply chain activities from MHL's Tullamarine DC, which we took over on 28 June 2021. Employees at our Tullamarine DC will transition across to the Derrimut DC ensuring continuity of service understanding and provision.

## Customer engagement

We recognised the importance of ensuring health services were fully informed about the changes to the supply chain and were well-prepared for our new processes. In addition to their regular program of engagement and health service support, our Customer Engagement team devoted a great deal of time in 2020-21 to supporting health services in establishing HSV, including:

- delivering 13 HSV health sector briefings attended by senior project executives – audiences included metropolitan and regional health service CEOs, CPOs and Supply Directors
- completing nine Shared Services Partners briefings and 35 weekly 15-minute stand-up meetings with Tranche 1 health services as well as other ongoing updates with the broader health sector
- developing process maps for 'as is' and 'to be' supply chain processes, which have been validated by health services and warehouse managers.

Health services have provided significant support to HSV with regard to the establishment of our supply chain operations, the DC and related systems.

### Consultation

On 1 January 2021, all HPV employees became HSV employees, and on 28 June 2021, 37 MHL employees transferred to HSV.

HSV undertook significant consultation and communication to provide MHL and HPV employees and the respective unions, the Health Workers Union and the Community and Public Sector Union, with transparent, timely, useful and accurate information. The range of communication materials developed included presentations, meetings, question and answer sessions, internal news items and frequently asked questions documents.

### Communication

HSV's transition involved an extensive communication effort to support a smooth implementation of the new supply chain operations. Activities included:

- rebranding all HPV collateral, including the website and numerous associated technology platforms, to HSV's new visual identity
- communicating with suppliers, health services and other stakeholders about our new organisation, function and operations
- undertaking regular internal communication regarding new processes and operations as well as changed employment arrangements and procedures.



# Safety

As HSV transformed from an organisation providing procurement services to encompassing an operational end-to-end supply chain, we increased our focus to make safety one of our major priorities.

Operations now include distribution centres with activities involving heavy vehicles, forklifts and other manual handling equipment, reflecting a significantly more complex health and safety environment. Forklifts are considered one of the more dangerous pieces of equipment used in workplaces and forklift use must be adequately controlled to ensure there is no risk of serious or fatal injuries to people.

Ensuring our people and everyone involved with HSV are safe is simply the right thing to do and we take this very seriously. Maintaining a safe environment means we are able to deliver critical medical supplies to health services to help improve the lives of patients and their families.

As we took possession of our new DC in Derrimut and prepared to commence operations out of the former MHL site in Tullamarine on 28 June, we undertook a range of activities, including:

- establishing an **Occupational Health and Safety (OH&S) Project Committee**, including elected health and safety representatives from both MHL and HSV in line with requirements set out in Part 7 of the *Occupational Health and Safety Act 2004*
- establishing a **Health, Safety and Wellbeing Management System** in accordance with broad ISO management systems quality/safety standards. The system incorporates the traditional governance, risk management, operations and assurance procedures with more contemporary health and safety issues including change management, mental health and wellbeing.
- preparing a **traffic management plan** for the Derrimut DC, focusing on the regulatory requirement to separate people and mobile plant. A detailed risk assessment identified all points of interaction between people and powered mobile plant to ensure risks have been controlled. Our traffic management incorporates elements of the ISO45001:2018 OHS Management System as well as new policies, governance, hazard identification and risk control, training, monitoring, measurement and review.

- preparing **standard operating procedures**
- developing and conducting **site orientation and induction programs** with the primary focus on safety
- updating **policies and procedures** to reflect our new operations. Consultation on a draft Alcohol and Other Drug (AOD) Procedure is underway with key stakeholders.

## Safety alignment program

As a new organisation with a strong focus on safety, we commenced work in early 2021 to develop an organisational health and safety strategy. This was a highly consultative process involving a cross-section of the organisation including employees, executives, operational managers and health and safety representatives, with field visits to the Tullamarine and Derrimut DC sites.

Our health and safety focus will help improve the lives and wellbeing of our employees, partners and stakeholders throughout the healthcare industry. The underlying philosophy is:

*Health. Safety. Value. In everything we do*

## HSV safety strategy

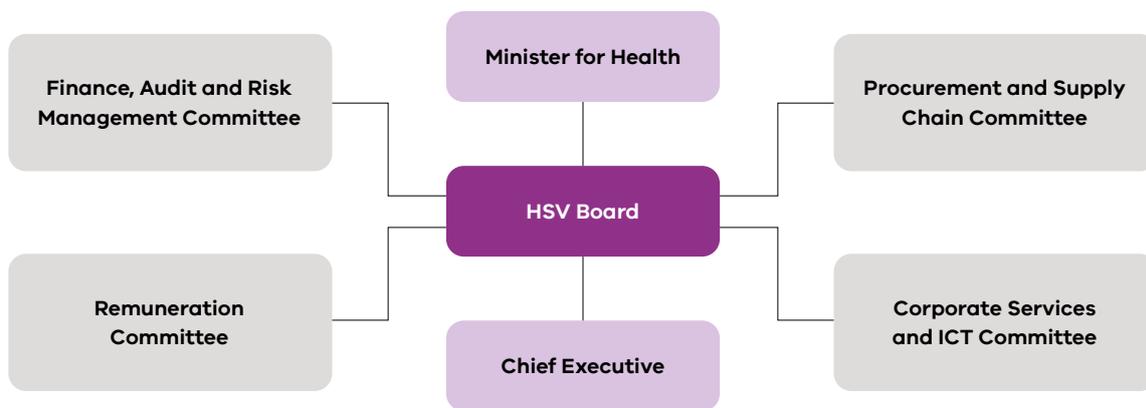


Our strategy incorporates and aligns numerous existing safety programs and human resource initiatives, including HSV's OH&S Committee, risk management framework, Speak Up program, Health and Wellbeing Committee, Employee Assistance Program, surveys, contact officers and ergonomic assessments as well as leadership on safety issues. It also includes future initiatives planned to be introduced after 1 July 2021.

# Governance

The Minister responsible for HealthShare Victoria is the Minister for Health.

- From 1 July 2020 to 26 September 2020 this was the Hon. Jenny Mikakos MP, Minister for Health and Minister for Ambulance Services.
- From 26 Sept 2020 to 30 June 2021 this was the Hon. Martin Foley MP, Minister for Health and Minister for Ambulance Services.



## Board members

The Governor-in-Council, on the advice of the Minister for Health, appoints the Board of HSV. The Board reflects a mix of skills and experience with strong representation by health service executives.

With the formation of HSV, a new board was appointed, comprising the following members.

### Mr Lance Wallace

*Chair, HSV Board  
Chair, Corporate Services and ICT Committee*

Formerly the Chair of HPV's Board, Lance was appointed as Chair of the HSV Board in January 2021.

Lance is a CPA and has held a number of senior positions in the Victorian State Government including chief financial officer, Deputy Secretary Corporate Services and Deputy Secretary Health Service Performance and Programs (the Victoria public hospitals systems manager). Lance was awarded a Public Service medal for his contribution to public service in Victoria in 2011.

Lance has also Chaired the DHHS Accredited purchasing unit, is a former member of the Victorian Government purchasing Board and is on the Board of Eastern Health.

### Ms Eileen Keane

*Board Member – Independent  
Chair, Procurement and Supply Chain Committee*

Eileen has a procurement, supply chain and quality background across a number of industries including public health, manufacturing, logistics, not-for-profit and consultancy. She has held roles as an executive and non-executive director and brings a wealth of knowledge and experience in supply strategies, procurement principles, strategic planning, project management, continuous improvement and general management.

She has a passion for using data to inform decisions and has a background in quality methods and Six Sigma to assist the effective use of continuous improvement tools.

**Ms Janet Young**

*Board Member – Independent Chair, Finance, Audit and Risk Management Committee*

Janet is a Chartered Accountant with over 30 years' experience in professional service firms (legal, accounting, consulting). Her recent roles as COO/CFO for leading law firms Herbert Smith Freehills and Minter Ellison have included responsibility for Finance, Information Technology, People and Development, Business Development, Strategy and Transformation.

Janet is a member of the Institute of Chartered Accountants, Governance Institute and the Australian Institute of Company Directors. She has previous board experience with not-for-profit boards and committees and is currently a mentor with the Financial Executives Institute.

**Mr Andrew Stripp**

*Board Member – Monash Health*

Since 2016, Andrew has held the position of Chief Executive at Monash Health, which comprises seven hospitals and 46 community-based sites. Prior to that, he held a number of executive roles in hospitals, health care and Victoria's Department of Health and Human Services, where he was Director for the state's mental health system, Regional Director for Health, Housing and Community Services and Director of Strategy.

As Chief Executive, Andrew has been responsible for the provision of high quality, safe services in the context of sound financial management and the development of a supportive teaching and research environment.

**Professor Christine Kilpatrick AO**

*Board Member – The Royal Melbourne Hospital*

Christine has been Chief Executive of The Royal Melbourne Hospital since 2017. Previous appointments include Chief Executive at The Royal Children's Hospital and Executive Director Medical Services, The Royal Melbourne Hospital. Prior to these appointments she was a neurologist, specialising in epilepsy.

Christine is a member of several boards including Orygen, WEHI, the Florey Institute of Neuroscience and Mental Health and the Victorian Comprehensive Cancer Centre. She was awarded a Centenary medal in 2003, in 2014 was included in the Victorian Honour Roll of Women and in 2018 inducted in the top 50 Public Sector Women.

**Ms Felicity Topp**

*Board Member – Peninsula Health*

Felicity is the Chief Executive of Peninsula Health. She is an experienced healthcare executive with over 35 years working in public health. She has previously held executive roles at Peter MacCallum Cancer Centre, Barwon Health and the Royal Melbourne Hospital.

Felicity has a Master of Public Health, Bachelor of Nursing, and post grad qualifications in intensive care nursing and health counselling. Felicity is a graduate of the Australian Institute of Company Directors, is a Fellow of the Fairfax Ethical Leadership Centre and currently sits on the Victorian Hospitals Industrial Association Board.

**Mr Craig Fraser**

*Board Member – South West Healthcare*

Craig has more than 25 years' experience as a clinician, senior manager and executive in the Victorian public health sector having worked in metropolitan teaching hospitals before moving into regional health. Prior to being appointed to the Chief Executive Officer role, he led the development of the Primary and Community Services Division. He is committed to continually improving services to enhance client and patient safety, access and the patients' overall experience, whilst enhancing the health of individuals and their communities.

**Mr Dale Fraser**

*Board Member – Ballarat Health*

Dale has worked exclusively with regional health services for the past 26 years, including time within the Hume, Barwon and Grampians regions. Dale holds a number of external directorships associated with education, research, community engagement and health workforce, and is an active contributor to the development of state health policy.

Bringing world-class public health care to the most needy in our community, regardless of their social status or capacity to pay, is at the cornerstone of Dale's belief system.

### Ms Kate O'Sullivan

*Board Member –  
Department of Treasury and Finance*

Kate O'Sullivan is the Department of Treasury and Finance representative on the board. Kate is currently Executive Director Infrastructure Policy and Assurance in the Commercial Division of the Victorian Department of Treasury and Finance.

Kate has 20 years' experience in public policy and procurement at both Commonwealth and State Government levels. Kate brings to the HSV Board significant experience overseeing tender processes and ensuring compliance with procurement policies, together with a strong understanding of the commercial principles underpinning contract risk allocation.

### Dr Phuong Pham

*Board Member – Department of Health*

Phuong Pham is Executive Director of Pathology and Reform in the Victorian Department of Health. He has held a range of senior health policy, reform and management roles, in the Victorian and Commonwealth Health portfolios, and in the digital health sector. He was also a board director for Western Health from 2015 to 2019.

### Mr Douglas Travis

*Board Member – Independent*

Douglas is currently a VMO Urologist at Western Health where he has been on staff at various times over the last 40 years, starting his medical career as an Intern at Western General Hospital. Douglas is also on the Board of Avant and a Director of Doctors Health Fund.

Previously he was the Foundation Chair of Better Care Victoria, the Director of Surgery and Head of Urology at Western Health. He has also been President of AMA Victoria and on the Federal Executive of both AMA Federal and the Urological Society of Australia and New Zealand.

### Ms Ingrid Player

*Board Member – Independent*

Ingrid is an experienced Non-Executive Director. In addition to HealthShare Victoria, she serves on the boards of ASX listed companies Cleanaway Waste Management Ltd and Cogstate Ltd. During her executive career she held a number of senior roles with private healthcare provider Healthscope Ltd, including Group Executive, General Counsel and Company Secretary. Prior to this, she worked as a lawyer in private practice, in Australia and overseas. Ingrid brings extensive experience in healthcare, as well as mergers and acquisitions, risk management, corporate governance and sustainability.

Ingrid holds a Bachelor of Economics and Bachelor of Laws (Hons) from Monash University. She is a graduate member of the Australian Institute of Company Directors.

### The former HPV Board

HPV's Board composition until 31 December 2020 was as follows:

- Mr Lance Wallace –  
Board Chair, Chair of Board Executive Committee
- Dr Robyn Mason –  
Chair of Procurement Committee
- Mr Paul Slape
- Mr Geoff Swier
- Mr Chris Barrett
- Mr Terry Welch
- Ms Kate O'Sullivan
- Ms Margaret Beattie –  
Chair of Finance, Audit and Risk Committee
- Ms Jane Hider
- Professor Andrew Way AM

## Board attendance 2020-21

There were six HPV Board meetings held between 1 July 2020 and 31 December 2020, and five HSV Board meetings from January 2021 to 30 June 2021.

### HSV Board meeting attendance January to June 2021

Board member	Meetings eligible to attend	Meetings attended
L Wallace (Chair)	5	5
K O'Sullivan	5	5
D Fraser	5	4
C Fraser	5	5
E Keane	5	5
C Kilpatrick	5	5
P Pham	5	4
I Player	5	5
A Stripp	5	4
F Topp	5	5
D Travis	5	5
J Young	5	5

### HPV Board meeting attendance July to December 2020

Board member	Meetings eligible to attend	Meetings attended
L Wallace (Chair)	6	6
C Barrett	6	6
M Beattie	6	6
J Hider	6	6
R Mason	6	6
K O'Sullivan	6	5
P Slape	6	6
G Swier	6	6
A Way AM	6	5
T Welch	6	3

## HSV Board sub-committees

The following Committees provided advice to the HSV Board in 2021.

### Remuneration Committee

**Chair:** Mr Lance Wallace (HSV Board Chair)

**Members:** Eileen Keane (HSV Board member), Janet Young (HSV Board member), Andrew Stripp (HSV Board member), Craig Fraser, (HSV Board member)

The purpose of the Remuneration Committee is to assist the Board with key areas of Chief Executive and Executive Leadership (ELT) remuneration and succession planning.

### Finance, Audit and Risk Management Committee

**Chair:** Janet Young (HSV Board member)

**Ex Officio:** Mr Lance Wallace (HPV Board Chair)

**Members:** Kate O'Sullivan (HSV Board member), Bronwyn Malignaggi (Independent Member), Sally Freeman (Independent Member), Paul Urquhart (CFO The Royal Melbourne Hospital), Rachelle Anstey (CFO Peninsula Health)

The Finance, Audit and Risk Management Committee (FARMC) advises the Board in key areas of governance, policy, risk and financial management. The FARMC ensures that accurate, timely and relevant reports are produced on HSV's compliance requirements. It advises the Board on matters relating to financial strategies and the internal audit function, and also oversees the risk management framework and effectiveness of internal control systems in maintaining legislative compliance.

## Procurement and Supply Chain Committee

**Chair:** Eileen Keane (HSV Board member)

**Ex Officio:** Mr Lance Wallace (HPV Board Chair)

**Members:** Doug Travis (HSV Board member), Ingrid Player (HSV Board member), Neil Sigamoney (Director Procurement and Supply Chain Monash Health), Marcus Kim (Director Procurement The Royal Melbourne Hospital), Terry Hoy (Manager Regional Supply Chain South West Healthcare)

The purpose of the Procurement and Supply Chain Committee (PSCC) is to aid the HSV Board in achieving its fiduciary duty through the execution of the sourcing program while maintaining appropriate segregation of powers. The PSCC provides independent review and makes recommendations to the Board regarding HSV sourcing activities and Category Management activities.

## Corporate Services and ICT Committee

**Chair:** Lance Wallace (HSV Board Chair)

**Members:** Felicity Topp (HSV Board member), Phuong Pham (HSV Board member), Julie Fahey (Independent Member), George Cozaris (CIO The Royal Melbourne Hospital)

The primary roles of the Corporate Services and ICT Committee (CSICT) are to:

- ensure that appropriate structures, reviews, measures, checks and balances etc. are appropriate to both enable a commercial solution to be delivered and to ensure relevant legislation and policies are complied with, and
- consider high-level guiding principles and priorities that will help guide and determine actions, resourcing and approaches.

## HPV Board sub-committees

The following Committees provided advice to the HPV Board in 2020.

### Board Executive Committee

**Chair:** Mr Lance Wallace (HPV Board Chair)

**Members:** Ms Margaret Beattie, Ms Anna Burgess, Dr Robyn Mason, Mr Geoff Swier

### Finance, Audit and Risk Management Committee

**Chair:** Ms Margaret Beattie (HPV Board member)

**Ex Officio:** Mr Lance Wallace (HPV Board Chair)

**Members:** Mr Chris Barrett (HPV Board member),

Ms Maria Di Gregorio (Independent Member), Mr Peter Doughty (Independent Member), Ms Bronwyn Malignaggi (Independent Member), Mr John Sutherland (Independent Member)

### Procurement Committee

**Chair:** Dr Robyn Mason (HPV Board member)

**Ex Officio:** Mr Lance Wallace (HPV Board Chair)

**Members:** Ms Kim Bennetts, Mr Mark Berryman, Ms Anna Burgess, Mr Marcus Kim, Mr David Ray, Mr Neil Sigamoney, Mr Paul Slape, Mr Geoff Swier, Mr Ray van Kuyk, Ms Kim Wheeler

# Strategic objectives performance summary

## Reporting of outcomes from Statement of Priorities 2020-21

The Statement of Priorities (SoP) is an annual accountability agreement between Victorian public health services and the Minister for Health. They outline the key performance expectations, targets and funding for the year as well as government service priorities.

The Health Services Act Act 1988 allows that after 1 October of each financial year, the Minister for Health makes a SoP that is provided to health services. This was the case during the 2020-21 financial year, however, due to the COVID-19 pandemic in 2020-21 there have been no individual deliverables that constitute SoP Part A.

HSV's SoP on the overarching strategic priorities advised by the Minister for Health has been as follows:

Strategic priorities	Outcome
Maintain a robust COVID-19 readiness and response, working with the Department of Health to ensure we rapidly respond to outbreaks, if and when they occur, as well as coordinating and managing COVID-19 PPE and related activities. This includes being prepared to assist with the implementation of the COVID-19 vaccine immunisation program rollout.	<b>Achieved</b> HSV has supported the State's response to the requirements of COVID-19 by sourcing in excess of \$1 billion of PPE in addition to the medical consumables required to support the vaccine immunisation program rollout. Further, HSV has been able to mitigate significant patient risk associated with supply shortages of sterilisation wrap and critical pharmaceuticals.
Respond to the recommendations of the Royal Commission into Victoria's Mental Health System and the Royal Commission into Aged Care Quality and Safety to any extent that they may impact HealthShare Victoria.	<b>Achieved</b> HSV has responded to health service requirements by supporting them in the delivery of recommendations of the Royal Commission into Victoria's Mental Health System and the Royal Commission into Aged Care Quality and Safety.
Develop and foster health sector relationships, which have been strengthened during the pandemic response, to continue delivering collaborative approaches to planning, procurement and service delivery at scale.	<b>Achieved</b> HSV has actively engaged with health services to ensure that clinical activity during the pandemic has been able to continue at the optimal level. HSV has also engaged with health services to establish a targeted Procurement Activity Plan that delivers on the sector's requirements.
Deliver best-value healthcare outcomes through collective agreements, clinical engagement, the expansion of procurement to facilitate bulk discounts and the development of a supply chain to enable health services to benefit from improved processes.	<b>Achieved</b> HSV has been able to deliver \$140 million in benefits, which has been achieved with the support of clinicians from across the health sector.
Improve the integrity and availability of information used to drive supply chain decisions.	<b>In progress</b> HSV has commenced a variety of initiatives to improve the integrity and availability of information used to drive supply chain decisions across pharmaceuticals and medical consumables.

## Reporting against the Statement of Priorities – Part B

### Effective financial management

Key performance measure	Target	Outcome
Operating result (\$m) surplus	\$1.9 million	\$4.6 million
Average number of days to pay trade creditors	30 days	10 days
Maintain an adjusted current asset ratio greater than target	1.50	2.01
Actual number of days of available cash, measured on the last day of each month	14 days	185 days
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June	Variance ≤ \$250,000	\$1,730,000

## Reconciliation

### Reconciliation of net result from transactions with operating result agreed in the SoP

	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Net operating result*	3,490	(153)	(888)	22	22
<b>Capital and specific items</b>					
Capital purpose income	9,700	-	-	-	6
Other economic flows	108	(19)	(67)	(1)	34
Assets received free of charge	1,096	-	-	-	-
Impairment of non-financial assets	(23)	-	-	-	(4)
Depreciation and amortisation	(1,048)	(469)	(632)	(628)	(516)
<b>Net result from transactions</b>	<b>13,323</b>	<b>(641)</b>	<b>(1,587)</b>	<b>(607)</b>	<b>(458)</b>

\* The net operating result is the result which HSV is monitored against in our Statement of Priorities.

## Future direction

In 2021-22, HSV will continue to progress the establishment of a centralised medical consumables supply chain for the Victorian public health sector, and pursue financial benefits through statewide and strategic procurement activities.

- Supply chain operations will expand to centrally support the requirements of additional health services, supporting better patient outcomes through more consistent stock availability and evidence-based product selection. Seven health services have already been onboarded.
- Procurement activities will continue to drive savings and economies of scale by identifying additional greenfield contracting opportunities, enhancing health service engagement and collaboration, and driving increased competitive tension.

We will also be responsible for establishing a centralised supply chain surety function, focused on identifying pharmaceutical and medical consumables supply chains at risk, and developing and recommending mitigation strategies to address these risks.

This new responsibility reflects the importance of robust supply chains – both local and global – as highlighted by the COVID-19 pandemic. Our focus on supply chain surety will not only align us with our interstate peers, but also position us to leverage our deep industry and supply chain knowledge.

HSV will continue to work with all stakeholders to recognise and enact key initiatives such as the elimination of modern slavery and support for the development of local jobs.

# Risk management

HSV is committed to embedding and integrating a risk management philosophy into our practices and culture so that risk becomes the business of everyone.

This is achieved by implementing HSV's Risk Management Policy, Risk Management Framework and associated procedures, which incorporates the 'three lines of defence' principles of ownership, oversight and assurance to support effective identification and response to key risks.

Our risk management framework is underpinned by the Australian/New Zealand Standard International Standards Organisation (ISO) 31000:2018 Risk Management – Principles and Guidelines. Continually monitoring existing risks and assessing emerging risks has allowed us to make timely and effective decisions.

To manage risk effectively, we adopt the following risk management principles to ensure uncertain adverse outcomes are minimised and uncertain opportunities are maximised:

- **Consistent, structured and embedded** – a single, structured, embedded and fit for purpose Risk Management Framework
- **Integrated in key decisions** – consideration of the organisation's risk appetite and risk tolerances inform business planning processes
- **A risk-aware culture** – promoted in all aspects of the organisation, driven by a strong 'tone from the top', encouraging issue escalation and transparency
- **Continual improvement** – continually improving the Risk Management Framework to ensure practices remain appropriate and effective
- **Ownership** – encouraging employees to take ownership and accountability for risk management
- **Resourcing** – allocating sufficient resourcing for effective risk management. The role of HSV's Risk Champions play an integral role in managing the risk mitigation plans.

Our approach to enterprise risk management improves our understanding of the effects of uncertainty on our objectives, and by doing so supports the creation and protection of financial and non-financial value for HSV.

HSV's risk management strategy has proved robust in the face of unprecedented challenges associated with COVID-19. In supporting the government's response to the pandemic, we applied a risk-based approach to purchasing items off-contract, as allowed under Health Purchasing Policy 3: Market approach following the Victorian Government's declaration of a State of Emergency.

HSV continues to provide specific advice to Victoria's public hospitals undertaking group-based sourcing activities to achieve economies of scale. Our support clarifies requirements under the *Competition and Consumer Act 2010* relating to collective procurement, and also provides a risk assessment tool to assist health services in understanding whether they are exposed to a breach under the *Competition and Consumer Act* in undertaking a particular collective sourcing activity.

HSV's leadership is committed to promoting a workplace where appropriate levels of authority, responsibility and accountability are assigned to ensure the necessary resources are allocated to managing risk. We recognise the importance of promoting systemic risk monitoring and communicating the value of risk management to HSV and our stakeholders.

## Additional information available on request

Consistent with Financial Reporting Direction (FRD) 22H, this report of operations confirms that details in respect of the items listed below have been retained by HSV and are available to the relevant Ministers, Members of Parliament and the public on request, subject to Freedom of Information requirements as applicable:

- declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by senior officers as nominee or held beneficially
- details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by HSV
- details of any major external reviews carried out on HSV
- details of major research and development activities undertaken by HSV that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by HSV to develop community awareness of HSV and its services.



# Attestations

## Financial Management Compliance Attestation – SD 5.1.4

I Lance Wallace, on behalf of the Responsible Body, certify that HealthShare Victoria has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.



**Lance Wallace**  
Board Chair and Responsible Officer  
HealthShare Victoria  
6 September 2021

## Data Integrity Declaration

I Neil Rodaway, certify that HealthShare Victoria has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. HealthShare Victoria has critically reviewed these controls and processes during the year.



**Neil Rodaway**  
Chief Executive and Accountable Officer  
HealthShare Victoria  
6 September 2021

## Conflict of Interest Declaration

I Neil Rodaway, certify that HealthShare Victoria 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 HealthShare Victoria 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.



**Neil Rodaway**  
Chief Executive and Accountable Officer  
HealthShare Victoria  
6 September 2021

## Integrity, Fraud and Corruption Declaration

I Neil Rodaway, certify that HealthShare Victoria has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruption risks have been reviewed and addressed at HealthShare Victoria during the year.



**Neil Rodaway**  
Chief Executive and Accountable Officer  
HealthShare Victoria  
6 September 2021

# Compliance

## Freedom of Information Act 1982

The *Freedom of Information Act 1982* (Vic) (the FOI Act) allows the public a right of access to documents held by HSV. The object of the FOI Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the FOI Act.

An applicant has a right to apply for access to documents held by HSV. This comprises documents both created by the HSV or supplied to HSV by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The FOI Act allows us to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: Cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to a Department in confidence.

From 1 September 2017, the FOI Act was amended to reduce the processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied with a decision we have made, they have the right to seek a review by the Office of the Victorian Information Commissioner within 28 days of receiving a decision letter.

## Making a request

Section 17 of the FOI Act sets out the formal requirements for making a request. In summary, a request should:

- be in writing
- identify as clearly as possible what document is being requested, and
- be accompanied by an application fee of \$29.60 (which may be waived in certain circumstances).

Requests for documents in the possession of HSV should be addressed to:

Freedom of Information Officer  
HealthShare Victoria  
Level 34, 2 Lonsdale Street  
Melbourne Vic 3000

Alternatively, requests to HSV can be emailed to [foi@healthsharevic.org.au](mailto:foi@healthsharevic.org.au). Telephone enquiries can be made to 03 9947 3700.

Requests and payment of the application fee can also be lodged online with the [Office of the Victorian Information Commissioner](#).

Access charges may be applicable, and could include charges for search time, supervision, and/or photocopying.

Further information can be obtained from [ovic.vic.gov.au](http://ovic.vic.gov.au).

## Freedom of Information statistics

HSV complies with all sections of the FOI Act, including publication requirements specified in Section 7 (4) of the Act.

During 2020-21, we did not receive any requests under the FOI Act.

There were no matters referred to the Office of the Victorian Information Commissioner. No appeals were made to the Victorian Civil and Administrative Tribunal.

## Building Act 1993

The buildings occupied by HSV comply with the building and maintenance provisions of the *Building Act 1993*.

HSV's DC facility at 2-6 Sperry Road, Tullamarine, Victoria 3043 is leased from and managed by the Department of Health.

Under the terms of the lease, HSV is responsible for maintaining the buildings in a safe and serviceable condition and for maintaining essential safety measures. HSV requires that appropriately-qualified consultants and contractors are engaged for all proposed works on the building controlled by HSV and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*, *Building Regulations 2018* and the National Construction Code.

## Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Public Interest Disclosures Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

HSV does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in our administrative and management practices. We support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

We will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

## Reporting procedures

Disclosures of improper conduct or detrimental action by HSV or any of our employees and/or officers may be made directly to the Independent Broad-based Anti-corruption Commission:

Independent Broad-based Anti-corruption Commission Victoria

Level 1, North Tower, 459 Collins Street,  
Melbourne VIC 3000  
Phone: 1300 735 135  
Website: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Email: see website above for the secure email disclosure process, which also provides for anonymous disclosures.

## Statistics

There were no public interest disclosures referred to entities able to receive public interest disclosures under the Public Interest Disclosures Act in 2020-21.

## National Competition Policy – reporting against competitive neutrality principles

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

HSV continues to comply with the requirements of the Competitive Neutrality Policy Victoria. Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, that any advantages arising solely from their ownership be recovered if they are not in the public interest. When conducting procurements, we apply relevant competitive neutrality principles to costings and pricing requirements.

## Local Jobs First Act 2003

HSV remains committed to pursuing procurement outcomes that provide local industry with fair opportunity to compete against foreign suppliers as well as incorporating social benefits.

Our procurement strategy aligns to the *Local Jobs First Act 2003* and to Victorian Government Social Procurement Framework (SPF) objectives.

We have defined these outcomes in our Benefits Management Framework, which is currently being deployed and encompasses both direct and indirect benefits.

Due to the impact of the COVID-19 pandemic, several procurement events were delayed. During 2020-21, we extended 28 categories and entered into contracts for nine categories, one of which was a greenfield category, two were re-sourcing and six were supplementary categories. We also completed three medical equipment group buy events.

As the categories were all panel arrangements or too low to trigger the threshold for application of the Local Jobs First Policy, none required Local Industry Development Plans (LIDPs) to be submitted. Regardless, we remain committed to achieving social outcomes and outcomes that support local jobs. This is reflected in the weighted criteria for each procurement event.

## Gender Equality Act 2020

The *Gender Equality Act 2020* commenced on 31 March 2021 to take positive action towards achieving workplace gender equality in the Victorian public sector.

HSV has requirements under this legislation, including developing a Gender Equality Action Plan and undertaking a Workplace Gender Audit, with the results and progress reported every two years to the Commissioner for Gender Equality in the Public Sector.

We will report against seven workplace gender equality indicators in our Gender Equality Action Plan. These represent the key areas where workplace gender inequality persists. The workplace gender equality indicators are:

- gender pay equity
- gender composition at all levels of the workforce
- gender composition of governing bodies
- workplace sexual harassment
- recruitment and promotion
- gendered work segregation
- leave and flexibility.

## Compliance with DataVic Access Policy

HSV did not have any data sets that needed to be made available on the DataVic website in 2020-21. Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format.

# Annual compliance statement

## HSV's purchasing policies and compliance framework

Compliance with HSV policies and legislative requirements is important in maintaining the integrity of public hospital and health service procurement and achieving best-value supply chain outcomes for Victoria's health sector.

Introduced in 2014, the five Health Purchasing Policies (HPPs) guide health services on best-practice procurement, offering a principles-based approach to implementing probity strategy into internal procurement practices. The HPPs contain the following elements:

- HPP1: Procurement governance
- HPP2: Procurement strategic analysis
- HPP3: Market approach
- HPP4: Contract management and asset disposal
- HPP5: Collective purchasing

We designed the Compliance Framework to support health services to understand and achieve compliance. It is informed by our policy compliance functions under Section 131 of the *Health Services Act 1988* (Vic) (the Act).

HSV's approach to compliance reflects our legislative functions, organisational values and strategic priorities. Under the Act, we administer several compliance-related functions, including:

- monitoring health service compliance with purchasing policies and HSV directions, and reporting irregularities to the Minister
- ensuring probity is maintained in purchasing, tendering and contracting activities in public hospitals and health services
- developing, implementing and reviewing policies and practices to promote best value and probity
- providing advice, employee training and consultancy services on the supply of goods and services to, and the management of disposal of goods by, health or related services other than public hospitals.

## HSV Compliance Framework

### Support & Prevention

- **Ongoing support and guidance**, tools and templates, procurement and probity training
- **Guidance and selective intervention** for individual high risk/high value procurement
- Health service submission of **Procurement Activity Plan** to inform HSV Confirmed Annual Sourcing Program

### Compliance Monitoring

- Health service **compliance audits** (triennial audit program and spot audits)
- Health service **annual compliance self-assessment** to HSV Health Purchasing Policies and HSV Collective Agreements
- **Attestation** to HSV Health Purchasing Policies within health service's annual report of operations

### Compliance Priorities

- **Targeted initiatives** to address patterns of non-compliance, integrated application of regulatory methods, tools and approaches

## Graduated Compliance

Foundation: *Health Services Act 1988* (Vic) and HSV Health Purchasing Policies

## Graduated compliance

Our graduated compliance approach promotes tailored and measured responses to compliance issues.

The graduated compliance model is used when assessing and deciding upon an appropriate course of action to reported or identified non-compliance against the HPPs or the Act.

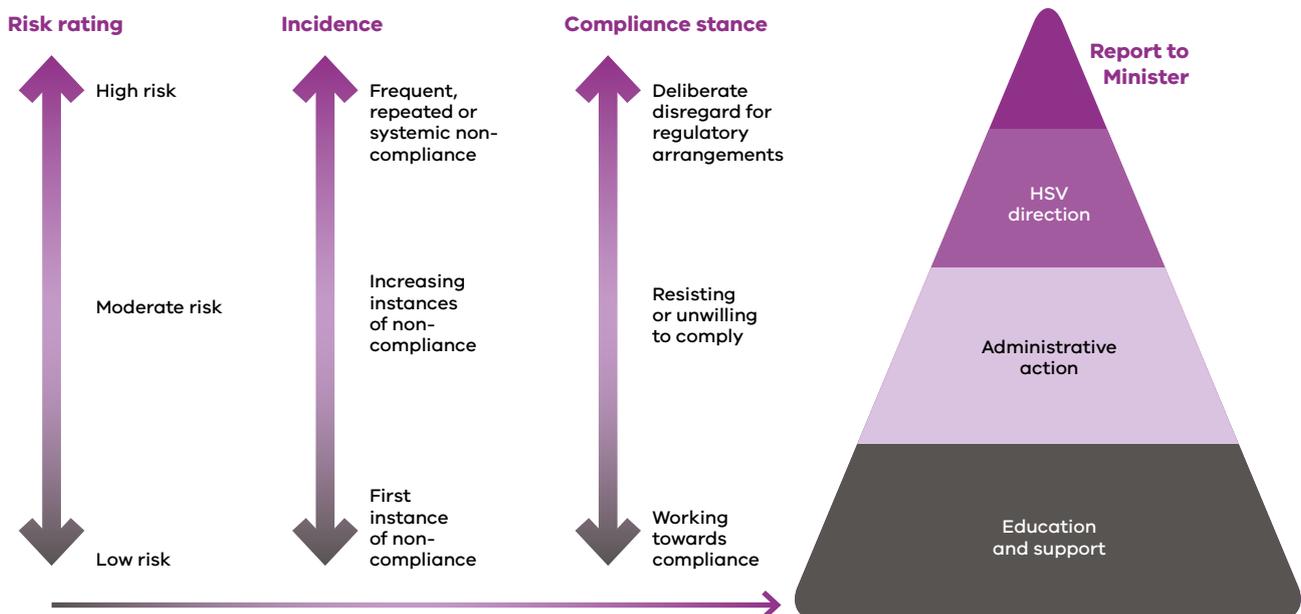
The model's multi-layer aspect ensures we have the flexibility to tailor our response to the circumstances of each matter under consideration, while providing the ability to escalate or de-escalate as required. Together, these layers and the model's pyramid structure reflect our overall compliance approach.

HSV has continued to effectively operationalise the graduated compliance approach in 2020-21, supporting transparency and consistency in our assessment and decision-making process for non-compliance arising from the current reporting period.

Our graduated compliance approach has continued to demonstrate several benefits for health services, including:

- encouraging a low level of intervention for compliance action
- recognising the capacity of health services to become compliant
- promoting compliance action proportionate to the level of risk
- providing sufficient flexibility to escalate or de-escalate compliance action where required
- championing an evidence-based decision-making process
- responding to the behaviour and compliance history of the health service.

### Graduated compliance model



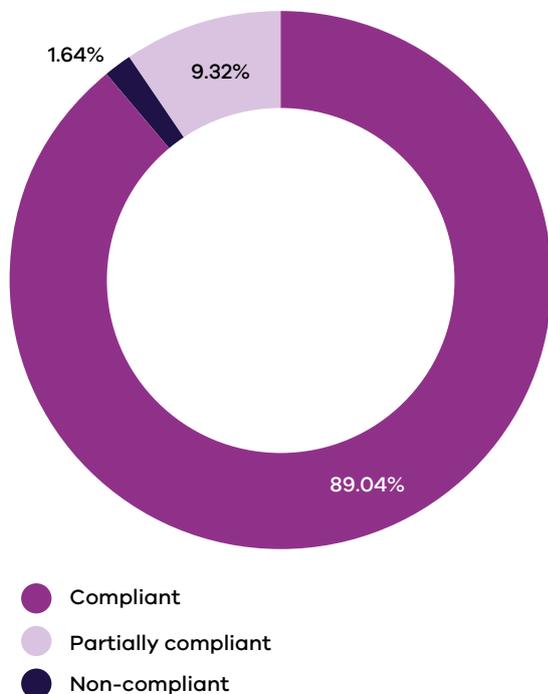
## Compliance outcomes 2019-20

Due to the significant disruption of COVID-19 in the period from March to October 2020, HSV granted health services an extension to December 2020 for compliance reporting relating to the financial year 2019-20. Therefore, 2019-20 compliance information is included in the 2020-21 annual report.

HSV's annual self-assessments and triennial audit program are key components of HSV's compliance framework. The annual self-assessments involve all mandated and eligible health services, and the triennial audit involves a third of Victoria's public health services completing an audit to HPPs each year.

The table below represents health services' self assessment to the HPPs, where partial compliance represents greater than 90 per cent although less than 100 per cent compliance.

### Overview of HPP compliance 2019 to 2020



## Collective agreement compliance, 2016 to 2020

Collective agreement compliance	2016-17	2017-18	2018-19	2019-20
Compliant	97.0%	97.6%	97.9%	96.2%
Non-compliant	2.5%	1.6%	1.3%	2.9%
Exemption	0.5%	0.8%	0.8%	0.9%

Health services reported a lower level of compliance to the HPPs and HSV collective agreements in the 2019-20 financial year. This increase in non-compliance was expected in recognition of COVID-19 related challenges, particularly the trigger of critical incident procedures under HPP 3: Market approach due to the declaration of State of Emergency in Victoria covering a significant timeframe during the reporting period.

HSV's critical incident procedures allowed health services to adopt streamlined and flexible procurement processes and to source goods and services off-contract, supporting health services' need to ensure patient safety and maintain clinical activities.

## Compliance outcomes 2020-21

In recognition of the COVID-19 pandemic and its impact on health service resourcing, HSV exempted health services' compliance reporting requirements for the financial year 2020-21.

In normal circumstances, health services complete an annual attestation identifying any material non-compliance issues. As set out in HPP 1, health services are also usually required to submit an annual self-assessment of compliance to HPPs and HSV collective agreements at the end of the financial year.

The annual self-assessment and annual attestation form part of HSV's reporting framework and supports our compliance monitoring function under the Act.

The Victorian Government published a notice providing exemption to these reporting requirements on 13 May 2021. Under the exemption, health services were not required to submit an annual self-assessment or complete an attestation in their annual report of operations for the 2020-21 financial year. Compliance reporting resumes for the financial year 2021-22.

## HSV probity training

We have developed online courses to support health services in maintaining good probity practice. Tailored as individual programs for procurement professionals, on-the-ground employees, board members and executives, our online courses reflect public health service needs and skills. The course training content explores:

- the importance of probity and the potential consequences of poor probity practice
- HSV's HPPs
- best-practice probity principles health services should follow
- the role and responsibility of boards and executives in maintaining probity
- common probity risks and mitigation strategies.

During 2020-21, 258 health service employees undertook probity training across 40 health services:

- Probity, Integrity and Ethics for Board and Executives: 106
- Probity, Integrity and Ethics for Clinical, Operational and Non-Procurement Employees: 120
- Probity, Integrity and Ethics for Procurement Professionals: 32.

## Eligible services

In the past 12 months, we have continued to focus on the needs of our Eligible Service customers in driving increased financial and non-financial benefits. We also assisted Eligible Service customers to receive access to the State Supply Chain's PPE supply.

In 2020-21, we delivered an average cost saving of 37 per cent across 10 contract access applications for this group of customers.

In addition, we managed customer activity relating to 191 contract access instances for 41 participating Eligible Service customers – reflecting an average of 4.7 contracts per entity – and recorded over 2300 engagements with 72 Eligible Services during this period.



### Asset Management Accountability Framework maturity assessment

The following sections summarise HSV’s assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF).

The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements are available on the Department of Treasury and Finance website at <https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework>.

Our target maturity rating is ‘competence’, meaning systems and processes are fully in place, consistently applied and systematically meet the AMAF requirement, and include a continuous improvement process to expand system performance above AMAF minimum requirements.

### Leadership and Accountability (requirements 1-19)

HSV has met or exceeded our target maturity level in this category.

### Planning (requirements 20-23)

HSV has met or exceeded our target maturity level in this category.

### Acquisition (requirements 24 and 25)

HSV has met or exceeded our target maturity level in this category.

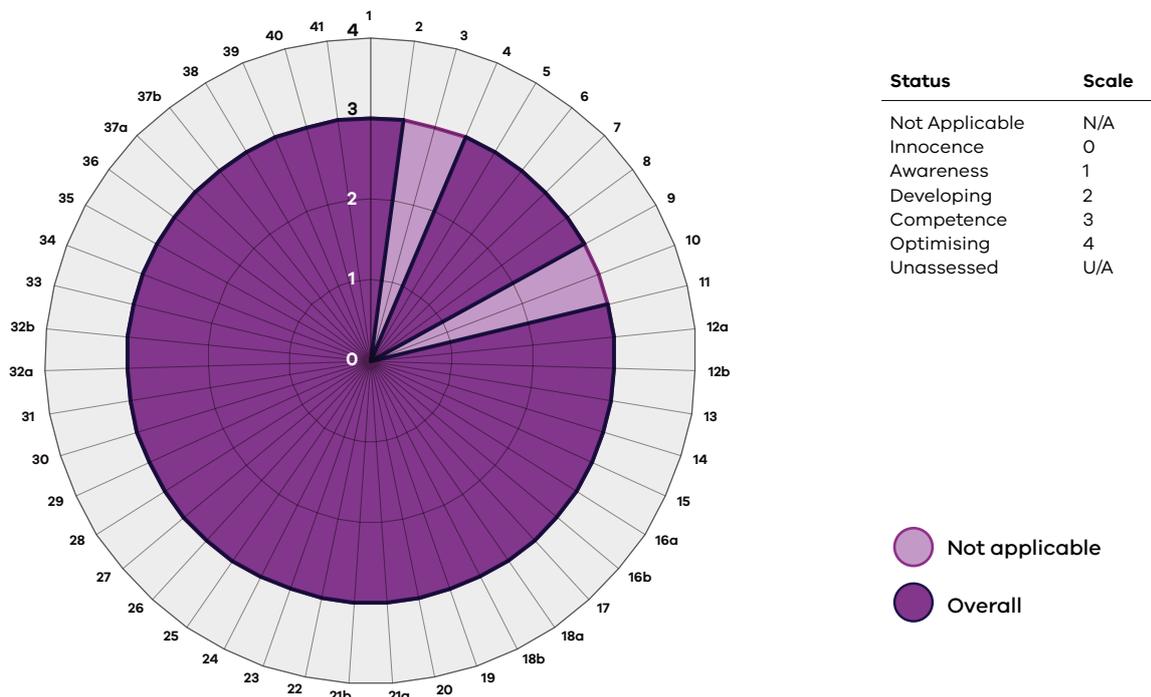
### Operation (requirements 26-40)

HSV has met or exceeded our target maturity level in this category.

### Disposal (requirement 41)

HSV has met or exceeded our target maturity level in this category.

Compliance and maturity rating tool – Asset management maturity



# Modern slavery

Modern slavery has been a significant focus for HSV in 2020-21. HSV upholds the Australian Government’s position on modern slavery, which states there is no place for modern slavery in the Australian community or in the global supply chains of Australian goods and services. We adopt a risk-based approach to combating modern slavery in health service supply chains.

Health services with an annual consolidated revenue of more than \$100 million are required to provide an annual Modern Slavery Statement to the Australian Government, describing their actions to assess and address modern slavery risks in their domestic and global supply chains. Thirty Victorian public health services meet the criteria of a ‘reporting entity’ under the Commonwealth *Modern Slavery Act 2018* (MSA) for the 2020-21 reporting period.

During 2020-21, we provided vital leadership and guidance on reducing modern slavery risk in health service supply chains, in line with HSV’s advisory and consultancy function under the Health Services Act. Health services significantly rely on HSV to fulfil their modern slavery obligations, and we have developed a comprehensive program of works to support them.

We recognise our significant role in preventing modern slavery in health service supply chains and the benefit of its actions for the broader sector.

## Key achievements

<b>Modern Slavery Toolkit</b>	The Toolkit contains six modern slavery resources to assist health services in operationalising the MSA: a fact sheet, Framework Implementation Plan, Policy, Risk Assessment Tool and Supplier Questionnaire, Contract Clauses and Risk Register.
<b>Modern Slavery Statement Guide</b>	The Guide details the content that health services need to include to address the seven mandatory reporting criteria under the MSA. The Guide also includes a template statement.
<b>Supplier Engagement Template</b>	The Template is designed to foster collaboration between health services and their suppliers in identifying, assessing and addressing modern slavery risks.
<b>Health Services’ 2019-20 Statements Review</b>	The Review highlighted good reporting practices and opportunities for enhancement to assist health services to meet their continuous improvement expectation under the MSA.
<b>Modern Slavery Community of Learning Program</b>	The Program was re-modelled to ensure that HSV’s consultancy and advisory functions directly align and respond to the needs of health services.

In 2020-21, we also commenced assessing modern slavery risk in health services’ supply chains within Collective Purchasing Agreements. Our Modern Slavery Risk Assessment Tool identifies the general scope of modern slavery risks to facilitate detailed supplier assessment.

## Modern Slavery Risk Assessment Tool

### Geographic risks

Some countries may have higher risks of modern slavery due to poor governance, weak rule of law, conflict, corruption, displacement, discrimination.

### Sector/industry risks

Certain sectors and industries may have high modern slavery risks because of their characteristics, products and processes.

### Entity risks

Some entities may have particular modern slavery risks because of poor governance structures, treating workers poorly, or have extensive sub-contracting.

### Product/services risks

Certain products and services may have high modern slavery risks because of the way they are produced, provided or used.

# Management and organisation

## HSV's Executive Leadership Team

Compliance with HSV policies and legislative requirements is important in maintaining the integrity of public hospital and health service.



### **Mr Neil Rodaway**

*BSc (Hons), FCA, FGIA CGI*

#### **Chief Executive**

Neil commenced as HealthShare Victoria's (HSV) Chief Executive in January 2021. With more than 20 years in the healthcare and logistics sectors, Neil brings extensive senior leadership experience across a number of businesses to HSV.

A Chartered Accountant and Chartered Company Secretary, Neil's experience building and leading businesses, developing strong and focused teams and delivering commercial customer centric solutions is complemented by a strong financial expertise.

Neil's most recent role prior to joining HSV was in the mining, transport and industrial sector where he led finance, IT, governance, legal, property and commercial areas.

He has been Managing Director of two listed entities, Vision Group Holdings (Healthcare) and Prime Trust (Property) and in addition to those public roles he has led the former Mayne Group's Pathology, Diagnostic Imaging and Medical Centre businesses. Neil was involved in the growth and establishment of those businesses, the development and eventual sale of Mayne's leading hospital portfolio and the implementation of a shared service model across the whole of Mayne Group. Neil was also involved in the establishment of Mayne Logistics as a provider of warehouse and distribution services.



### Mr John Delinaoum

*BBus (Acc), FCPA, GAICD,  
Grad Dip (Marketing), Grad  
Cert (Health Systems)*

#### Executive Director Finance, Risk and Governance (CFO)

John commenced at HPV in March 2015. With over 20 years' experience in the health sector, John has held senior finance leadership roles within public, private and aged care services.

Prior to joining HPV, he was Director Finance Services at Northern Health.

John has extensive experience in business planning, enterprise risk management, corporate services functions, systems technology design and implementation. He is also a member of the Audit and Risk Committee of the Australian College of Optometry, providing governance and risk management support.



### Mr Joe Neill

*DipBus (IntTrade), MCIPS*

#### Director Procurement and Value Delivery

Joe joined HPV in October 2017 and brings more than 35 years of procurement experience across diverse industries in both public and private sectors, together with a deep understanding of Victoria's health industry gained over two decades.

Joe's experience over the past 18 years includes senior positions at Melbourne Health and Austin Health, where as Director Supply and Contracts he was responsible for the hospital's total procurement budget.

Originally hailing from Dunfermline in Scotland, Joe is a member of the Chartered Institute of Purchasing Supply (MCIPS) and holds a Diploma of Business in International Trade.



### Ms Angela Malone

*DipAppSc, Cert  
Training&Assessment,  
Cert OHPrac, Lean Six  
Sigma Green Belt*

#### Director People and Culture

Angela joined HPV in March 2014 following an extensive career in human resources and industrial relations management. Angela's recruitment and consulting experience comprises senior roles across the commercial and not-for-profit sectors, including a number of management roles at Ford Australia's head office in Melbourne.

Across her career, Angela has a consistent record of success in working closely with management and other stakeholders to develop and implement effective human resource solutions, focusing on inclusive, sustainable and ethical leadership strategy development. Angela's collaborative approach, strong business acumen and focus on strategic HR planning, often in complex and challenging environments, is key to organisations achieving their business objectives.

Angela has qualifications in Applied Science and has completed a range of management programs and Six Sigma Green Belt accreditation.



**Mr Alfred Matthews**  
MBA, BA, CIPS, GAICD

**Director Customer Engagement**

Alfred Matthews joined HPV in September 2016. In June 2017 Alfred was appointed HPV Head of Indirect Products and Services, implementing strategies to improve collaboration and deliver financial and service quality outcomes which resulted in HPV being nominated as a national finalist by Procurement and Supply Australasia in October 2017.

Prior to joining HPV, Alfred spent more than 10 years at Monash Health managing non-clinical support services teams including food, cleaning, waste, the Customer Contact Centre, retail and security, and leading tenders for service contract categories. Alfred was a member of many inter-professional teams within Monash Health and led initiatives including bringing the food services team in-house from an outsourced model. Alfred was part of the project team and managed Monash Health’s new central production kitchen, implemented innovative steam and microfibre cleaning across the service and introduced a cook-freeze meal model to improve patient satisfaction and deliver efficiencies.



**Mr Raph Even-Chaim**  
MMgt (InfoTech), MBA, MAICD

**Director Information Technology**

Raph joined HSV in May 2021 and brings more than 20 years of experience in managing technology strategy and operations in small-to-medium and large enterprises across logistics and retail industries.

Most recently Raph has managed IT strategy and operations in the Mining Logistics and Industrial sector.

Over his career, Raph has managed information security, governance and risk, while working with internal and external stakeholders to deliver solutions across finance, supply chain and information systems.

In addition to a number of industry certifications, Raph has a Master of Management (Information Technology) and an MBA as well as being a member of the Australian Institute of Company Directors. Raph is also a board member of Neighbourhood Watch Victoria, providing advice on Information Technology and governance.

**Former members of the ELT**

**Ms Elaine Ko**  
**Chief Executive Officer**

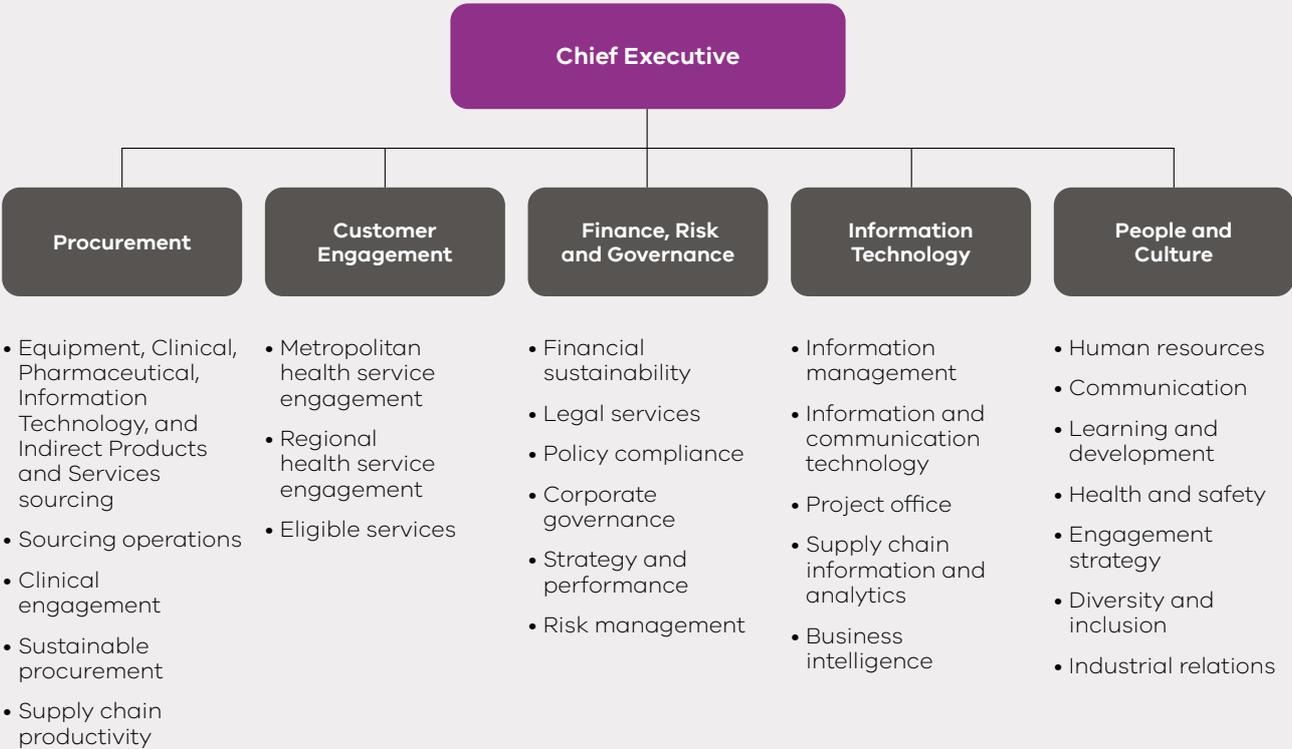
Elaine was appointed Chief Executive of Health Purchasing Victoria in August 2016 and held the position until November 2020. She was responsible for leading Health Purchasing Victoria to advance safe, affordable and sustainable healthcare for all Victorians and helping HPV transition to HealthShare Victoria.

**Mr Rob Setina**  
**Director Data and Systems**

Rob joined HPV in January 2017 as the Director Data and Systems and held the position until March 2021.

### Organisational structure

The following chart shows HSV’s organisational structure at end 2020-21, comprising the following functional divisions: Office of the Chief Executive, Procurement, Customer Engagement, Finance, Risk and Governance, Information Technology, and People and Culture.



HealthShare Victoria’s organisation structure 2020-21

# People and culture

## Workforce data

During 2020-21, we recorded a 31 per cent increase in employee headcount compared to the 2019-20 headcount. While the data table below indicates a total of 140 employees, on 28 June we also welcomed 37 new employees and three agency employees as a part of The Royal Melbourne Hospital transition, and one new employee to the Casselden team. This brought the total to 181 at 30 June 2021.

### HSV's workforce composition for the last full pay period in June 2021

	FY average 2019-20	FY average 2020-21	June 2020	June 2021	June 2020	June 2021
	Full-time equivalent		Full-time equivalent		Head count	
Full time	85.0	105.3	89.5	121.7	91	125
Part time	5.1	5.9	5.2	7.8	7	10
Total number of payroll employees	90.1	111.2	94.6	129.5	98	135
Agency/casual	5.1	4.6	7.8	4.8	9	5
<b>Total FTE Employee</b>	<b>95.2</b>	<b>115.8</b>	<b>102.4</b>	<b>134.3</b>	<b>107</b>	<b>140</b>

### HSV's gender and age classification data

	All employees		Ongoing			Fixed term		Woman	Man
	Headcount	FTE	Full Time (HC)	Part Time (HC)	FTE	Headcount	FTE		
<b>Gender</b>									
Woman	65	63.4	50	4	52.8	11	10.6		
Man	70	69.4	60	2	61.7	8	7.7		
Self described	0	0							
<b>Age</b>									
15-24	0	0							
25-34	27	26.5	23	2	24.5	2	2.0	12	15
35-44	47	46.5	41	1	41.5	5	5.0	25	22
45-54	37	36.8	30	1	30.8	5	5.0	22	15
55-64	22	21.2	15	1	15.8	7	6.3	5	17
65+	2	1.8	1	1	1.8	0	0	1	1

**Secondments**

HSV continues to take a collaborative and flexible approach to recruitment. We recognise that secondment arrangements with health services present benefits for our organisational capability, with additional benefits for the secondees themselves to contribute to HSV during a time of growth and transformation.

During the course of 2020-21, HSV’s secondments included three pharmaceutical procurement subject matter experts comprising practising pharmacists from Monash Health and Eastern Health. Additional expertise to support Data and Systems activities was achieved by partnering with Djerriwarrh Health Services.

**HSV recruitment**

HSV has continued to grow in 2020-21, with 53 new starters joining the business. Key appointments to the Executive Leadership team included the appointment of HSV’s Chief Executive, who joined in January 2021, and a new Director of Information Technology.

Growth areas include our Procurement division with the appointment of 21 new team members, which comprised 17 appointments to Category Managers and Senior Category Managers. These new employees bring expertise within new greenfield categories that HSV will be investigating to deliver significant savings to health services.

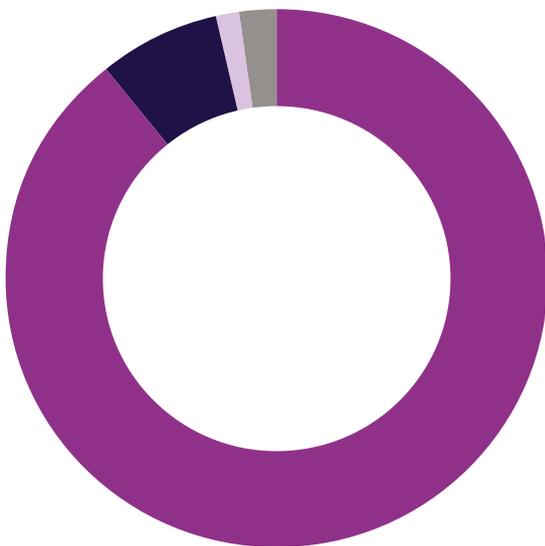
The Finance, Risk and Governance team increased by 11 new team members, including the appointment of three Lawyers, a Modern Slavery Risk Manager and several finance-related roles, supporting our ability to transition to an end-to-end supply chain business.

To support our capability to deliver significant sector-wide transformation, a number of new Change Management, Project Management and Learning and Development roles were created.

Several external consultants have been engaged in areas where either expertise is limited in the market or to support short-term and bespoke projects. These include consultants with expertise in safety, industrial relations, transformation and change.

Our focus on supporting employees in their career paths has resulted in four internal promotions.

**HSV workforce composition at 30 June 2021**



- 125 Full-time employees
- 10 Part-time employees
- 2 Pharmaceutical sourcing secondees
- 3 Agency contractors

## Occupational health and safety

HSV proactively supports OH&S initiatives through our employee-focused OH&S Committee, which works with employees throughout the year to ensure a high level of engagement in and understanding of HSV's risk management policies and procedures.

### HSV OH&S summary, 2020-21

OH&S matter	2020-21 update
a) The number of reported hazards/incidents for the year per 100 full-time equivalent employees.	No incidents were reported in 2020-21, reflecting HSV employees' continued proactive approach to reporting OH&S matters.
b) The number of 'lost time' standard claims for the year per 100 full-time equivalent employees.	No claims were made in 2020-21.
c) The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe).	No claims were made in 2020-21.
d) A minimum of two years' data on these indicators and explanations for significant variations from one year to the next.	No claims were made in 2018-19, one claim was made in 2019-20 and no claims were made in 2020-21. The 2019-20 claim was closed as the employee received a full clearance to return to work. Total incurred claim costs were \$2,762.00. This resulted in significantly lower claims average cost for the last two years. Currently, HSV has no active WorkCover claims.
e) In the event of a fatality, a discussion of the circumstances that led to the fatality and the preventative measures that have been taken to prevent recurrence.	There have been no fatalities.

## Occupational violence

### HSV occupational violence summary, 2020-21

Occupational violence statistic	2020-21 update
WorkCover accepted claims with an occupational violence cause per 100 full-time equivalent employees.	Nil
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	Nil
Number of occupational violence incidents reported.	In October 2020, 1 per cent of 82 respondents to HSV's People Matter Wellbeing Check anonymously reported experiencing violence. This was down from 4 per cent of 76 respondents in 2019. No informal or formal complaints were received.
Number of occupational violence incidents reported per 100 full-time equivalent employees.	1.22 per cent
Percentage of occupational violence incidents resulting in a staff injury, illness or condition.	Nil

- **Occupational violence:** any incident in which an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of, their employment.
- **Incident:** an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included.
- **Accepted WorkCover claims:** accepted WorkCover claims that were lodged in 2020-21.
- **Lost time:** defined as greater than one day.
- **Injury, illness or condition:** includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

## Diversity and inclusion and employee wellbeing

Diverse workplaces that reflect the wider Victorian community support more meaningful workplace discussions and help us relate to the unique needs of our public health sector customers and stakeholders. At HSV, our focus is on building an organisational culture that is respectful, inclusive and promotes diversity.

Our workforce is diverse. In the 2020 People Matter Survey, 57 per cent of employees reported their cultural identity as Australian and 21 per cent reported they were born outside Australia. No current employees reported they identify as Aboriginal or Torres Strait Islander.

We have commenced preparations for the introduction of the Gender Equality Act including planning for the Workforce Gender Audit and Gender Equality Action Plan. Future annual reports will track HSV's progress against targets.

Working with the Health and Wellbeing Committee (HAWC), HSV has supported a range of Australian and international days celebrating women, men's health, people with disability, cultural diversity, LGBTI people, Aboriginal and Torres Strait Islander people and mental health.

The HAWC has been instrumental in helping to foster employee engagement, connection and wellbeing during the COVID-19 pandemic. Along with HAWC, HSV's leadership, the OH&S committee and communication team have all worked hard to promote wellbeing and support our employees in working from home and returning to the office in 2020-21.

## Aboriginal cultural safety

We have promoted Aboriginal cultural safety at HSV through the recognition of NAIDOC and National Reconciliation Weeks, including the promotion of local and online events that recognise the contribution of Aboriginal people and communities to Victorian life and how this continues to enrich our society.

HSV acknowledges the traditional owners of the land at the beginning of our team meetings, formal events, forums and functions and build cultural awareness with employees by regularly communicating topics relating to Aboriginal history, culture, art and music via our intranet.

## Ethical leadership development

HSV's ethical leadership program 'Speak Up' is an experiential learning program based on the premise that if you have already thought about how you will respond to a situation and you have practiced what you will say, then you are more likely to speak up and respond in line with our values. HSV strongly supports a Speak Up culture, where employees can feel empowered to speak up about behaviours that aren't in line with our values, with their ideas and improvements and to give respectful feedback to colleagues.

The program involves regular cross-functional group discussions about various speak up topics, such as combating incivility and when speaking up doesn't go to plan.

We established a Speak Up Contact Officer network in 2021 to provide peer support to employees seeking to resolve issues relating to negative behaviours including bullying, harassment and discrimination. Our Speak Up Contact Officers have been trained by the Victorian Human Rights and Equal Opportunity Commission.

# Sustainability

HealthShare Victoria reports summaries of environmental performance for the year in line with reporting requirements in FRD 22H requiring a summary of the entity's office-based environmental performance. We collect relevant data, where available, for reporting and available data on office-based environmental performance following FRD 24D guidelines is provided in detail below.

We incorporate sustainable procurement principles into the collective procurement activities we undertake on behalf of Victoria's public health services. We have set a sustainable purchasing policy and a social procurement strategy consistent with Victoria's Social Procurement Framework (SPF).

## Organisational boundary for the purpose of environmental reporting

The organisational site list includes the office space at Casselden and the new HSV DC at Derrimut. No data is included for the Tullamarine DC as operational control was through Melbourne Health Logistics until 28 June 2021.

Electricity, water, and waste management services at Casselden is supplied under HSV's occupancy arrangement and so directly reportable quantities are not available.

Environmental management systems for the new DC are yet to be set up and will be fully reported in the 2021-22 financial report. Current reporting includes the electricity supply since occupancy, and associated Scope 2 Greenhouse Gas Emissions.

Full-time employment (FTE) count was 134.3 as of June 2021.

## HSV's operational environmental data

### Energy use

HSV occupies a new DC at Derrimut and office space in the Casselden building in Melbourne's CBD. As a tenancy with shared services, measured tenancy-specific energy use data for Casselden is not available. Key environmental attributes of Casselden are:

- 4.5-star NABERS Energy base building certification
- 3.5 star NABERS Water certification
- 5-star Green Star – Office Design v3 certified rating.

The 5-star Green Star design rating for Casselden is equivalent to current best practice in office design. Casselden's 4.5-star NABERS Energy base building certification corresponds with a rating of between 'Good' and 'Excellent' performance for an Australian office building.

Sustainability measures implemented to improve the performance and efficiency of Casselden include energy-efficient lifts, upgraded controls and air conditioning, CO<sub>2</sub> monitoring and high-efficiency fluorescent lighting.

Electricity is supplied under an occupancy arrangement; the percentage of electricity purchased under a government-accredited Green Power scheme is 0 per cent.

All computer monitors and laptops we purchase are ENERGY STAR® certified, which ensures the equipment has a high level of energy efficiency, reducing electricity consumption and associated greenhouse gas emissions.

## Energy use 2020-21



**154,968 MJ**  
Total energy used

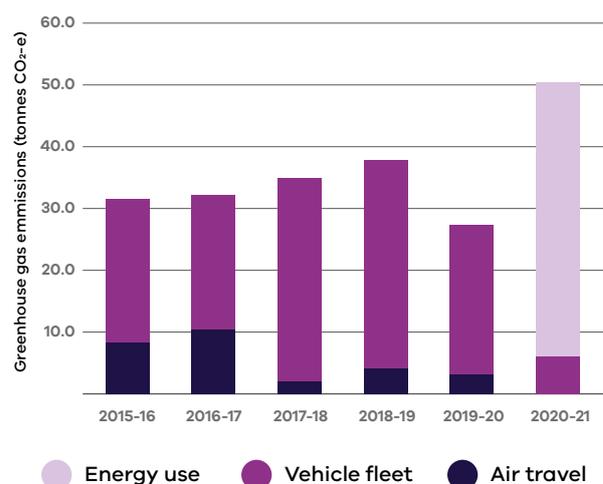


**1,154** Units of energy used per FTE  
**MJ/FTE**



**43.9** tonnes CO<sub>2</sub>-e  
Greenhouse gas emissions associated with energy use: 43.9 tonnes CO<sub>2</sub>-e

## Greenhouse gas emissions by year



2020-21 Greenhouse gas emissions from energy use are reported from commencement of the commissioning of the HSV DC in Derrimut in February 2021 and relate to electricity purchased.

Use of fleet vehicles was substantially lower in FY 2020-21 due to COVID-19. There was zero corporate air travel during FY 2020-21.

## Transportation

HSV's office location is readily accessible by public transport. The Casselden building provides excellent end-of-trip facilities to support employee commuter cycling, including secure undercover bicycle storage.

HSV has web-based video conferencing capability to facilitate remote access to meetings, particularly for regional stakeholders.

As of 30 June 2021, HSV has a fleet comprising seven vehicles, for which it monitors fuel card usage and odometer readings.

Indicators	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
T1 Energy consumption – vehicle fleet (MJ)	340,285	316,530	484,161	496,110	357,483	91,043
T2 Distance travelled – vehicle fleet (km)	112,127	101,689	175,468	192,114	148,877	34,034
T3 Greenhouse gas emissions – vehicle fleet (tonnes CO <sub>2</sub> -e)	23.3	21.7	32.9	33.6	24.2	6.2
T4 Emissions per 1000 km – vehicle fleet (tonnes CO <sub>2</sub> -e/1000 km)	0.21	0.21	0.19	0.18	0.16	0.18
T5 Total distance travelled by air (km)	62,812	13,050	38,348	44,471	33,754	0
T6 Greenhouse gas emissions from air travel (tonnes CO <sub>2</sub> -e)	8.3	10.5	2.1	4.2	3.2	0

### Waste disposal and recycling

Waste disposal and recycling collections are primarily provided by Casselden building management as part of its shared service, which includes online training to improve tenant understanding of waste recycling activities. Individual tenancy waste volumes and data for the percentage of materials that are recycled are currently not available for reporting.

Recycling collections occur for:

- co-mingled paper and packaging
- food organics for off-site composting
- clean paper
- secure document destruction (confidential paper)
- batteries
- mobile phones
- e-waste
- printer toners

Due to reduced office occupancy, there was no disposal for recycling of used printer toners required during 2020-21.

### Paper use

HSV tracks office paper use via networked printer data at the Casselden office and has seen a considerable reduction in use since the tracking commenced in 2015-16.

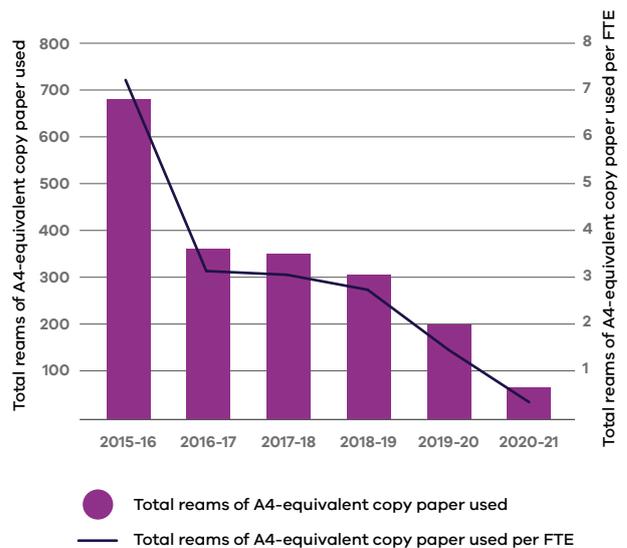
For the 2020-21 reporting period, 67.4 reams of A4-equivalent copy paper were used, which equates to 0.5 reams per full-time equivalent employee, down from 1.9 reams per FTE the prior period.

The observed decrease in paper usage is primarily due to most HSV employees working remotely from March 2020 and no longer using office-based printers. Sustained reductions in office paper consumption are supported by use of on-demand printing systems to minimise wastage, improvements in virtual document management through the IT environment, as well as providing Board committee papers in electronic form.

We continue to support alternatives to reduce paper-based processes, including implementing electronic signatures for contract agreements.

In 2020-21, the copy paper we purchased comprised 80 per cent recycled content, compared with 84 per cent in 2019-20, and it was locally manufactured.

### Paper use by year



## Water consumption

As HSV is a tenancy within an office building with shared services, it is not possible to report on individual tenants' water use. Casselden has a NABERS 3.5-star Water certification and provides onsite sewage water recovery for re-use in toilets, and high-efficiency water fixtures and fittings.

## Social procurement report

HSV continues to focus on improving the implementation of social and sustainable procurement objectives in line with our strategic goal to increase best-value healthcare outcomes and a balanced approach towards financial and non-financial benefits and supply chain risk.

Victoria's SPF encourages all government buyers to seek to increase the value of procured goods and services by pursuing defined social and sustainable outcomes.

Under the SPF, development of an HSV social procurement strategy in 2019-20 identified that the organisation should prioritise outcomes under the following SPF objectives during collective procurement:

- women's equality and safety
- supporting safe and fair workplaces
- environmentally sustainable business practices
- environmentally sustainable outputs.

COVID-19 pandemic responses and the development of a distribution centre capability for HSV have been organisational priorities, so during 2020-21 few statewide tenders were completed to a contract stage.

All current invitations to supply include sustainable and social procurement objectives. Supplier environmental management practices are evaluated during all tenders, and consideration is given during procurement activities to opportunities to preference supply of more environmentally sustainable goods or services where these provide value for money.

Jaggaer, HSV's procurement system, has also been updated to enable effective and efficient handling of supplier/project information for use in SPF benefits measurement and benefits reporting.

Health services have benefited from a benefits reporting dashboard to track direct social procurement benefits from their direct social procurement spend on HSV supplier panels, and an online Qlik Sense report to assist in extracting procurement spend data for SPF benefits reporting.

Other supporting resources include:

- further developing a suite of sustainable and social procurement resources comprising fact sheets, website content and presentations
- SPF educational modules available through HSV's e-Learning system to assist health services in understanding their strategic and operational requirements under the SPF.

HSV engaged Clean Force Property Services, a flagship social enterprise of WISE Employment Ltd (WISE) to provide cleaning, hygiene and waste handling on-site at the Derrimut DC. Their contract commenced on 1 June 2021. Clean Force employs Victorians who are living with disability, including mental illness.



HSV and Clean Force representatives meet at the Derrimut DC

# Disclosure of consultancies

In 2020-21, there were 11 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2020-21 in relation to these consultancies is \$2.51 million (excluding GST).

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

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2020-21 (ex GST)	Future expenditure
<b>Pharma Consult</b>	To investigate the models, options and benefits of a preferred pharmaceutical wholesaler model for Victorian health services to the extent necessary to provide health services and HSV with sufficient detail to make informed decisions including market engagement.	September 2020	December 2020	\$40,000	\$40,000	\$0
<b>Safe Sense</b>	To provide subject matter expertise and deliver a program of work to develop a health, safety and wellbeing management system that incorporates traditional governance, risk management, operations and assurance procedures with more contemporary health and safety issues including change management, mental health and wellbeing across HSV.	August 2020	June 2022	\$230,000	\$133,650	\$96,350
<b>KPMG</b>	As part of HSV's establishment to provide advice on the design of future operations from an ICT perspective, to develop an enterprise architecture plan with a design of HSV's operations from an ICT perspective and setting out the projects required to support HSV 'go live'.	August 2020	November 2020	\$223,000	\$223,000	\$0
<b>PwC</b>	To develop a medical consumables strategy to deliver benefits and savings into the public health sector. The strategy involved developing three strategic procurement levers: a pricing model restructure, category re-segmentation and statewide clinical panels for product harmonisation.	October 2020	May 2021	\$424,655	\$424,655	\$0
<b>Michele Salmon</b>	To provide expert human resources and industrial relations advice to assist with the transition of employees from HPV to HSV, the transmission of the business of the Melbourne Health supply chain and logistics service into HSV and advise on the transition and onboarding of health services purchasing of goods from HSV.	January 2021	June 2022	\$80,000	\$23,450	\$56,550
<b>Top Anderson and Associates</b>	To provide expert advice to establish a shared corporate services function within HSV that included development of a business case, governance framework and implementation plan and to progress a funding submission to government.	January 2021	June 2021	\$70,000	\$63,938	\$0

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2020-21 (ex GST)	Future expenditure
Deloitte*	To develop a warehouse management system for HSV as a cornerstone for the transition to be responsible for the statewide purchasing, warehousing and supply to health services of medical consumables, including critical personal protective equipment. The solution needs to ensure the ability to receive, put away, pick, pack and ship efficiently in a large-scale warehouse.	November 2020	December 2021	\$335,000	\$318,250	\$16,750
Deloitte*	To implement HSV onto the Health Technology Solutions (HTS) Oracle (FMIS) platform to support migration of the supply chain function of Melbourne Health. The modules being implemented include general ledger, fixed assets, accounts payable/receivable, cash management, tax, purchasing management, inventory and costing.	October 2020	December 2021	\$1,167,000	\$1,140,819	\$26,181
Kronos	As part of establishing HSV supply chain and logistics services, to design and implement a workforce management solution. The solution incorporates a swipe card timekeeping system that also provides employees with visibility of advance scheduling and empowering decision-making with real-time labour analytics.	August 2020	June 2021	\$60,000	\$57,968	\$0
Pitcher Partners	To develop a toolkit for health services to support their implementation of Modern Slavery Act requirements. Artifacts included as part of the toolkit include a fact sheet outlining requirements under the Act, a template Modern Slavery policy, risk register template and risk assessment framework, Modern Slavery strategy and implementation plan.	July 2020	August 2020	\$30,000	\$30,000	\$0
Resolver Inc.	Risk management is an important and fundamental component of HSV's governance system. The consultancy provided the design and implementation of various applications that included: enterprise risk management, audit outcome recommendations monitoring, incident management and business continuity planning.	September 2020	November 2020	\$50,000	\$49,992	\$0

\* Note the current scope of the Warehouse Management System and Oracle (FMIS) is being reviewed to consider additional functionalities to support longer-term system requirements.

In 2020-21, HSV did not engage with any other consultants where the total fees payable to the consultant were less than \$10,000 (exclusive of GST).

## Information and Communication Technology (ICT) expenditure

Consistent with FRD 22H (Section 5.17) the report of operations presents disclosure relating to ICT expenditure (excluding GST).

ICT expenditure represents an entity's costs in providing business-enabling ICT services and consists of the following cost elements:

- operating and capital expenditure (including depreciation)
- ICT services – internally and externally sourced
- cost of providing ICT services (including personnel and facilities) across the agency, whether funded through a central ICT budget or through other budgets
- cost of providing ICT services to other organisations.

The total ICT expenditure incurred during 2020-21 is \$6.28m (excluding GST), with details shown below.

Business-as-usual (BAU) ICT expenditure	Non-business-as-usual (non-BAU) ICT expenditure		
	Total = operational expenditure and capital expenditure (ex GST)	Total operational expenditure (ex GST)	Total capital expenditure (ex GST)
Total (ex GST)	\$4.98 million	\$1.30 million	\$0.46 million
			\$0.84 million

Notes:

- Non-business-as-usual (non-BAU) expenditure is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and is usually run as projects.
- Business-as-usual (BAU) expenditure includes salaries and wages and all remaining ICT expenditure other than non-BAU ICT expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability.

# Summary of financial results

## Summary of financial results and comparison to the last five reporting periods

	2021 \$000	2020 \$000	2019 \$000	2018 \$000	2017 \$000
<b>Operating surplus/(deficit)*</b>	3,490	(153)	(888)	22	22
Total revenue	42,565	18,977	16,207	16,283	16,340
Total expenses	29,327	19,599	17,727	16,889	16,828
<b>Net result from transactions</b>	13,238	(622)	(1,520)	(606)	(488)
Other economic flows**	85	(19)	(67)	(1)	30
<b>Net surplus (deficit)</b>	13,323	(641)	(1,587)	(607)	(458)
Total assets	32,569	9,882	5,111	6,358	7,581
Total liabilities	17,812	8,447	3,035	2,695	3,311
<b>Net assets/Total equity</b>	<b>14,757</b>	<b>1,435</b>	<b>2,076</b>	<b>3,663</b>	<b>4,270</b>

\* The operating surplus/(deficit) is the financial result monitored in the Statement of Priorities.

\*\* Other economic flows represents impairment of non-financial assets and the impact of changes in bond and inflation factors related to the long service leave liability.

## Summary of significant changes in HSV's financial position

The 2020-21 financial year was a period of significant growth for HSV, initially with increased procurement activities resulting from the COVID-19 pandemic, and later involving organisational transformation. Each of these initiatives, which were supported by the Department of Health, have been drivers of a revenue profile that has increased by 67 per cent to \$31.8 million.

HSV's establishment, which brought together the functions of HPV and Melbourne Health Logistics' warehousing and logistics operations, has had a material impact on the financial performance of HSV.

As a new public health service providing statewide end-to-end supply chain, logistics and procurement services, HSV required new systems and infrastructure to be established. We established a large new distribution centre in western Melbourne and the costs of the Derrimut DC and transfer of employee entitlements of MHL employees are major contributors to HSV's increased liabilities.

Completing the Derrimut DC fit-out of office and warehousing spaces, whilst establishing operational systems and safety procedures, has been a key requirement. In addition, we have committed to a new enterprise resource planning tool, Oracle Financial Management Information System, and Warehouse Management System to integrate sourcing, purchasing, warehousing, delivery and ordering. These systems will not only benefit for our first tranche of health service customers, but Victoria's public health services more broadly.

The new end-to-end supply chain will help hospitals to support better patient outcomes, through consolidated stock availability and large volume orders to maximise their purchasing power.

As at the end of the financial year, we achieved \$1.2 billion of value under contract and \$144 million of benefits achieved through delivery of various procurements across indirect services, pharmaceuticals, medical consumables, ICT contracts and medical equipment purchases. All new HSV contracts are established through a process involving reference groups, working parties and other advisory forums overseen by an HSV governance structure that includes key health service representatives. Partnering with health services to gain clinical guidance and support are essential parts of the procurement process.

In 2020-21, HSV continued to face unprecedented challenges arising from the COVID-19 pandemic. Initially the crisis necessitated a refocus of our internal resources from business-as-usual procurement to securing critical PPE suppliers to meet public health sector needs. Additional specialist procurement resources have continued to be contracted to ensure critical supplies can be sourced in a timely manner.

Mandatory lockdown and travel restrictions due to COVID-19 have affected HSV employees' leave profiles, which has flowed onto increased leave liability balances.

The financial performance of HSV during the 2020-21 financial year is an operating surplus of \$3.5 million, largely due to the timing of Department of Health funding and the lead time required to implement and deliver strategic initiatives. The net surplus of \$13.3 million is predominantly the result of capital income provided by the Department to build up inventory levels, and revenue relating to the right of use asset – the Tullamarine distribution centre – that has also transferred to HSV.

Overall, our cash levels remain strong and there is adequate cash in the operating account to support going concern requirements.

Our performance against our Statement of Priorities and strategic objectives has been reported earlier in the Annual Report.

# Disclosure index

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

Legislation	Requirement	Page Reference
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
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FRD 22H	Purpose, functions, powers and duties	6
FRD 22H	Nature and range of services provided	6
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FRD 22H	Significant changes in key initiatives and expectations for the future	17, 46
<b>Management and structure</b>		
FRD 22H	Organisational structure	33
FRD 22H	Workforce data/employment and conduct principles	34-37
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<b>Financial information</b>		
FRD 22H	Summary of the financial results for the year	45
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<b>Legislation</b>		
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FRD 22H	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	22
FRD 22H	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	22
FRD 22H	Statement on National Competition Policy	22
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# Financial statements and accompanying notes for the year ended 30 June 2021

## Board Chair, Accountable Officer's and Chief Finance Officer's declaration

The attached financial statements for Health Purchasing Victoria, trading as HealthShare Victoria, have been prepared in accordance with Direction 5.2 of the Standard 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 2021 and financial position of HealthShare Victoria at 30 June 2021.

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

The Board of HealthShare Victoria adopted the financial statements on this day and authorised the named persons to sign the report on behalf of the entity and to authorise the attached financial statements for issue on this day.



**Mr Lance Wallace**  
Board Chair  
HealthShare Victoria  
10 September 2021



**Mr Neil Rodaway**  
Chief Executive  
HealthShare Victoria  
10 September 2021



**Mr John Delinaoum**  
Chief Financial and  
Accounting Officer  
HealthShare Victoria  
10 September 2021



## Independent Auditor's Report

### To the Board of Health Purchasing Victoria, trading as HealthShare Victoria

<b>Opinion</b>	<p>I have audited the financial report of Health Purchasing Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2021</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 significant accounting policies</li> <li>• board chair, accountable officer's and chief finance officer's declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<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 entity in accordance with 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 Victoria. 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 entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</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 entity'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>

**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 entity'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 entity'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 entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE  
4 October 2021



Travis Derricott  
*as delegate for the Auditor-General of Victoria*

# Comprehensive Operating Statement

For the Financial Year Ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Revenue and Income from Transactions</b>			
Operating Activities	2.1	41,403,782	18,919,490
Non-Operating Activities	2.1	65,345	57,607
Fair value of assets received free of charge	2.2	1,095,587	-
<b>Total Revenue and Income from Transactions</b>		<b>42,564,714</b>	<b>18,977,097</b>
<b>Expenses from Transactions</b>			
Employee Expenses	3.1	(15,989,909)	(12,528,208)
Non Salary Labour Costs	3.1	(4,805,204)	(2,801,812)
Other Operating Expenses	3.1	(7,484,126)	(3,799,748)
Depreciation and Amortisation	3.1	(1,047,727)	(469,524)
<b>Total Expenses from Transactions</b>		<b>(29,326,966)</b>	<b>(19,599,292)</b>
<b>Net Result from Transactions - Net Operating Balance</b>		<b>13,237,748</b>	<b>(622,195)</b>
<b>Other Economic Flows included in Net Result</b>			
Net Gain/(Loss) on Non-Financial Assets	3.4	(22,758)	-
Other Gain/(Loss) from Other Economic Flows	3.4	107,933	(18,910)
<b>Total Other Economic Flows Included in Net Result</b>		<b>85,175</b>	<b>(18,910)</b>
<b>NET RESULT FOR THE YEAR</b>		<b>13,322,923</b>	<b>(641,105)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>13,322,923</b>	<b>(641,105)</b>

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

# Balance Sheet

As at 30 June 2021

	Note	2021 \$	2020 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	6.2	13,995,577	7,976,951
Receivables and Contract Assets	5.1	1,641,420	209,956
Inventories	4.5	6,243,410	-
Prepayments		758,859	675,869
<b>Total Current Assets</b>		<b>22,639,266</b>	<b>8,862,776</b>
<b>Non-Current Assets</b>			
Receivables and Contract Assets	5.1	904,982	-
Property, Plant and Equipment	4.2	8,691,553	448,642
Intangible Assets	4.3	333,506	570,615
<b>Total Non-Current Assets</b>		<b>9,930,041</b>	<b>1,019,257</b>
<b>TOTAL ASSETS</b>		<b>32,569,307</b>	<b>9,882,033</b>
<b>Current Liabilities</b>			
Payables and Contract Liabilities	5.2	6,675,140	5,399,416
Borrowings	6.1	1,267,523	82,311
Employee Benefits	3.2	4,563,455	2,088,776
<b>Total Current Liabilities</b>		<b>12,506,118</b>	<b>7,570,503</b>
<b>Non-Current Liabilities</b>			
Borrowings	6.1	4,594,216	164,297
Employee Benefits	3.2	711,474	712,657
<b>Total Non-Current Liabilities</b>		<b>5,305,690</b>	<b>876,954</b>
<b>TOTAL LIABILITIES</b>		<b>17,811,808</b>	<b>8,447,457</b>
<b>NET ASSETS</b>		<b>14,757,499</b>	<b>1,434,576</b>
<b>EQUITY</b>			
Contributed Capital	SCE	31,570	31,570
Accumulated Surplus	SCE	14,725,929	1,403,006
<b>TOTAL EQUITY</b>		<b>14,757,499</b>	<b>1,434,576</b>

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

# Statement of Changes in Equity

For the Financial Year Ended 30 June 2021

	Note	Contributed Capital \$	Accumulated Surplus/(Deficit) \$	Total \$
Balance at 30 June 2019		31,570	2,044,111	2,075,681
Net result for the year		-	(641,105)	(641,105)
<b>Balance at 30 June 2020</b>		<b>31,570</b>	<b>1,403,006</b>	<b>1,434,576</b>
Net result for the year		-	13,322,923	13,322,923
<b>Balance at 30 June 2021</b>		<b>31,570</b>	<b>14,725,929</b>	<b>14,757,499</b>

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

# Cash Flow Statement

For the Financial Year Ended 30 June 2021

	Note	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Operating Grants from Government		25,528,563	22,313,238
Capital Grants from Government		9,700,000	-
Interest Received		38,805	57,578
GST Received from ATO		496,166	267,672
Other Receipts		26,540	29
<b>Total Receipts</b>		<b>35,790,074</b>	<b>22,638,517</b>
<b>Payments</b>			
Employee Expenses Paid		(19,361,813)	(14,780,637)
Payments for Supplies and Consumables		(8,033,285)	(3,097,566)
Cash Outflow for Leases		(34,639)	(70,064)
<b>Total Payments</b>		<b>(27,429,737)</b>	<b>(17,948,267)</b>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>8.1</b>	<b>8,360,337</b>	<b>4,690,250</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(1,655,581)	(123,135)
Purchase of Intangible Assets		(68,147)	(128,152)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(1,723,728)</b>	<b>(251,287)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(617,983)	-
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(617,983)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>6,018,626</b>	<b>4,438,963</b>
Cash and Cash Equivalents at Beginning of Financial Year		7,976,951	3,537,988
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>6.2</b>	<b>13,995,577</b>	<b>7,976,951</b>

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

# Notes to and forming part of the Financial Statements

## Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for HealthShare Victoria for the financial year ended 30 June 2021.

Health Purchasing Victoria (HPV) is an independent statutory authority incorporated pursuant to section 129 of the *Health Services Act 1988* (Vic). On 1 January 2021, HPV assumed a trading name of HealthShare Victoria (HSV) to become a commercially oriented end-to-end supply chain, logistics and procurement service. The first objective of HSV is to provide supply chain solutions that drive increased strategic health procurement, improved access to essential medical goods and services, and better healthcare outcomes for patients and communities. HSV's functions include the supply of goods and services to public hospitals and other health or related services. The purpose of this report is to provide users with information about HSV's stewardship of resources entrusted to it.

### (a) Statement of compliance

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

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) authorised by the Assistant Treasurer.

HSV is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to 'not-for-profit' entities under AASBs. The annual financial statements were authorised for issue by the Board of HealthShare Victoria on 10 September 2021.

### (b) Reporting entity

The financial statements include all the controlled activities of HealthShare Victoria. Its principal address is: HealthShare Victoria, Level 34, Casselden, 2 Lonsdale Street, Melbourne, Vic 3000.

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

### Objectives and funding

HSV during the financial year was funded by grant funding from the Department of Health for the provision of outputs.

# Notes to and forming part of the Financial Statements

## Note 1: Summary of significant accounting policies (continued)

### (c) Basis of accounting preparation and measurement

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set in the notes have been applied in preparing the financial statements for the year ended 30 June 2021, and the comparative information presented in these financial statements for the year ended 30 June 2020. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

The financial statements are prepared on a going concern basis.

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

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is, they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS that have significant effects on the financial statements and estimates relate to:

- Revenue and income assessments (refer to Note 2.1 Revenue and Income from Transactions);
- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment);
- Contract liabilities (refer to Note 5.2 Payables and Contract Liabilities);
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2 Employee benefits in the Balance Sheet).

### Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flow.

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

**(d) Equity**

**Contributed capital**

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of HSV.

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

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

**(e) Comparatives**

Comparative figures have not been required to be restated to align with the presentation in the current year.

**Note 2: Funding delivery of our services**

HealthShare Victoria helps Victorian health services and hospitals deliver high quality patient care by ensuring they have a reliable and agile supply chain. HSV partners with health services to facilitate collective agreements for the goods and services they purchase, providing advice and education on how to get their supply chain working at its best and ensuring Health Purchasing Policy compliance.

To enable HSV to fulfil its objectives it receives income based on parliamentary appropriations. HSV also receives a small amount of income from investments and the supply of services.

**Structure:**

- 2.1 Revenue and income from transactions
- 2.2 Fair value of assets received free of charge recognised as income

**Key judgements and estimates**

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	HSV applies significant judgement when reviewing the terms and conditions of funding agreements to determine whether they contain sufficiently specific and enforceable performance obligations.
Determining timing of revenue recognition	HSV applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time.
Determining timing of capital grant income recognition	HSV applies significant judgement to determine when its obligation to construct an asset is satisfied.

# Notes to and forming part of the Financial Statements

## Note 2.1: Revenue and income from transactions

	2021 \$	2020 \$
<b>Operating Activities</b>		
<b>Other Sources of Income</b>		
Government Grants (State) - Operating	30,696,123	17,911,831
Indirect Contributions by Department of Health		
- Insurance	13,511	13,511
- Office Lease	994,148	994,148
Government Grants (State) - Capital	9,700,000	-
<b>Total Other Sources of Income</b>	<b>41,403,782</b>	<b>18,919,490</b>
<b>Total Revenue and Income from Operating Activities</b>	<b>41,403,782</b>	<b>18,919,490</b>
<b>Non-Operating Activities</b>		
<b>Other Sources of Income</b>		
Interest Income	38,805	57,578
Other Income	26,540	29
<b>Total Other Sources of Income</b>	<b>65,345</b>	<b>57,607</b>
<b>Total Income from Non-Operating Activities</b>	<b>65,345</b>	<b>57,607</b>
<b>Total Revenue and Income from Transactions</b>	<b>41,469,127</b>	<b>18,977,097</b>

## How we recognise revenue and income from transactions

### *Government operating grants*

To recognise revenue, HealthShare Victoria assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 *Revenue from Contracts with Customers*.

When both these conditions are satisfied, HealthShare Victoria:

- 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 the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, HealthShare Victoria:

- 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.

## Government grants and other transfers of income (other than contributions by owners)

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

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

As a result of the transitional impacts of adopting AASB 15 and AASB 1058, a portion of the grant revenue has been deferred in deferred grant revenue liability. If the grant revenue was accounted for under the previous accounting standard AASB 1004 in 2019-20, the total grant revenue received would have been recognised in full.

# Notes to and forming part of the Financial Statements

## Note 2.1: Revenue and income from transactions (continued)

### Non-cash from the Department of Health

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

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health.
- Office lease rent is recognised as revenue following advice from the 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 set out in the relevant Department of Health Hospital Circular.

### 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.

### Other income

Is reflective of cost recoveries of staff on secondment or shared resources.

## Note 2.2: Fair value of assets received free of charge recognised as income

	2021 \$	2020 \$
Property, Plant and Equipment	1,095,587	-
<b>Total fair value of assets received free of charge</b>	<b>1,095,587</b>	<b>-</b>

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency as a capital contribution transfer.

Property, plant and equipment received free of charge during the year ended 30 June 2021 is represented by the transfer of the written down value of buildings from Melbourne Health situated at 2-6 Sperry Drive, Tullamarine, Victoria, 3043.

## Note 3: The cost of delivering services

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

### Structure:

- 3.1 Expenses from transactions
- 3.2 Employee benefits in the balance sheet
- 3.3 Superannuation
- 3.4 Other economic flows

## Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring and classifying employee benefit liabilities	<p>HSV applies significant judgement when measuring and classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if HSV 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 HSV 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> <p>HSV also applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if HSV does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value. All other entitlements are measured at their nominal value.</p>

# Notes to and forming part of the Financial Statements

## Note 3.1: Expenses from transactions

	2021 \$	2020 \$
<b>Employee Expenses</b>		
Salaries and Wages	13,776,579	10,756,023
Superannuation	1,410,694	1,121,809
WorkCover	31,019	29,041
Payroll Tax	771,617	621,335
<b>Total Employee Expenses</b>	<b>15,989,909</b>	<b>12,528,208</b>
<b>Non Salary Labour Costs</b>		
Agency Costs	1,015,074	761,078
Long Service Leave Provision	1,684,190	362,026
Annual Leave Provision	1,425,880	1,133,453
Accrued Days Off Provision	680,060	545,255
<b>Total Non Salary Labour Costs</b>	<b>4,805,204</b>	<b>2,801,812</b>

	2021 \$	2020 \$
<b>Other Operating Expenses</b>		
Advertising	18,275	18,823
Software Licence and Support	1,925,712	1,473,381
Insurance	13,511	13,511
Legal Fees	83,112	134,662
Probity Audit Fees	-	4,975
Office Outgoings	92,683	46,197
Printing and Stationery	36,908	27,396
Subscriptions	68,461	72,075
Rent	1,099,348	994,148
Recruitment	319,479	82,939
Security	29,244	-
Consultant and Professional Fees	3,300,696	487,914
Telecommunication Costs	70,900	52,632
Vehicle and Travel Costs	48,787	86,706
Staff Development and Seminars	108,093	130,123
Audit Fees		
- VAGO	38,900	33,200
- Internal Audit	40,800	64,800
Bank Charges	861	2,160
Interest on Lease Liabilities	28,733	-
Expenses related to short term leases	1,659	8,100
Expenses related to leases of low value assets	5,957	6,352
Other	152,007	59,654
<b>Total Other Operating Expenses</b>	<b>7,484,126</b>	<b>3,799,748</b>
<b>Depreciation and Amortisation</b>		
Depreciation and Amortisation (note 4.4)	1,047,727	469,524
<b>Total Depreciation and Amortisation</b>	<b>1,047,727</b>	<b>469,524</b>
<b>Total Expenses from Transactions</b>	<b>29,326,966</b>	<b>19,599,292</b>

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

# Notes to and forming part of the Financial Statements

## Note 3.1: Expenses from transactions (continued)

### Employee expenses

Salaries and wages expenses include:

- ordinary wages and salaries;
- annual leave;
- accrued days off;
- sick leave;
- long service leave; and
- other leave entitlements.

### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and includes, supplies and services costs are recognised as an expense in the reporting period in which they are incurred.

The Department of Health makes certain payments on behalf of HSV. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

### Other gains/(losses) from economic flows

Net gain/(loss) arising from the revaluation of long service leave liability in 2021 \$107,933 and 2020 (\$18,910). Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions.

## Note 3.2: Employee benefits in the balance sheet

	2021 \$	2020 \$
<b>Current Provisions</b>		
Employee Benefits <sup>(i)</sup>		
Annual Leave		
- Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	1,512,862	916,323
- Unconditional and expected to be settled after 12 months <sup>(iii)</sup>	253,022	154,669
Long Service Leave		
- Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	444,972	122,571
- Unconditional and expected to be settled after 12 months <sup>(iii)</sup>	1,458,565	420,879
Accrued Days Off		
- Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	327,859	206,008
- Unconditional and expected to be settled after 12 months <sup>(iii)</sup>	-	-
	3,997,280	1,820,450

	2021 \$	2020 \$
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value) <sup>(ii)</sup>	298,641	182,329
- Unconditional and expected to be settled after 12 months (present value) <sup>(iii)</sup>	267,534	85,997
	566,175	268,326
<b>Total Current Provisions</b>	<b>4,563,455</b>	<b>2,088,776</b>
<b>Non-Current Provisions</b>		
Conditional Long Service Leave entitlements	614,824	619,339
Provisions related to employee benefit on-costs	96,650	93,318
<b>Total Non-Current Provisions</b>	<b>711,474</b>	<b>712,657</b>
<b>Total Employee Benefits</b>	<b>5,274,929</b>	<b>2,801,433</b>
(i) Employee benefits consist of amounts for accrued days off, annual leave and long service leave accrued by employees, not including on-costs.		
(ii) The amounts disclosed are nominal amounts.		
(iii) The amounts disclosed are discounted to present values.		
<b>Employee Benefits and Related On-Costs</b>		
<b>Current Provisions</b>		
Unconditional Long Service Leave entitlements	2,202,773	625,333
Annual Leave entitlements	2,032,823	1,227,357
Accrued Days Off	327,859	236,086
<b>Total Current Employee Benefits and Related On-Costs</b>	<b>4,563,455</b>	<b>2,088,776</b>
<b>Non-Current Provisions</b>		
Conditional Long Service Leave entitlements	711,474	712,657
<b>Total Non-Current Employee Benefits and Related On-Costs</b>	<b>711,474</b>	<b>712,657</b>
<b>Total Employee Benefits and Related On-Costs</b>	<b>5,274,929</b>	<b>2,801,433</b>

Table continues on next page

# Notes to and forming part of the Financial Statements

## Note 3.2: Employee benefits in the balance sheet (continued)

	2021 \$	2020 \$
<b>Movements in Employee Benefits Provisions</b>		
<b>Carrying amount at start of year</b>	<b>2,439,790</b>	<b>1,735,460</b>
Additional provisions recognised	3,616,215	2,011,905
Amounts incurred during the year	(1,443,901)	(1,307,575)
<b>Carrying amount at end of year</b>	<b>4,612,104</b>	<b>2,439,790</b>
<b>Movements in On-Costs Provisions</b>		
<b>Balance at start of year</b>	<b>361,643</b>	<b>257,257</b>
Additional provisions recognised	316,919	106,621
Unwinding of discount and effect of changes in the discount rate	(15,737)	2,757
Reduction due to transfer out	-	(4,992)
<b>Balance at end of year</b>	<b>662,825</b>	<b>361,643</b>

### Employee Related Provisions

Provisions are recognised when HSV has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## Employee benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

### *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 HSV does not have an unconditional right to defer settlement 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 HSV expects to wholly settle within 12 months; or
- present value – if HSV does not expect to wholly settle within 12 months.

### *Long service leave (LSL)*

Liability for 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 HSV 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 HSV expects to wholly settle within 12 months; or
- present value – if HSV does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability because there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss from the 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 bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

### *Termination benefits*

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

HSV recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### *On-costs*

Provision for on-costs such as workers compensation, payroll tax and superannuation, are recognised separately from provisions for employee benefits

# Notes to and forming part of the Financial Statements

## Note 3.3: Superannuation

	2021 \$	2020 \$
<b>Total payments towards defined contribution plans</b>	<b>1,410,694</b>	<b>1,121,809</b>

HSV has an unpaid superannuation liability as at 30 June 2021 of \$117,029 (2020: \$91,090).

Details in relation to superannuation funds are as follows:

- HSV contributed on behalf of its employees and directors eligible for remuneration during the year ended 30 June 2021 to complying funds under the Superannuation Industry (Supervision) Act 1993.
- No loans exist between HSV and these superannuation funds.
- The total contributions paid by HSV exclude amounts paid under salary sacrifice arrangements.
- The basis for the calculation of superannuation contributions in accordance with the employer statutory requirements specify that contributions of HSV are based on a percentage of the employee's salary. During the period these contributions were at the rate of 9.5% of gross salaries. Contributions made by HSV are in accordance with employer obligations and exclude salary sacrifice arrangements to the major employee superannuation funds are as reported.

### Defined contribution superannuation plans

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

## Note 3.4: Other economic flows

	2021 \$	2020 \$
Impairment of Property, Plant and Equipment (including Intangible Assets)	(22,758)	-
<b>Total Net Gain/(Loss) on Non-Financial Assets</b>	<b>(22,758)</b>	<b>-</b>
Net gain/(loss) arising from revaluation of long service liability	107,933	(18,910)
<b>Total Other Gains/(Losses) from Other Economic Flows</b>	<b>107,933</b>	<b>(18,910)</b>

### Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- Revaluation gains/(losses) of non-financial physical assets - refer to Note 4.2 Property, Plant and Equipment
- Net gain/(loss) on disposal of non-financial assets.
- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

**Other gains/(losses) from other economic flows**

Other gains/(losses) include the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors.

**Note 4: Key assets available to support output delivery**

HSV 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 HSV to be utilised for delivery of those outputs.

**Structure:**

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

**Key judgements and estimates**

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of property, plant and equipment	Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an independent valuation may be undertaken.
Estimating useful life and residual value of property, plant and equipment	<p>HSV assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset.</p> <p>HSV reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.</p>
Estimating useful life of right-of-use assets	<p>The useful life of each right-of-use asset is typically the respective lease term, except where HSV 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.</p> <p>HSV applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.</p>

# Notes to and forming part of the Financial Statements

## Key judgements and estimates (continued)

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the useful life of intangible assets	HSV assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.
Identifying indicators of impairment	<p>At the end of each year, HSV assesses impairment by evaluating the conditions and events specific to HSV that may be indicative of impairment triggers. Where an indication exists, HSV tests the asset for impairment.</p> <p>HSV 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 HSV 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, HSV applies significant judgement and estimate to determine the recoverable amount of the asset.</p>

## Note 4.1: Investments and other financial assets

### Investment recognition

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract with terms requiring delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified as financial assets at amortised cost.

HSV classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset. HSV assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

HSV investments must comply with Standing Direction 3.72 - Treasury Management, including Central Banking System.

All financial assets, except for those measured at fair value through the Comprehensive Operating Statement are subject to annual review for impairment.

### Impairment of financial assets

At the end of each reporting period, HSV assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets are subject to annual review for impairment.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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*.

### Note 4.2: Property, plant and equipment

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

	Gross Carrying Amount		Accumulated Depreciation		Net Carrying Amount	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Computer Equipment at Fair Value	482,605	349,542	(269,351)	(256,329)	213,254	93,213
Furniture and Fittings at Fair Value	141,043	141,043	(106,168)	(86,743)	34,875	54,300
Plant and Equipment at Fair Value	3,555,996	941,774	(942,110)	(886,409)	2,613,886	55,365
Right of Use Property, Plant and Equipment at Fair Value	6,286,692	-	(618,237)	-	5,668,455	-
Right of Use Motor Vehicles at Fair Value	211,594	277,965	(50,511)	(32,201)	161,083	245,764
<b>Net Carrying Amount</b>	<b>10,677,930</b>	<b>1,710,324</b>	<b>(1,986,377)</b>	<b>(1,261,682)</b>	<b>8,691,553</b>	<b>448,642</b>

# Notes to and forming part of the Financial Statements

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

(b) Reconciliation of the carrying amounts of each class of asset for the entity at the beginning and end of the previous and current financial year is set out below.

	At fair value (level 3) Computer Equipment (i) \$	At fair value (level 3) Furniture and Fittings (i) \$	At fair value (level 3) Plant and Equipment (i) \$	At fair value (level 3) Right of Use Property, Plant and Equipment \$	At fair value (level 3) Right of Use Motor Vehicles \$	Total \$
<b>Balance at 1 July 2019</b>	<b>73,774</b>	<b>74,743</b>	<b>112,129</b>		-	<b>260,646</b>
Additions	68,320	2,099	21,360	-	277,965	369,744
Depreciation (note 4.4)	(48,881)	(22,542)	(78,124)	-	(32,201)	(181,748)
<b>Balance at 1 July 2020</b>	<b>93,213</b>	<b>54,300</b>	<b>55,365</b>	-	<b>245,764</b>	<b>448,642</b>
Additions	174,012	-	2,614,222	6,286,692	-	9,074,926
Disposals	-	-	-	-	(37,067)	(37,067)
Depreciation (note 4.4)	(53,971)	(19,425)	(55,701)	(618,237)	(47,614)	(794,948)
<b>Balance at 30 June 2021</b>	<b>213,254</b>	<b>34,875</b>	<b>2,613,886</b>	<b>5,668,455</b>	<b>161,083</b>	<b>8,691,553</b>

Note:

(i) Plant and equipment is held at carrying value (depreciated cost). Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

There were no changes in valuation techniques throughout the period to 30 June 2021.

For all assets measured at fair value, the current use is considered the highest and best use.

### Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

Plant, equipment and vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

### Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

**Impairment of non-financial assets**

Intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below). All other non-financial assets are also assessed annually for indications of impairment.

If there is an indication of impairment, the asset concerned is tested as to whether its carrying value exceeds its possible recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as an expense except to the extent that the write-down can be debited to an asset revaluation reserve surplus amount applicable to that same class of asset.

If there is an indication that there has been a reversal in the estimate of an asset’s recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the assets and fair value less costs to sell.

**(c) Description of significant unobservable inputs to Level 3 valuations:**

**Plant and equipment at fair value**

	Valuation technique	Significant unobservable inputs
Office Equipment	Depreciated replacement cost	Useful life of PPE
Computer Equipment	Depreciated replacement cost	Useful life of PPE
Furniture, Fixtures and Fittings	Depreciated replacement cost	Useful life of PPE

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effect on the financial statements and estimates relate to:

- the fair value of office equipment, computer equipment, furniture and fittings and leasehold improvements.

Consistent with AASB 13 *Fair Value Measurement*, HealthShare Victoria determines the policies and procedures for recurring fair value measurements such as plant and equipment, financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

# Notes to and forming part of the Financial Statements

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For the purpose of fair value disclosures, HSV has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, HSV determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### (d) Total right-of-use assets: property, plant, equipment and motor vehicles

Where HSV enters a contract that 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, the contract gives rise to a right-of-use asset and corresponding lease liability. HSV presents its right-of-use assets as part of property, plant, equipment and motor vehicles as if the asset was owned by HSV.

### Initial recognition

When a contract is entered into, HSV assesses if the contract contains or is a lease. If a lease is present, a right-of-use asset and corresponding lease liability is recognised. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date
- 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.

### Subsequent measurement

HSV depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

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

**Note 4.3: Intangible assets**

	2021 \$	2020 \$
<b>Intangible Assets</b>		
Computer Software at Cost	2,363,342	2,406,571
Less Accumulated Amortisation	(2,029,836)	(1,835,956)
<b>Total Computer Software Costs</b>	<b>333,506</b>	<b>570,615</b>
<b>Total Intangible Assets</b>	<b>333,506</b>	<b>570,615</b>

Reconciliation of the carrying amount of intangible assets at the beginning and end of the previous and current financial year:

	Software \$	Total \$
<b>Balance at 1 July 2019</b>	<b>730,239</b>	<b>730,239</b>
Additions	128,153	128,153
Amortisation (note 4.4)	(287,777)	(287,777)
<b>Balance at 1 July 2020</b>	<b>570,615</b>	<b>570,615</b>
Additions	68,147	68,147
Disposals	(52,477)	(52,477)
Amortisation (note 4.4)	(252,779)	(252,779)
<b>Balance at 30 June 2021</b>	<b>333,506</b>	<b>333,506</b>

**Intangible assets**

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

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to HSV.

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

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

# Notes to and forming part of the Financial Statements

## Note 4.3: Intangible assets (continued)

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

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

## Note 4.4: Depreciation and amortisation

	2021 \$	2020 \$
<b>Depreciation</b>		
Plant and Equipment	55,701	78,124
Computer Equipment	53,971	48,881
Furniture and Fittings	19,425	22,542
Right of Use Property, Plant and Equipment	618,237	-
Right of Use Motor Vehicles	47,614	32,201
<b>Total Depreciation</b>	<b>794,948</b>	<b>181,748</b>
<b>Amortisation</b>		
Intangible Assets	252,779	287,777
<b>Total Amortisation</b>	<b>252,779</b>	<b>287,777</b>
<b>Total Depreciation and Amortisation</b>	<b>1,047,727</b>	<b>469,525</b>

### Depreciation

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value, over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health.

Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets to allocate their cost or valuation over their estimated useful lives.

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

	2021	2020
Computer Hardware	2.5 years	2.5 years
Furniture and Fittings	5.3 years	5.3 years
Office Equipment	2.5 years	2.5 years
Leasehold Improvements	7 years	7 years
Plant and Equipment	7 years	7 years
Right of Use Property, Plant and Equipment	5-40 years	N/A
Right of Use Motor Vehicles	3-6 years	3-6 years

**Amortisation**

Amortisation is allocated to intangible assets with finite useful lives on a systematic (straight-line) basis over the asset’s useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss. Intangible assets with finite useful lives are amortised over 3-5 years (2020: 3-5 years).

**Note 4.5: Inventories**

	2021 \$	2020 \$
Medical and surgical consumables at cost	6,243,410	-
<b>Total Inventories</b>	<b>6,243,410</b>	<b>-</b>

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

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

# Notes to and forming part of the Financial Statements

## Note 5: Other assets and liabilities

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

Structure:

5.1 Receivables and Contract Assets

5.2 Payables and Contract Liabilities

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring contract liabilities	HSV applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, HSV assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.

### Note 5.1: Receivables and Contract Assets

	2021 \$	2020 \$
<b>Current Receivables and Contract Assets</b>		
<b>Contractual</b>		
Amounts Receivable from Government	1,126,561	-
<b>Statutory</b>		
GST Receivable	514,859	209,956
<b>Total Current Receivables and Contract Assets</b>	<b>1,641,420</b>	<b>209,956</b>
<b>Non-Current Receivables and Contract Assets</b>		
<b>Contractual</b>		
Amounts Receivable from Government	904,982	-
<b>Total Non-Current Receivables and Contract Assets</b>	<b>904,982</b>	<b>-</b>
<b>Total Receivables and Contract Assets</b>	<b>2,546,402</b>	<b>209,956</b>

**(a) Ageing analysis of receivables**

Please refer to Note 7.1 for the ageing analysis of receivables.

**(b) Nature and extent of risk arising from receivables**

Please refer to Note 7.1 for the nature and extent of credit risk arising from receivables.

Receivables consist of:

- contractual receivables, which includes mainly debtors in relation to goods and services, accrued investment income; and
- statutory receivables, which includes amounts being the net of Goods and Services Tax (GST) recoverable.

Receivables that are contractual are classified as financial instruments and categorised as receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

**Note 5.2: Payables and Contract Liabilities**

	Note	2021 \$	2020 \$
<b>Current Payables and Contract Liabilities</b>			
<b>Contractual</b>			
Trade Creditors		113,297	272,525
Accrued Expenses		6,083,942	325,219
Salaries and Wages Related Creditors		394,113	222,191
Contract Liabilities - Income Received in Advance	5.2(a)	-	4,498,560
		<b>6,591,352</b>	<b>5,318,495</b>
<b>Statutory</b>			
Payroll Tax		78,668	76,728
Fringe Benefits Tax		5,120	4,193
		<b>83,788</b>	<b>80,921</b>
<b>Total Current Payables and Contract Liabilities</b>		<b>6,675,140</b>	<b>5,399,416</b>

# Notes to and forming part of the Financial Statements

## Note 5.2: Payables (continued)

### Payables recognition

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the HealthShare Victoria prior to the end of the financial year that are unpaid; and
- statutory payables, which 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 30 days.

### Maturity analysis of payables

Please refer to Note 7.1 for the ageing analysis of payables.

### Note 5.2 (a): Contract Liabilities

	2021 \$	2020 \$
Opening balance brought forward from 30 June 2020 adjusted for AASB 15	4,498,560	98,560
Add: Payments received for performance obligations to be completed during the period	35,996,033	15,712,000
Add: Grant consideration for sufficiently specific performance obligations received during the year	-	6,600,000
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(35,996,033)	(15,712,000)
Less: Grant revenue for sufficiently specific performance obligations works recognised consistent with the performance obligations met during the year	(4,448,560)	(2,200,000)
Less: Reallocation to net off Department of Health debtor	(50,000)	-
<b>Total Contract Liabilities</b>	<b>-</b>	<b>4,498,560</b>
<b>Represented by</b>		
Current Contract Liabilities	-	4,498,560
Non-Current Contract Liabilities	-	-

For the financial year 2020 HSV carried a contract liability for the delivery of various initiatives with the Department of Health. With the expansion of HSV activities in financial year 2021 these contract liability commitments have been removed and incorporated into the broader strategic objectives.

## Note 6: How we finance our operations

This section provides information on the sources of finance utilised by HSV during its operations, along with other information related to financing activities of the HSV.

This section includes disclosures of balances that are financial instruments (such as cash balances). Note 71 provides additional, specific financial instrument disclosures.

### Structure:

- 6.1 Borrowings
- 6.2 Cash and cash equivalents
- 6.3 Commitments for expenditure

## Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	<p>HSV applies significant judgement to determine if a contract is or contains a lease by considering if HSV:</p> <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 leased asset</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	<p>HSV applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria.</p> <p>HSV estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, HSV applies the low-value lease exemption.</p> <p>HSV 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 HSV applies the short-term lease exemption.</p>
Discount rate applied to future lease payments	<p>HSV 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 HSV's lease arrangements, HSV uses its incremental borrowing rate, which is the amount HSV 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.</p>
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 HSV is reasonably certain to exercise such options.</p> <p>HSV 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), HSV 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, HSV is typically reasonably certain to extend (or not terminate) the lease.</li> <li>- HSV considers historical lease durations and the costs and business disruption to replace such leased assets.</li> </ul>

# Notes to and forming part of the Financial Statements

## Note 6.1: Borrowings

	2021 \$	2020 \$
<b>CURRENT</b>		
Lease Liability <sup>(i)</sup>	1,267,523	82,311
<b>Total Current Borrowings</b>	<b>1,267,523</b>	<b>82,311</b>
<b>NON CURRENT</b>		
Lease Liability <sup>(i)</sup>	4,594,216	164,297
<b>Total Non-Current Borrowings</b>	<b>4,594,216</b>	<b>164,297</b>
<b>Total Borrowings</b>	<b>5,861,739</b>	<b>246,608</b>

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

### Maturity analysis of borrowings

Please refer to Note 7.1 for the maturity analysis of borrowings

## Note 6.1 (a): Lease Liabilities

HSV's lease liabilities are summarised below.

	2021 \$	2020 \$
Total undiscounted lease liabilities	5,992,720	259,443
Less unexpired finance expenses	(130,981)	(12,835)
<b>Net Lease Liabilities</b>	<b>5,861,739</b>	<b>246,608</b>

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

	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	2021 \$	2020 \$	2021 \$	2020 \$
Not later than one year	1,321,514	88,916	1,267,523	82,311
Later than 1 year and not later than 5 years	4,671,206	170,527	4,594,216	164,297
Later than 5 years	-	-	-	-
Minimum lease payments	<b>5,992,720</b>	<b>259,443</b>	<b>5,861,739</b>	<b>246,608</b>
Less future finance charges	(130,981)	(12,835)	-	-
<b>TOTAL</b>	<b>5,861,739</b>	<b>246,608</b>	<b>5,861,739</b>	<b>246,608</b>
Included in the Financial Statements as:				
Current Borrowings - Lease Liability	1,267,523	82,311	1,267,523	82,311
Non-Current Borrowings - Lease Liability	4,594,216	164,297	4,594,216	164,297
<b>TOTAL</b>	<b>5,861,739</b>	<b>246,608</b>	<b>5,861,739</b>	<b>246,608</b>

# Notes to and forming part of the Financial Statements

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

### HealthShare Victoria's leasing activities

HSV leases various properties, plant, equipment, IT equipment and motor vehicles. The lease contracts are typically made for fixed periods of 1–10 years with an option to renew the lease after that date. Lease payments for properties are renegotiated every five years to reflect market rentals.

Leases of IT equipment with contract terms of 1–3 years are either short-term and or/leases of low-value items. HSV has elected not to recognise right-of-use assets and lease liabilities for these leases.

At 30 June 2021, HSV was committed to short-term leases. Total commitment is \$42,130.

### Leases at significantly below-market terms and conditions

HSV, via a Deed of Assignment of Lease, took over a 40-year lease (expiring May 2048) for the use of a warehouse facility to store health-related goods. The lease contract specifies lease payments of \$12 per annum. The leased premises must be used by HSV to store critical health-related PPE and medical supplies. This lease represents a small portion of similar assets used by HSV for the purpose of providing health-related goods and services and therefore it does not have a significant impact on HSV's operations.

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to HSV and for which the supplier does not have substantive substitution rights;
- HSV 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 HSV has the right to direct the use of the identified asset throughout the period of use; and
- HSV has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

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

### Separation of lease and non-lease components

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

### Recognition and measurement of leases as a lessee

#### Lease liability – initial measurement

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

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

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

#### Lease liability – subsequent measurement

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

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

#### Short-term leases and leases of low value assets

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

#### Peppercorn lease

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

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

#### Presentation of right-of-use assets and lease liabilities

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

### Note 6.2: Cash and cash equivalents

	2021 \$	2020 \$
Cash at Bank	13,995,577	7,976,951
<b>Total Cash and Cash Equivalents</b>	<b>13,995,577</b>	<b>7,976,951</b>

Cash and cash equivalents recognised comprise cash on hand and cash at bank, deposits at call and highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash with an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts (HSV does not maintain an overdraft facility).

# Notes to and forming part of the Financial Statements

## Note 6.3: Commitments for expenditure

	2021 \$	2020 \$
<b>Operating Expenditure Commitments</b>		
Not later than 1 year	1,077,539	723,008
Later than 1 year and not later than 5 years	1,189,798	1,325,571
<b>Total</b>	<b>2,267,337</b>	<b>2,048,579</b>
<b>Non-cancellable Short Term and Low Value Lease Commitments</b>		
Not later than 1 year	12,718	4,633
Later than 1 year and not later than 5 years	29,412	10,463
<b>Total Non-Cancellable Short Term and Low Value Lease Commitments</b>	<b>42,130</b>	<b>15,096</b>
<b>Total Commitments for expenditure (inclusive of GST)</b>	<b>2,309,467</b>	<b>2,063,675</b>
Less GST recoverable from the Australian Tax Office	(203,302)	(187,607)
<b>Total Commitments for expenditure (exclusive of GST)</b>	<b>2,106,165</b>	<b>1,876,068</b>

Future lease payments are recognised on the balance sheet, refer to Note 6.1 Borrowings.

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects is stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

### Short-term leases and low value assets

Lease payments, including any contingent rentals, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

\*Lease commitments relating to HSV's use of Lvl 34, 2 Lonsdale Street has not been recognised. HSV has no contractual arrangement to support the reporting of the lease liability and commitment which is recognised by the Department of Health.

## Note 7: Risks, contingencies and valuation judgements

HSV is exposed to risk from its activities and outside factors. It is required 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 HSV is related mainly to fair value determination.

### Structure:

- 7.1 Financial instruments
- 7.2 Contingent Assets and Contingent Liabilities

### Note 7.1: Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the HSV's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

	Note	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
<b>2021</b>				
<b>Contractual Financial Assets</b>				
Cash and Cash Equivalents	6.2	13,995,577	-	13,995,577
Receivables and Contract Assets	5.1	2,031,543	-	2,031,543
<b>Total Financial Assets</b>		<b>16,027,120</b>	<b>-</b>	<b>16,027,120</b>
<b>Contractual Financial Liabilities</b>				
Payables and Contract Liabilities	5.2	-	6,591,352	6,591,352
Borrowings	6.1	-	5,861,739	5,861,739
<b>Total Financial Liabilities <sup>(i)</sup></b>		<b>-</b>	<b>12,453,091</b>	<b>12,453,091</b>
<b>2020</b>				
<b>Contractual Financial Assets</b>				
Cash and Cash Equivalents	6.2	7,976,951	-	7,976,951
Receivables and Contract Assets	5.1	-	-	-
<b>Total Financial Assets</b>		<b>7,976,951</b>	<b>-</b>	<b>7,976,951</b>
<b>Contractual Financial Liabilities</b>				
Payables and Contract Liabilities	5.2	-	819,935	819,935
Borrowings	6.1	-	246,608	246,608
<b>Total Financial Liabilities <sup>(i)</sup></b>		<b>-</b>	<b>1,066,543</b>	<b>1,066,543</b>

# Notes to and forming part of the Financial Statements

## Note 71: Financial instruments (continued)

(i) The carrying amount excludes statutory receivables (i.e. GST receivable) and statutory payables (i.e. GST payable).

### Categories of financial assets

#### *Financial assets at amortised cost*

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by HSV to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

HSV recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

### Categories of Financial Liabilities

#### *Financial Liabilities at amortised cost*

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. HSV recognises the following liabilities in this category:

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

#### *Impairment of financial assets under AASB 9 - Financial Instruments*

HSV has assessed the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to an AASB 9 impairment assessment, this includes HSV's contractual receivables, statutory receivables and its investment in debt instruments.

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 impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

***Contractual receivables at amortised cost***

HSV 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. HSV has grouped contractual receivables on shared credit risk characteristics and days past due and selects the expected credit loss rate based on past history, existing market conditions and forward-looking estimates at the end of the financial year.

On this basis, HSV determines there to be no opening loss allowance on initial application date of AASB 9 or closing loss allowance at end of the financial year.

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

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

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

HSV'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, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

# Notes to and forming part of the Financial Statements

## Note 7.1: Financial instruments (continued)

### (b) Payables and borrowings maturity analysis

The following table discloses the contractual maturity analysis for HealthShare Victoria'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 \$	Nominal Amount \$	Maturity Dates			
				Less than 1 Month \$	1-3 Months \$	3 Months - 1 Year \$	1-5 Years \$
<b>2021</b>							
<b>Contractual Financial Liabilities</b>							
Payables	5.2	6,591,352	6,591,352	6,591,352	-	-	-
Borrowings	6.1	5,861,739	5,992,720	117,711	225,396	978,407	4,671,206
<b>Total Contractual Financial Liabilities</b>		<b>12,453,091</b>	<b>12,584,072</b>	<b>6,709,063</b>	<b>225,396</b>	<b>978,407</b>	<b>4,671,206</b>
<b>2020</b>							
<b>Contractual Financial Liabilities</b>							
Payables	5.2	819,935	819,935	222,191	597,744	-	-
Borrowings	6.1	246,608	259,443	4,920	9,839	74,157	170,527
<b>Total Contractual Financial Liabilities</b>		<b>1,066,543</b>	<b>1,079,378</b>	<b>227,111</b>	<b>607,583</b>	<b>74,157</b>	<b>170,527</b>

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

### Note 7.2: Contingent Assets and Contingent Liabilities

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

## 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 inflow/(outflow) from operating activities
- 8.2 Operating segments
- 8.3 Responsible persons disclosures
- 8.4 Remuneration of executives
- 8.5 Related parties
- 8.6 Remuneration of auditors
- 8.7 Ex-gratia expenses
- 8.8 Events occurring after the balance sheet date
- 8.9 Economic dependency
- 8.10 Changes in accounting policy, revision of estimates and corrections of prior period errors
- 8.11 Australian accounting standards issued that are not yet effective
- 8.12 Glossary of terms and style conventions

### Note 8.1: Reconciliation of net result for the period to cash flow from operating activities

	2021 \$	2020 \$
<b>Net result for the period</b>	<b>13,322,923</b>	<b>(641,105)</b>
<b>Non-cash movements</b>		
Depreciation and amortisation of non-current assets	1,047,727	469,524
Impairment of non-current assets	22,758	-
Assets received free of charge	(1,095,587)	-
Net (Gain)/Loss from disposal of non-financial physical assets	29,719	-
Other non-cash movements	(53,577)	-
<b>Movements in Assets and Liabilities</b>		
(Increase)/Decrease in receivables and contract assets	(2,336,446)	(104,957)
(Increase)/Decrease in inventories	(6,243,410)	-
(Increase)/Decrease in prepayments	(82,990)	(198,952)
Increase/(Decrease) in payables and contract liabilities	1,275,724	4,357,024
Increase/(Decrease) in employee benefits	2,473,496	808,716
<b>Net cash flows from/(used in) operating activities</b>	<b>8,360,337</b>	<b>4,690,250</b>

# Notes to and forming part of the Financial Statements

## Note 8.2: Operating Segments

HealthShare Victoria functions, as described in Section 131 of the Health Services Act, on behalf of the Victorian public health sector and operates in one sector being procurement and supply chain support for the health sector.

## Note 8.3: Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

	Period
<b>Responsible Ministers</b>	
The Honourable Jenny Mikakos Minister for Health	1 July 2020 to 26 September 2020
Minister for Ambulance Services	1 July 2020 to 26 September 2020
Minister for the Coordination of Health and Human Services: COVID-19	1 July 2020 to 26 September 2020
The Honourable Martin Foley Minister for Mental Health	1 July 2020 to 29 September 2020
Minister for Health	26 September 2020 to 30 June 2021
Minister for Ambulance Services	26 September 2020 to 30 June 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 September 2020 to 30 June 2021
<b>Governing Board</b>	
Mr Lance Wallace (Board Chair)	1 July 2020 to 30 June 2021
Dr Robyn Mason	1 July 2020 to 31 December 2020
Mr Paul Slape	1 July 2020 to 31 December 2020
Mr Geoff Swier	1 July 2020 to 31 December 2020
Mr Terry Welch	1 July 2020 to 31 December 2020
Mr Chris Barrett	1 July 2020 to 31 December 2020
Ms Margaret Beattie	1 July 2020 to 31 December 2020
Ms Julie Fahey	1 July 2020 to 31 December 2020
Ms Antoinette Brandi	1 July 2020 to 31 December 2020
Ms Jane Hider	1 July 2020 to 31 December 2020
Professor Andrew Way	1 July 2020 to 31 December 2020
Ms Kate O'Sullivan	1 July 2020 to 30 June 2021
Ms Eileen Keane	1 January 2021 to 30 June 2021
Ms Janet Young	1 January 2021 to 30 June 2021
Mr Andrew Strip	1 January 2021 to 30 June 2021
Professor Christine Kilpatrick	1 January 2021 to 30 June 2021
Mr Craig Fraser	1 January 2021 to 30 June 2021
Mr Dale Fraser	1 January 2021 to 30 June 2021
Mr Douglas Travis	1 January 2021 to 30 June 2021
Ms Felicity Topp	1 January 2021 to 30 June 2021
Ms Ingrid Player	1 January 2021 to 30 June 2021
Dr Phuong Pham	1 January 2021 to 30 June 2021
<b>Accountable Officers</b>	
Ms Elaine Ko	1 July 2020 to 20 November 2020
Mr John Delinaoum	21 November 2020 to 10 January 2021
Mr Neil Rodaway	11 January 2021 to 30 June 2021

## Remuneration of responsible persons

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

Income Band	2021 No.	2020 No.
Nil	10	6
\$0 - \$9,999	2	0
\$10,000 - \$19,999	9	1
\$20,000 - \$29,999	0	5
\$50,000 - \$59,999	2	0
\$200,000 - \$209,999	1	0
\$410,000 - \$419,999	1	1
<b>Total Numbers</b>	<b>25</b>	<b>13</b>
<b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>827,965</b>	<b>545,248</b>

Amounts relating to the Governing Board Members and Accountable Officer are disclosed in HealthShare Victoria's financial statements.

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

## Note 8.4: Remuneration of executives

### Executive officers' remuneration

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

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

#### Short-term employee benefits

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

#### Post-employment benefits

Pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

#### Other long-term benefits

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

#### Termination benefits

Termination of employment payments, such as severance packages.

# Notes to and forming part of the Financial Statements

## Note 8.4: Remuneration of executives (continued)

### Other factors

Several factors affected total remuneration payable to executives over the year. A number of resignations and vacancies had a significant impact on total remuneration.

### Remuneration of Executive Officers

	Total Remuneration	
	2021 \$	2020 \$
Short term employee benefits	1,024,555	1,152,792
Post-employment benefits	114,706	104,416
Other long-term benefits	25,057	37,166
Termination benefits	162,689	-
<b>Total remuneration <sup>(i)</sup></b>	<b>1,327,007</b>	<b>1,294,374</b>
<b>Total number of executives</b>	<b>6</b>	<b>5</b>
<b>Total annualised employee equivalent <sup>(ii)</sup></b>	<b>5.00</b>	<b>5.00</b>

(i) Total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 8.5).

(ii) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

## Note 8.5: Related parties

HSV is a wholly owned and controlled entity of the State of Victoria. Related parties of HSV include:

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members;
- All hospitals and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

All related party transactions have been entered into on an arm's length basis.

### Significant transactions with government-related entities

HSV received funding from the Department of Health of \$40,396,123 (2020: \$17,911,831) and indirect contributions of \$1,007,659 (2020: \$1,007,659).

A related party transaction has been recognised with the transfer of inventory (\$2,427,545), right of use asset relating to Tullamarine Warehouse (\$1,095,587), and the employee entitlements (\$1,362,543) as at 30 June 2021 as part of the transfer of the supply chain and logistics services from Melbourne Health to HSV.

**Remuneration of key management personnel**

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of HSV. The Board of Directors and the Chief Executive Officer of HealthShare Victoria are deemed to be KMPs.

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

Compensation	2021 \$	2020 \$
Short term employee benefits <sup>(i)</sup>	620,211	492,403
Post-employment benefits	42,671	44,379
Other long-term benefits	2,394	8,466
Termination benefits	162,689	-
<b>Total <sup>(ii)</sup></b>	<b>827,965</b>	<b>545,248</b>

(i) Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short- term employee benefits.

(ii) KMPs are also reported in Note 8.3 Responsible Persons Disclosures.

**Transactions with key management personnel and other related parties**

Given the breadth and depth of state government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with HSV, 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 2021.

There were no related party transactions required to be disclosed for the HealthShare Victoria Board of Directors and Chief Executive Officer in 2021.

# Notes to and forming part of the Financial Statements

## Note 8.6: Remuneration of auditors

	2021 \$	2020 \$
<b>Victorian Auditor-General's Office</b>		
- Audit of Financial Statements	38,900	33,200
<b>RSM Australia Pty Ltd</b>		
- Internal Audit Services	40,800	64,800
<b>Total Remuneration of Auditors</b>	<b>79,700</b>	<b>98,000</b>

## Note 8.7: Ex-gratia expenses

Ex-gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g. a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the entity.

	2021 \$	2020 \$
<b>HSV has made the following ex-gratia expenses:</b>		
Compensation for economic loss	-	-
<b>Total Ex-gratia Expenses</b>	<b>-</b>	<b>-</b>

## Note 8.8: Events occurring after the balance sheet date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between HSV and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

The policy in connection with recognising subsequent events that are for events that occur between the end of the reporting period and the date when the financial statements are authorised for issue is as follows:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date; and/or
- disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

HSV is not aware of any other events occurring after reporting date that would have a material impact on the financial statements.

**Note 8.9: Economic dependency**

HSV is dependent on the Department of Health for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department of Health will not continue to support HSV.

**Note 8.10: Changes in accounting policy, revision of estimates and corrections of prior period errors****Changes in accounting policy**

An entity shall change an accounting policy only if the change:

- is required by an AAS; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy resulting from the initial application of an AAS shall be applied in accordance with the transitional provisions of that AAS. Where specific transitional provisions are not included, the change shall be applied retrospectively.

**Changes in accounting estimates**

An entity shall disclose the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods.

**Prior period errors**

Material prior period errors shall be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

There have been no changes in accounting policy, no changes in accounting estimates and no prior period errors.

# Notes to and forming part of the Financial Statements

## Note 8.11: Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 reporting period. These accounting standards have not been applied to the Financial Statements. HSV is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to defer the application by one year to periods beginning on or after 1 January 2023. HSV will not early adopt the Standard.

HSV is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on HSV's reporting.

- **AASB 17** *Insurance Contracts*
- **AASB 1060** *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (Appendix C)
- **AASB 2020-3** *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- **AASB 2020-7** *Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures*
- **AASB 2020-8** *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- **AASB 2020-9** *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*
- **AASB 2021-1** *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*
- **AASB 2021-2** *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates*
- **AASB 2021-3** *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

## Note 8.12: Glossary of terms and style conventions

### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

### Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### Ex-gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability, or claim against the entity.

# Notes to and forming part of the Financial Statements

## Note 8.12: Glossary of terms and style conventions (continued)

### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial liability

A financial liability is any liability that is:

- (a) a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial statements

A complete set of financial statements comprises:

- (a) Balance sheet as at the end of the period;
- (b) Comprehensive operating statement for the period;
- (c) A statement of changes in equity for the period;

- (d) Cash flow statement for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- (g) A statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

### **Grants and other transfers**

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

### **General government sector**

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

### **Intangible produced assets**

Refer to produced assets in this glossary.

### **Intangible non-produced assets**

Refer to non-produced asset in this glossary.

### **Interest expense**

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term liabilities, amortisation of discounts or premiums relating to liabilities, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

### **Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

# Notes to and forming part of the Financial Statements

## Note 8.12: Glossary of terms and style conventions (continued)

### Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

### Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:

- The parties are bound by a contractual arrangement.
- The contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture.

### Liabilities

Liabilities refers to interest-bearing liabilities mainly raised from public liabilities raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Liabilities also include non-interest-bearing advances from government that are acquired for policy purposes.

### Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

### Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

### Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

### Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

**Non-profit institution**

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

**Payables**

Includes short- and long-term trade debt and accounts payable, grants, taxes and interest payable.

**Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the startup costs associated with capital projects).

**Receivables**

Includes amounts owing from government through appropriation receivable, short- and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

**Sales of goods and services**

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

**Supplies and services**

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of HSV.

**Style conventions**

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

- zero, or rounded to zero
- (xxx) negative numbers
- 200x year period
- 200x-0x year period



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