



Annual Report 2021-22

Health.Safety.Value.
In everything we do.

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The year in review

Report from HSV's Board Chair and Chief Executive

Transforming our business and working with our stakeholders to add value have been fundamental to HealthShare Victoria's (HSV's) achievements in 2021-22.

As Victoria's independent public sector commercially oriented supply chain, logistics and procurement services organisation, HSV has taken significant steps forward in transforming operations since our establishment on 1 January 2021.

The value we add by working closely with our stakeholders to manage risk, plan for future contingencies and support better health outcomes is core to what we deliver for our health service customers and their patients.

While supplies of some essential goods have improved since the start of the COVID-19 pandemic, other external factors such as continuing COVID restrictions and conflict in other parts of the world have had an ongoing effect of longer-term supply chain disruption for raw materials, manufacturing and freight. This has led to shortages in some areas.

Against this backdrop, we recognise the importance of maintaining access and surety of supply for health-related products and effective planning to mitigate against emerging risks. Engaging with our customers to ensure they have access to the items they need when they need them is pivotal to our success.

We continue to work in partnership with health services, Victoria's Department of Health, Monash Health, the State Supply Chain, Safer Care Victoria and suppliers, as well as federal bodies such as the Therapeutic Goods Association (TGA), and our interstate counterparts to ensure supply surety for Victoria's public health services.

The past 12 months have also provided opportunity to establish the building blocks for an increased customer base as our operations expand beyond the first health services onboarded to HSV's direct service supply chain in 2021-22.

This year, we significantly expanded across our three core functions of procurement, supply chain surety and supply chain logistics, setting in place the foundation of an effective supply chain function. Our notable achievements include:

- onboarding the Royal Melbourne Hospital group to our **supply chain operations** as our **first tranche of health services** 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.
- **establishing functional teams, systems and processes** at our Derrimut Distribution Centre (DC)
- **successfully transferring operations** of the former Melbourne Health Logistics to the HSV DC
- **maintaining effective customer service levels** during pandemic conditions
- **developing an incident management process** to manage stock shortages and supply issues
- **addressing shortages of key medicines and other products** used in surgical procedures to assist in maintaining hospital services
- **providing ongoing management** of the Victorian pharmaceutical reserve
- **revamping our Procurement Activity Plan (PAP)** to provide a more transparent and consultative approach to procurement activity planning
- **building the efficiency of our procurement processes** and supporting health service procurement activities.

In addition to this, a highlight for our core business functions has been **to source, store and distribute some 186.5 million rapid antigen tests (RATs)** for Victorian health services, schools and other public organisations. This involved significant effort in addition to our day-to-day activity, and we were able to deliver substantial financial benefits for the state through our strategy of buying in bulk.

HSV's business-as-usual procurement has continued to provide measurable savings for Victoria's public health services and their patients, delivering \$161 million in benefits in 2021-22. HSV now has almost \$1.3 billion in value under contract

Examples of work undertaken with our health service customers on these agreements include:

- forty-four unique procurement activities, bringing the total number of HSV contract categories to 69
- thirty extensions, options and price reviews of HSV contracts to ensure ongoing supply for health services to help maintain ongoing operations during the pandemic period
- a collaborative sourcing activity to provide corporate uniforms for a group of eight Loddon Mallee health services, which reduced health service effort and improved service delivery.

In 2021-22 we established a clear organisational roadmap of activities to drive progress across all business streams.

In particular, we have enhanced our enabling functions, setting the groundwork to deliver services at scale while enabling us to deliver health, safety and value in everything we do. These functions contributed to our success this year by delivering important support for health services, including:

- **health service customer satisfaction rating of 88 per cent for HSV's Modern Slavery Act 2018 (Cth) compliance activities**, a key part of which is HSV's establishment of a community of learning attended by 26 health services
- 351 health service specialist experts approved or awaiting approval to undertake important product assessments as **reference group nominees**
- **ongoing regional and rural health service support** across a range of operational activities, including regular COVID-19 meetings providing a touchpoint for health services to access the PPE they require, and maintaining the **ongoing Product Information Library resource for information on PPE products**
- **ongoing coordination of the face mask fit testing program** to increase clinician safety at health services – to date more than 150,000 fit tests have been performed in public health services and Ambulance Victoria

- **assisting hospitals during the pandemic Code Brown event** by supporting HSV employees to backfill health service roles
- onboarding the **Oracle Financial Management Information System (FMIS)** as the procurement system for our supply chain operations and supporting health services with this change
- **developing a pharmaceuticals stock-on-hand reporting solution** for metropolitan health services to inform better decision making and assist them in accessing critical COVID-19 medicines
- maintaining **strategic health procurement** activities during this transitional period and supporting health services to access essential goods and services to ensure continued operations.

The past 12 months have again been a period of significant change for our people. Despite the challenges of having to manage priority pandemic response activities in addition to our strategic deliverables, HSV employees have again shown their professionalism, resilience and dedication.

This year we gradually returned to office-based activities with flexible hybrid arrangements in place. Our DC-based team has settled in and adapted to new systems and processes that improve supply chain efficiency.

In 2021-22 we delivered on a number of activities to support HSV's organisational capability including:

- **specialised training** in change management, procurement negotiation, advanced driving skills, materials handling, business intelligence tools, communication and more
- **wellbeing activities** including face-to-face and online social and information events led by our Health and Wellbeing Committee
- **regular quarterly 'temperature check' surveys and action plans** to drive our desired organisational culture
- **Speak Up training to build capability** in our personal interactions
- the publication of HSV's **Gender Equality Action Plan**.

Through the many business-as-usual and strategic initiatives we undertook in 2021-22, we strengthened our partnership with Victoria's public health services and our many suppliers. Their ongoing contribution is crucial to our achievements and we are particularly grateful to the dedicated health sector experts whose involvement in HSV's reference groups and COVID-19 engagement groups and programs is invaluable.

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.

Thanks go to The Royal Melbourne Hospital for their engagement and guidance in onboarding the first tranche of health services, and we recognise Monash Health for their ongoing management of the State Supply Chain and support in HSV's development.

We express our sincere gratitude to HSV's Board and Committee members. This year we established a new sub-committee to ensure appropriate governance arrangements to support our expanded transformational project activity.

We also thank HSV's employees – wherever they are based – in managing complex and diverse projects and initiatives in pandemic conditions. Their contribution has been instrumental in helping HSV deliver on our roadmap initiatives while maintaining important business-as-usual work.

Finally, special thanks to our health service customers, whose support in working closely with HSV has been so important in ensuring that together we provide essential services to the Victorian community.

This report recognises our successes and milestones in helping ensure health, safety and value in everything we do.

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 2022.



Lance Wallace
HSV Board Chair
25 August 2022



Neil Rodaway
HSV Chief Executive
25 August 2022

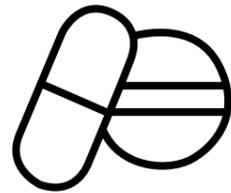
2021-22 at a glance

These are some of our achievements from a busy year that involved establishing an end-to-end supply chain and surety function, while supporting Victoria's COVID-19 response.

2021-22 ANNUAL REPORT REPORT OF OPERATIONS



186.5m
RATs sourced



HSV's Surety team is Victoria's key point of contact for the national medicines stockpile



7 HSV Updates published
6,393 people read the newsletter

\$161m
in benefits delivered to the sector, \$12m above target

Managing **69** categories with a total value under contract of

\$1.3b

across **488** suppliers and **787** active agreements

27 equipment buy procurement support across 15 health services delivering
\$3.2m
in benefits

>20,000

doses of new COVID therapies supplied into public health services



90%
participation in change management training across HSV

351
reference group nominations



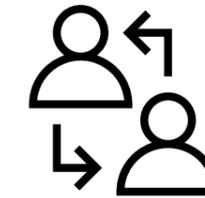
\$37.3m in benefits for State Supply Chain essentials and PPE



OHS framework implemented, including new Workplace Health and Safety Committee and Health and Safety Reps



17 December 2021:
22,500m² Derrimut DC goes live



18,250

Customer Engagement contacts with health services

Derrimut DC dispatches:
~83m lines
150,000 km travelled
21k pallets
2,500 trips
3m RATs in one day



Customer satisfaction survey
79%
Overall satisfaction with HSV 79% (up from 63% in 2020)
100% satisfaction reported by eligible services



200
supplier risk assessments conducted to meet Modern Slavery Act requirements

260
health service employees given probity training



Oracle FMIS up and running with seven health services onboarded

100k
Updated pricing for ~100k products in response to 806 supplier requests



Over 6,000 helpdesk enquiries resolved



No major injuries or safety incidents recorded despite increased risk profile

100

Pilot completed for 100 groups of clinically approved functional equivalent Skin Integrity products



110
new starters with 73 new employees recruited

2021-22 ANNUAL REPORT REPORT OF OPERATIONS

About HSV

HSV was established on 1 January 2021 as a commercially oriented independent provider of supply chain, procurement and corporate shared services to Victoria’s public health sector.

HSV’s purpose is to partner with Victoria’s public health services and suppliers to ensure the right products and services are delivered to the right place at the right time, supporting better value for our public health services and better outcomes for their patients.

Since our establishment, our focus has been on the end-to-end supply chain needs of health services. This has included establishing transformational capabilities to cater for developments when appropriate in non-clinical shared services.

As part of this, we have been assisting Victoria’s public health services in responding to the unprecedented challenges presented by the pandemic. This has included supporting the creation and ongoing operation of the Monash Health-operated State Supply Chain, thereby transforming the sourcing, procurement and distribution of essential medical consumables.

Building on this spirit of change and transformation, HSV’s work supports our health service customers in delivering safe, high-quality and sustainable healthcare for all Victorians.

Our vision

Our vision of **Health.Safety.Value. In everything we do.** aligns to our purpose, and highlights to our stakeholders – including our customers and the wider community – what is most important to us and how we operate.

Our values



Customer-centric

Our customers, employees and stakeholders have confidence we will do the right thing.



Accountable

We do things to a high standard and do what we say we will do.



Respectful

We listen to and support our people and stakeholders to do the right thing.



Solutions-focused

We work together to find solutions that meet objectives and incorporate lessons for the future.



Open

We are open to new ideas and change and we engage freely with our people, customers and stakeholders.

Our functions

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

Under section 129 of the *Health Services Act 1988* (Vic), we administer a number of compliance-related functions, including working with health services to assist them with meeting their compliance and probity obligations.

HSV’s three core business functions – Procurement, Supply Chain and Supply Chain Surety – are reinforced by the work of our supporting functions. These include Transformation; Finance, Risk and Governance; Information Technology; and People, Culture and Safety. These supporting functions ensure stable governance and structures to help us achieve our goals and pursue our transformation agenda.

Our goals

It’s our goal to be the trusted service partner for our public health service customers and to work together in tackling shared health system challenges to deliver improved value and support sustainable, high-quality healthcare for all Victorians. As a customer-focused service organisation, we concentrate on providing services that our public health service customers can rely on.

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 continued to be a focus for us in 2021-22. We have provided ongoing leadership and guidance to 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:

- Victorian Industry Participation Policy
- Supplier Code of Conduct
- *Local Jobs First Act 2003*
- Buying for Victoria
- Social Procurement Framework
- *Gender Equality Act 2020*
- Absolutely everyone: state disability plan
- Department of Health and Human Services (DHHS) Disability Employment Strategy 2018-2020
- Victorian Public Sector Commission 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 principles

Underpinning our values, our principles are:

- **Safety:** We have a safety culture that supports wellbeing, helps us do the right thing and holds us accountable.
- **Customer service:** We help, support and advise our customers.
- **Commerciality:** We act on sound commercial principles.
- **Responsibility:** We deliver on our commitments, programs and policies, respectfully and ethically.
- **Consistency:** We act fairly and apply decisions equally.
- **Transparency:** We share information as much as we can.
- **Solutions-focused:** We aim for mutually beneficial outcomes.

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 a warehouse at Tullamarine.



End-to-end supply chain

A key achievement for HSV in 2021-22 was completing the transition from a procurement organisation to an end-to-end supply chain organisation. The relocation of the Melbourne Health Logistics team from Tullamarine to our new Derrimut DC was completed in December 2021, and the development of our broader Supply Chain operations team commenced in January 2022.

Derrimut DC

Live operation commenced at HSV's Derrimut DC on 13 December 2021, marking a milestone in the transformation of Victoria's health sector supply chain. At 22,500 square metres, it is similar in size to the MCG and boasts 10 loading docks and space for 24,000 pallets. It has capacity for the future expansion of HSV's supply chain services statewide.

Setting up the DC involved a new fit-out, including racking, offices, kitchens, change facilities, safety barriers, a clean room and rapid-response roller doors, as well as IT and security systems.

Building on the physical infrastructure at the DC, this year we worked to improve the capability and capacity of our operations through sourcing and implementing appropriate systems. This area remains an ongoing challenge that we continue to address.

The DC team did a remarkable job of maintaining customer service levels to our first tranche customers throughout the transition and go-live period.

Supply Chain operations team

Since January 2022 the broader Supply Chain team has developed to include functional experts across logistics, data analytics, core operational management, supply chain commercial management and demand planning. The team is continuing to add supply chain capability to enable us to deliver HSV's strategic vision.

This will assure a high level of service for our customers as we assume ownership of the end-to-end supply chain function supporting the State Supply Chain. This ownership, currently managed by Monash Health, will transition to HSV in 2022-23, significantly expanding our operational footprint and responsibility in the sector.

The team also supported the state's RAT distribution program only weeks after transitioning to the Derrimut facility. This unplanned level of activity and volume early in HSV's journey was challenging, however, it proved successful and accelerated our transition from implementation to standard operation.



HSV Derrimut DC team.

The value we add: Supplying RATs to Victoria

In January 2022, not long after opening, HSV's Derrimut DC pivoted to become Victoria's primary distribution hub for RATs, providing additional storage and distribution capability to support State Supply Chain operations. At its peak, the Derrimut DC held more than 14,000 pallets of RATs, equating to over 100 million individual tests ready for distribution throughout Victoria.

RATs were distributed quickly for statewide whole-of-government use, including at Victorian public health services and schools. In doing this, HSV created value for the entire Victorian government, not just the health system.

HSV managed the procurement of RATs on behalf of the Department of Health, and met with the department daily to manage demand. As part of the procurement and distribution process, our Supply Chain team:

- worked with the Department of Health to determine an appropriate storage and distribution methodology to support requirements
- executed an invitation to supply for the provision of third-party logistics services to store and distribute RATs on behalf of all Victorian government agencies
- was heavily involved in scoping a network design appropriate for change and potentially unforeseen requirements
- provided subject matter expertise to the Department of Health throughout the tender process
- helped to coordinate inbound deliveries between the Derrimut and Monash sites.

The arrival of the first RATs was the culmination of months of work by many people at HSV, who addressed significant challenges to secure supply as soon as TGA approval was confirmed.



Supply chain surety

Australia relies on local and global supply chains for the supply of critical and essential health products. With the COVID-19 pandemic highlighting vulnerabilities within these supply chains, we set up a Surety team to lead the management of supply chain issues and, where possible, to mitigate supply chain risks and enable supply of products essential to Victoria's public health services.

The Surety function focuses on identifying supply risks for all products and services critical to our public health services, including pharmaceutical and medical consumables. It monitors and manages supply security, providing insights into demand driven risks. We learn from stock shortages to prevent them from reoccurring and, where appropriate, facilitate and coordinate mitigation actions. We collaborate closely with the Department of Health, Safer Care Victoria, suppliers, clinical specialists and Commonwealth agencies such as the Australian Government Department of Health and Aged Care and TGA.

A focus for Surety is to develop networks to help identify proactive and reactive solutions. Our relationships with Victoria's clinicians and health service staff are pivotal to effective decision-making to drive strong clinical outcomes.

Since its establishment in November 2021, the Surety function has built on key stakeholder relationships developed during the pandemic response to deliver achievements including:

- developing an **incident management process** to manage stock shortages and supply issues
- **addressing shortages** of the blood thinning medicine Clexane, and muscle relaxant Cisatricurium used in surgery
- resolving a shortage of cold sterilant essential for cardiac surgery equipment by **helping to source a local alternative**
- **sourcing RATs** then dealing with freight issues such as import capacity, global pallet scarcities and airport staff shortages to get them into Victoria, including liaising with customs to clear freight as soon as possible.

The value we add: Ensuring supply of contrast media

In May 2022, as manufacturing plants in Shanghai were impacted by COVID-19 lockdowns, we were alerted to a disruption to the supply of contrast media used in medical imaging. HSV's Surety team assessed the impacts a shortfall would have on health services and patients, and liaised with vendors to secure shipment of available stock. The team also sourced an alternative contrast media agent that could be imported from Canada and France.

With supply chains operating below normal levels, we provided supply chain updates and recommendations to a clinical advisory group convened by the Department of Health and Safer Care Victoria. The clinical advisory group was key to helping manage product demand and alternates. We engaged suppliers to ensure product was shipped to where it was most needed, and monitored stock levels and usage to minimise the impact on hospital services.

Our IT team developed a system to automate data collection from health services, which enabled us to monitor and communicate weekly stock-in-hand details. Tracking weekly usage and the predicted arrival dates of overseas shipments, the Surety team could forecast estimated supply chain recovery dates. By early June, health services were able to boost usage back to 80 per cent, and the team continues to support health service access to product and manage the situation until supply chains recover to normal operating levels.

Procurement

In July 2021, HSV introduced a new, more consultative approach to procurement planning with our Procurement Activity Plan (PAP). The PAP provides suppliers and health services with visibility of HSV's planned activities over a rolling two-year period, and is updated with health service input on activities and priorities.

To ensure it remains up to date, we refresh the PAP every six months. A draft plan is presented to health services for review in May and November, and feedback is addressed before the PAP is approved and published on our website.

In 2021-22, HSV completed 45 procurement activities and assisted health services with 27 equipment buy activities, delivering a \$24 million cost reduction.

The PAP sets out HSV's general plan of activities, however, support for pandemic-related matters, in discussion with the Department of Health takes priority. In this regard our Procurement team pivoted in 2021-22 to source COVID medications and RATs. Working with Supply Chain Surety, the Procurement team was able to source more than 186.5 million RATs to meet the needs of the Victorian government – beyond the public health sector. This involved five rounds of procurement with eight different suppliers to deliver significant financial benefits.

In addition, Procurement have worked with the State Supply Chain and the Department of Health to secure additional PPE and essential stock to ensure our health care workers have the protective equipment they need through the ongoing impact of the pandemic.

Procurement has undertaken a considerable review of our processes, resource planning and data management as part of a transformation journey that will continue into 2022-23. These activities will help us improve our supplier partnerships, procurement efficiency and health service benefits to drive better customer outcomes. We are also developing a model to integrate sustainability, end-to-end performance controls and user tools for better contract management.

Products sourced for the State Supply Chain include:

- N95 masks: 125m units
- Surgical masks: 115m units
- Gloves: 346m units
- Gowns and aprons: 40m units
- Sanitiser and wipes: 58m units
- Safety glasses and face shields: 46m units



We've partnered with a number of health services seeking to invest in this new equipment and total hospital expenditure has grown from \$3.5 million in 2017-18 to \$30 million in 2021-22 as hospitals recognise HSV's role in helping increase savings and simplify the procurement process.

HSV has simplified procurement for health services by streamlining processes. Better communication and engagement for all HSV-run activities has resulted in tenders having as little as three days' turnaround time.

Customer engagement

HSV's Customer Engagement team aims to provide excellent customer service and enhance the customer experience. Eight customer relationship managers support metropolitan and regional public health services with procurement processes and capability. A customer access manager supports eligible services (such as community health, bush nursing centres, multi-purpose services and denominational hospitals) to take advantage of HSV's offerings and develop their procurement expertise.

In 2021-22, the team provided training for 50 health services across a range of topics, including compliance and probity, and supports the use of HSV's website and the Jaggaer procurement system.

Some of the ways the Customer Engagement team brought value to health services in 2021-22 included:

- coordinating HSV's **business continuity planning** to ensure our DC facilities remained operational throughout the pandemic
- liaising with health services, government departments, suppliers and other HSV business areas to help maintain service needs during **waste management** difficulties
- ongoing **COVID-19 statewide customer engagement meetings with health service procurement stakeholders**
- coordinating a face mask **fit testing program** to increase clinician safety at health services
- delivering **template documents for standard contract agreements** to health services for local procurement
- developing a **contract management training module** for use at health services
- facilitating ongoing and timely **access to PPE** from the State Supply Chain for Eligible Service customers, in collaboration with the DH Community Engagement Logistics (CEL) team

- supporting the establishment of a **clinical product advisor role for the Gippsland region**
- assisting the **Peter MacCallum Cancer Centre** to develop a purchasing function
- coordinating provision of pandemic Code Brown support
- coordinating business continuity planning for patient meals across Victoria

The value we add: Supporting collaborative sourcing

HSV supported a collaborative corporate uniform tender in the Loddon Mallee region with eight participating health services in Echuca, Kyabram, Heathcote, Cohuna, Castlemaine, Maldon, Maryborough and Kerang benefiting from the process.

The regional collaborative open market tender meant that the eight health services did not have to each duplicate the same process and were able to achieve excellent value. HSV led the cluster tender, facilitating quarterly supplier relationship management sessions to monitor supplier performance and drive continuous improvement.

The successful supplier panel, including uniform businesses based in Echuca, Bendigo and Castlemaine, provides competitive market rates for the participating health services along with improved service and reporting.

This sourcing activity generated positive feedback and five additional hospitals subsequently sought to join the tender.

The value we add: Medical equipment group buy sourcing

Delivering savings and benefits for Victoria's public health services is a top priority for HSV. One way we do this is by combining multiple purchases of capital equipment. Group buy sourcing enables health services to pool resources, reduce duplication of effort and achieve better value for money and service delivery.

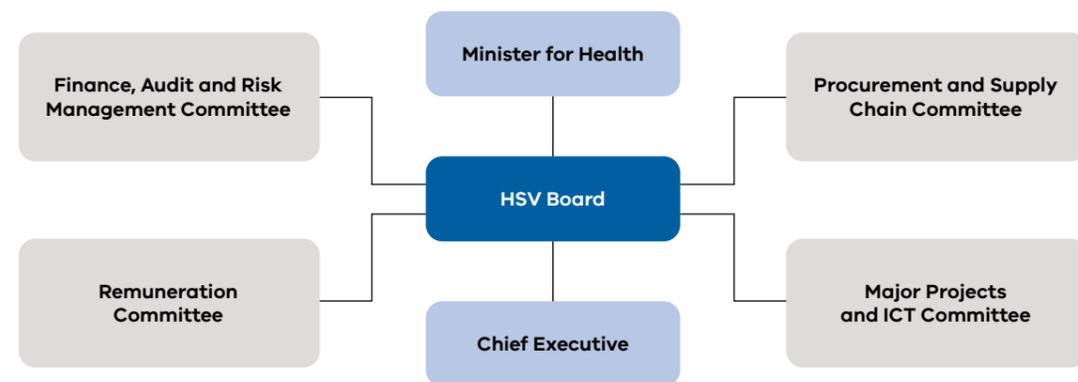
In line with this approach, HSV has been sourcing medical imaging and radiotherapy equipment, such as CT scanners, MRIs, angiography systems, ultrasound machines and linear accelerators.

Governance

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

The Hon Mary-Anne Thomas MP, Minister for Health, Minister for Ambulance Services

From 1 July 2021 to 27 June 2022 this was the Hon Martin Foley MP, Minister for Health, Minister for Ambulance Services and Minister for Equality.



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.

Mr Lance Wallace

Chair, HSV Board and Chair, Major Projects and ICT Committee

Lance Wallace 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 hospital systems manager). Lance was awarded a Public Service medal for his contribution to public service in Victoria in 2011.

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

Ms Eileen Keane

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

Chair, Finance, Audit and Risk Management Committee

Janet is a Chartered Accountant with over 30 years' experience in professional service firms (legal, accounting, consulting). Currently the COO/CFO for leading law firm Russell Kennedy and previously with Herbert Smith Freehills and Minter Ellison, her roles 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, the 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, healthcare 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 WEHI, The Florey Institute of Neuroscience and Mental Health, and the Victorian Comprehensive Cancer Centre Alliance (VCCC).

Ms Felicity Topp

Board Member – Peninsula Health

Felicity is the Chief Executive of Peninsula Health. She is an experienced healthcare executive and has worked in public health for over 35 years. 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, a Bachelor of Nursing and postgraduate 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 role of Chief Executive Officer at South West Healthcare, 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, while 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 27 years, including time within the Hume, Barwon and Grampians region. 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 healthcare 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 System Reform and Planning 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 Player is an experienced Non-Executive Director. In addition to HealthShare Victoria, she serves on the boards of Cleanaway Waste Management Ltd, Cogstate Ltd and the Epworth Foundation. 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.

Board attendance 2021–22

There were 10 HSV Board meetings held between 1 July 2021 and 30 June 2022.

HSV Board meeting attendance July 2021 to June 2022

Board member	Meetings eligible to attend	Meetings Attended
L Wallace (Chair)	10	10
D Fraser	10	10
C Fraser	10	9
E Keane	10	9
C Kilpatrick	10	9
K O'Sullivan	10	9
P Pham	10	9
I Player	10	10
A Stripp	10	8
F Topp	10	10
D Travis	10	9
J Young	10	10

Dale Fraser and Phuong Pham's tenure on HSV's Board finished on 30 June 2022. We thank them for their service and acknowledge their contribution as founding members of the HSV Board.

HSV Board sub-committees

The following Committees provided advice to the HSV Board in 2021-22.

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)

Members: Kate O'Sullivan (HSV Board member), Bronwyn Malignaggi (Independent member), Sally Freeman (Independent member), Paul Urquhart (CFO the Royal Melbourne Hospital), Rachele Anstey (CFO Monash 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)

Members: Douglas Travis (HSV Board member), Ingrid Player (HSV Board member), Neil Sigamoney (Director Engineering and Corporate Service Monash Health), Marcus Kim (Director Procurement the Royal Melbourne Hospital), Terry Hoy (Manager Regional Supply Chain South West Healthcare – to February 2022), Andrew Trigg (COO, South West Healthcare – from February 2022)

The purpose of the Procurement and Supply Chain Committee (PSCC) is to aid the HSV Board in its fiduciary duty through the execution of the sourcing program and appropriate supply chain activities 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.

Major Projects and ICT Committee

Chair: Lance Wallace (HSV Board Chair)

Members: Felicity Topp (HSV Board member), Phuong Pham (HSV Board member), George Cozaris (CIO the Royal Melbourne Hospital), Julie Fahey (Independent member – to February 2022), Andrew Saunders (Independent member – from February 2022)

The primary roles of the Major Projects and ICT Committee are to:

- ensure that appropriate structures, reviews, measures and checks and balances 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.

Strategic objectives performance summary

Reporting of outcomes from Statement of Priorities 2021-22

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

The Health Services Act allows that after 1 October of each financial year, the Minister for Health makes an SoP that is provided to health services. This was the case during the 2021-22 financial year, however due to the COVID-19 pandemic, 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 mechanism, working with the Department of Health to ensure we rapidly respond to outbreaks if and when they occur, including COVID-19 PPE and related activity coordination and management. This includes being prepared to assist with implementing our COVID-19 vaccine immunisation program rollout.	Achieved HSV has supported the State's response to COVID-19 requirements by sourcing PPE in excess of \$2.3 billion, in addition to sourcing the medical consumables required to support the vaccine immunisation program rollout. Further, HSV has been able to respond to shortages of RATs, contrast media and other critical pharmaceuticals by sourcing supplies and managing significant patient risk.
Develop and foster health sector relationships, which have strengthened during the pandemic response, and continue delivering collaborative approaches to planning, procurement and service delivery at scale.	Achieved HSV has actively engaged with health services to ensure that clinical activity during the pandemic has been able to continue at the most optimal level. HSV has also engaged with health services to establish a targeted Procurement Activity Plan that delivers significant benefits to the health sector. HSV has engaged with health services by establishing a community of learning forum to assist them to fulfil their reporting obligations to the Modern Slavery Act.
Deliver best value healthcare outcomes through collective agreements and clinical engagement, and by expanding procurement to facilitate bulk discounts and developing a supply chain to enable health services to benefit from improved processes.	Achieved HSV has been able to deliver \$161 million in benefits, achieved with the support of clinicians from across the health sector.
Improve the integrity and availability of information used to drive supply chain decisions.	In progress 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.
Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into our organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination and to provide culturally safe workplaces for Aboriginal employees.	In progress HSV has progressed various initiatives as part of our work to implement the Aboriginal and Torres Strait Islander Cultural Safety Framework and has self-assessed to be in the 'emerging' phase.

Reporting against the Statement of Priorities – Part B

Strong governance, leadership and culture

Key performance measure	Target	Outcome
Organisational culture		
People Matter Survey – percentage of staff with an overall positive response to safety culture survey questions	62%	62%

Effective financial management

Key performance measure	Target	Outcome
Operating result (\$m) surplus	\$1.0	\$5.5
Generate sector wide benefits (\$m) in FY 22 of:	\$95.9	\$161.0
Generate new cumulative sector wide benefits (\$m) from FY 21 of:		
FY 22	\$185.9	\$302.2
FY 23	\$345.6	
FY 24	\$561.4	
FY 25	\$838.5	
Average number of days to pay trade creditors	60 days	28 days
Average number of days to receive client debtors	60 days	23 days
Maintain an adjusted current asset ratio greater than	1.5	1.7
Actual number of days available cash, measured on the last day of each month.	14 days minimum	61 days
Variance between forecast and actual net result (\$m) from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$0.25	\$4.56

Reconciliation

Reconciliation of net result from transactions to the SoP operating result

	2022 \$000	2021 \$000	2020 \$000	2019 \$000	2018 \$000
Net operating result*	5,527	3,490	(153)	(888)	22
Capital and specific items					
Capital purpose income	0	9,700	0	0	0
Other economic flows	311	108	(19)	(67)	(1)
Assets received free of charge	0	1,096	0	0	0
Impairment of non-financial assets	1,318	(23)	0	0	0
Net gain/(loss) on financial instruments	(867)	0	0	0	0
Depreciation and amortisation	(1,978)	(1,048)	(469)	(632)	(628)
Net result from transactions	4,311	13,323	(641)	(1,587)	(607)

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

Future direction

We have developed a detailed strategic plan setting out HSV's key initiatives, goals and deliverables through to the end of financial year 2024-25. Implementation of the strategic plan will enable HSV to become a trusted agent of change, partnering with Victoria's public health services to deliver value through transformational change in the provision of shared services.

The success of the Monash Health-operated State Supply Chain and our own Derrimut DC in responding to urgent requirements in pandemic conditions reflects the first steps of HSV's evolution as a service organisation. This achievement demonstrates our aspiration to be a trusted service partner and change agent for Victoria's health sector.

Our collaborative work with health services, suppliers, clinicians and government stakeholders will continue as part of our strategic plan.

This is highlighted by our focus on driving greater efficiency and equity and ensuring essential products and services are on hand when most needed.

As we further embed our systems and processes, we will continue to expand our capability – including in supply chain surety and clinical engagement – to support our ability to provide critical products as needed.

Risk management

HSV is committed to embedding and integrating a risk management philosophy into our practices and culture so that risk is recognised by and is the responsibility of everyone to manage.

This is achieved by implementing HSV's POL115 Risk Management Policy, Risk Management Framework and associated procedures, which incorporate 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 aligned to our values of customer-centric, accountable and solutions-focused, and 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. 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 the organisation.

HSV's risk management strategy continued to support our response to the unprecedented challenges associated with COVID-19 and the impacts of Code Brown within the health sector. 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. We also identified streamlined approaches to assist in the procurement of necessary items using risk frameworks as a basis for decision-making.

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. They 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

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 the freedom of information requirements, if applicable):

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by HSV about itself, 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 promotional, public relations and marketing activities undertaken by HSV to develop community awareness of HSV and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within HSV and details of time lost through industrial accidents and disputes.

Attestations

Financial Management Compliance Attestation

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
25 August 2022

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
25 August 2022

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
25 August 2022

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
25 August 2022

Compliance

HSV is an incorporated body established under section 129 of the *Health Services Act 1988* (Vic).

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 \$30.60 (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. Telephone enquiries can be made to 03 9947 3700.

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

Further information regarding FOI can be obtained from <https://healthsharevic.org.au/contact-us/> or <https://ovic.vic.gov.au/>.

Freedom of information statistics

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

During 2021-22, HSV received one request 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 leases DC facilities at 2-6 Sperry Road, Tullamarine, Victoria 3043, from the Department of Health and 18 Foxley Court, Derrimut, Victoria, 3026 from Primewest Funds Ltd as trustee of the Primewest Industrial Income Trust No. 2.

Under the terms of these leases, HSV is responsible for maintaining the buildings in a safe and serviceable condition including the maintenance of 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*, *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 or officers may be made to HSV Public Interest Disclosure Coordinator under the Public Interest Disclosure Procedure:

General Counsel
HealthShare Victoria
Level 34, 2 Lonsdale Street
Melbourne Vic 3000

Tel: +61 3 9947 3946

Alternatively, disclosures can 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

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 2021-22.

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 is 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 define these outcomes in our Benefits Management Framework, which is being deployed and has both direct and indirect benefits.

Due to the ongoing impact of the COVID-19 pandemic, several procurement events were delayed. During 2021-22, we extended 20 categories and entered into 83 new agreements for nine categories, two of which were greenfield categories, four were re-sourcing and three were supplementary categories (including one greenfield supplementary). There were also 35 medical equipment* and two IT group buy events completed.

Of the strategic projects (valued at \$50 million or above), except for the 2022 waste tender, which is under evaluation, all other categories were panel arrangements or too low to trigger the threshold for application of the Local Jobs First (LJF) Policy, so 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.

* We have changed the procurement methodology for equipment group buy activities. Due to the change in methodology, there has been a significant increase in activity in this area for 2021-22. LJF requirements for these activities are the responsibility of the participating health service.

Gender Equality Act 2020

HSV supports the gender equality principles outlined in the *Gender Equality Act 2020* (Vic) and commits to continuing our support for women, men and self-described genders in the workplace. Gender equality is a human right that supports community connection and helps improve the economy while reducing violence and anti-social behaviour in our society.

Workplace gender equality at HSV helps ensure our people have equal access to work opportunities, resources and rewards based on capability and everyone can equally contribute to HSV being a great place to work.

The Gender Equality Act required the development of a Gender Equality Action Plan outlining how HSV would take positive action towards achieving workplace gender equality. The actions and strategies included in this plan were informed by a Workplace Gender Audit, and covered seven workplace gender equality indicators including:

- 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.

The Commissioner for Gender Equality in the Public Sector has endorsed HSV's Gender Equality Plan and the plan has been published on HSV's website.

HSV. Supporting equality in everything we do.

We promote access to equal power, resources and opportunities – regardless of gender – and treat everyone with dignity, respect and fairness. This helps ensure HSV is a great place to work and contributes to a fairer and safer society.

HSV gender data at 30 June 2022



Compliance with DataVic Access Policy

HSV did not have any data sets that needed to be made available on the DataVic website in 2021-22. 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 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.

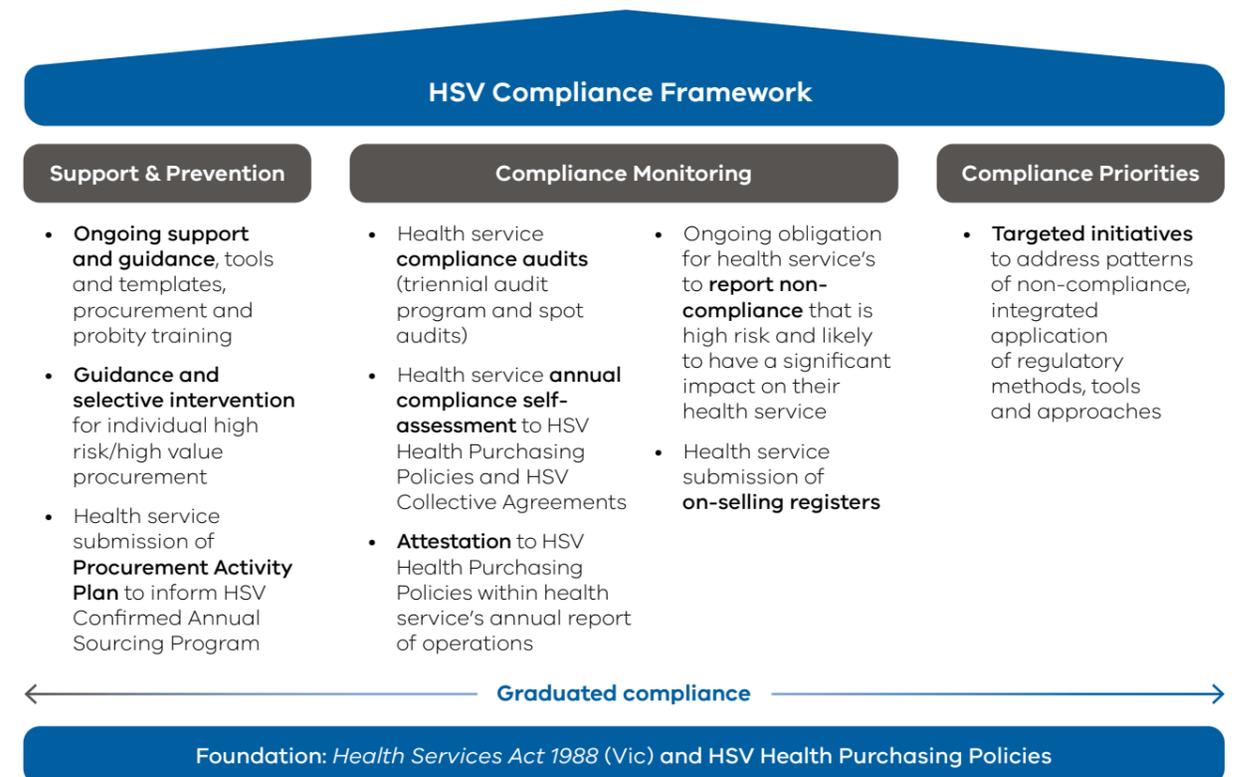
The HPPs are:

- 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.

HSV's approach to compliance reflects our legislative functions, organisational values and strategic priorities. Under the Health Services 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.



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 Health Services 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 2021-22, 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.

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. 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.

HSV's triennial audit program is a key component of HSV's compliance framework. The triennial audit involves a third of Victoria's public health services completing an audit to HPPs each year.

Health services reported a lower level of non-compliance to the HPPs in the 2020-21 financial year compared to 2019-20 financial year. This decrease in non-compliance is testament to the continual effort of health services, further targeted training and education, and the focus by health services on working toward compliance with the HPPs and HSV's continued support to meet compliance obligations.

Compliance outcomes 2021-22

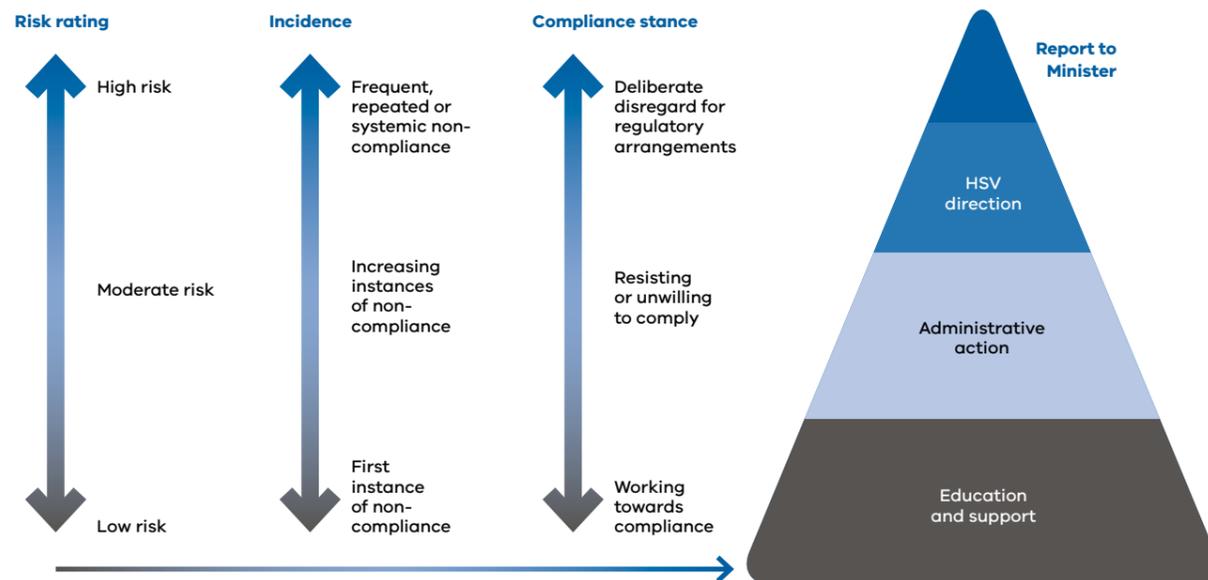
In recognition of the COVID-19 pandemic and impacts of Code Brown on health service resourcing, HSV exempted health services' compliance reporting requirements for the financial year 2021-22.

In usual circumstances, health services complete an annual attestation identifying any material non-compliance issues. As set out in HPP1, health services are also required to submit an annual self-assessment of compliance to HPPs and HSV collective agreements at the end of the financial year.

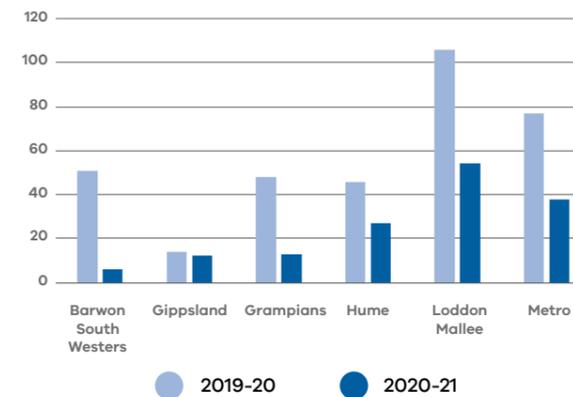
The annual self-assessment and annual attestation form part of HSV's reporting framework and supports our compliance monitoring function under the Health Services Act.

A notice was published in the Victorian Government Gazette providing exemption to these reporting requirements on 17 February 2022. 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 2021-22 financial year. Compliance reporting resumes for the financial year 2022-23.

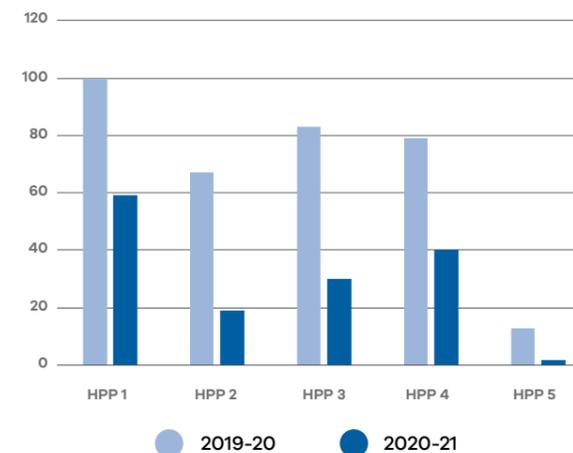
Graduated compliance model



HPP non-compliance areas by region



HPP non-compliance areas by policy



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 2021-22, 260 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: **101**
- Probity, Integrity and Ethics for Procurement Professionals: **53**.

Value we add: Modern slavery risk mitigation

We recognise our significant role in preventing modern slavery in health service supply chains and the benefits it provides for the broader sector.

Thirty Victorian public health services meet the criteria of a 'reporting entity' under the Modern Slavery Act for the 2021-22 reporting period. 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.

During 2021-22, we continued to provide 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 place a significant reliance on HSV to help fulfil their modern slavery obligations. HSV has developed a comprehensive program of works to assist and support with this.

Adopting a risk-based approach to combating modern slavery in health service supply chains, our achievements in 2021-22 include:

- assessing 200 suppliers within our collective purchasing agreements and providing health services with modern slavery risk assessment reports
- engaging very-high, high and medium risk suppliers on behalf of health services, and providing tools and resources to the suppliers for the development or enhancement of modern slavery risk management systems to improve modern slavery risk mitigation
- presenting a Modern Slavery Community of Learning Program including nine sessions for health services on a diverse range of topics
- providing health services with modern slavery tools and resources, including the Modern Slavery Statement Information Template to assist health services in preparing their Modern Slavery Statements, with a particular focus on demonstrating progress in reporting
- informing health services about key developments of the Modern Slavery Act.

Sustainability and social procurement

HSV reports on the environmental performance of our operations as part of FRD 22 and follows the guidance provided in FRD 24D Reporting of office-based environmental data by government entities. We collect data on the material environmental impacts under our operational control including energy consumption, waste generation and disposal, and fleet vehicle usage. We also track and report on office paper use and corporate air travel. Our performance and trends are disclosed in detail below.

HSV incorporates sustainable procurement guiding principles from ISO 24000 and the Social Procurement Framework (SPF) into the collective procurement activities we undertake on behalf of Victoria's public health services and for own purchasing requirements. Our procurement teams work to deliver on our social procurement strategy and procurement policies. Seeking measurable outcomes against selected SPF objectives is part of our value-for-money approach to all procurement. Outcomes are highlighted in the social procurement report.

HSV's operational environmental performance

Organisational boundary for the purpose of environmental reporting

The organisational site list includes the office space at Casselden and the DC at Derrimut. An environmental management system for the DC has yet to be set up, however, annual data on quantities of electricity, vehicle fuels, office paper, and waste quantity estimates are collected from invoices and contract reporting methods.

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

Greenhouse gas (GHG) emissions are calculated and reported for electricity, vehicle fuels and air travel.

Facility energy use

Casselden

HSV occupies offices in the Casselden building in Melbourne's CBD. Key environmental attributes of Casselden are:

- 5.5-star NABERS Energy rating
- 5-star Green Star – Office Design rating.

Casselden features energy-efficient lifts, upgraded controls and air conditioning, CO₂ monitoring and high-efficiency fluorescent lighting. The electricity used is carbon-neutral certified and is sourced by the building management through the Melbourne Renewable Energy Project.

As a tenancy with shared services and under an occupancy arrangement, energy use data specific to our office usage is not available.

Derrimut DC

Electricity usage at the Derrimut DC is measured for reporting. The forklifts are electric powered, so there is no other fuel use within the DC.

Facility energy use 2021-22

 **911.9 GJ**
Total energy used

 **38.0 MJ/m²** Units of energy used per square metre

 **230.5 tonnes CO₂-e**
Greenhouse gas emissions associated with energy use

Transportation

HSV's office location is readily accessible by public transport and the Casselden building has 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.

As of 30 June 2022, HSV has a fleet comprising seven vehicles, for which it monitors fuel card usage and odometer readings.

The DC has a diesel-powered distribution vehicle fleet for local product distribution. Data on distribution vehicle fuel usage and associated emissions is not available prior to May 2022.

Usage of fleet vehicles continues to be down as most meetings with health services are held virtually. The significant on-going reduction in the distances driven over the baseline means lower greenhouse gas and air pollutant emissions.

Travel indicators

Indicators	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Distance by air (km)	13,050	38,348	44,471	33,754	0	12,693
Distance by fleet vehicles (km)	101,689	175,468	192,114	148,877	34,034	25,193
Energy consumption – fleet vehicles (MJ)	316,530	484,161	496,110	357,483	91,043	68,008
Energy consumption – distribution vehicles (MJ)						107,569
Fleet vehicle emissions intensity (g CO ₂ -e per km)	217	192	180	167	186	191

Fuel data for Distribution Vehicles commenced May 2022. Distance travelled by Distribution Vehicle fleet was not available therefore emissions intensity metric (g CO₂-e per km) is for car fleet vehicles only.

Waste disposal and recycling

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

Recycling collections are available for:

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

The DC has general waste services, as well as bins for co-mingled recycling, cardboard recycling, stretch wrap/shrink wrap recycling, and collection of timber pallet waste for recycling. A preliminary estimate for 2021-22 waste quantity was 55 tonnes using volumetric conversion factors for bins/skips collected, of which an estimated 70% was sent for recycling and rest as general waste to landfill.

Water consumption

As a tenant in an office building with shared services, it is not possible to report on HSV's water use at Casselden offices. Casselden has a NABERS Water 5-star rating and provides onsite sewage water recovery for re-use in toilets, and high-efficiency water fixtures and fittings.

Water consumption of the DC is likewise part of the tenancy agreement.

Paper use

The office paper we purchase is 80 per cent recycled content and is a certified carbon neutral product (Climate Active offset standard). It is locally manufactured with certification to meeting the Australian Forestry Standards (AS 4707 and AS 4708) for chain of custody to sources meeting sustainable forest management system requirements.

HSV tracks paper use via networked printer data at the Casselden office. Since we started tracking in 2015-16 we have seen an ongoing reduction in use.

Paper use and wastage is minimised by use of on-demand printing systems and reducing paper-based processes. Since 2015-16 we have implemented extensive virtual document management processes such as providing Board committee papers electronically and implementing electronic signatures for contract agreements.

For the 2021-22 reporting period, 310 reams of A4-equivalent copy paper were used, which equates to 1.53 reams per FTE, up from 0.5 reams per FTE during 2020-21.

Other operational items

All computer monitors and laptops we purchase are ENERGY STAR® certified, ensuring a high level of energy efficiency.

Greenhouse gas emissions

Greenhouse gas emissions (tonnes CO ₂ -e)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Fleet vehicle fuels (Scope 1)	22.10	33.71	34.53	24.88	6.34	12.31
Facility electricity (Scope 2)	no data	no data	no data	no data	39.17	230.50
Air travel emissions (Scope 3)	10.48	2.06	4.19	3.19	0	1.99
Total reportable emissions	32.58	35.78	38.72	28.08	45.51	244.80

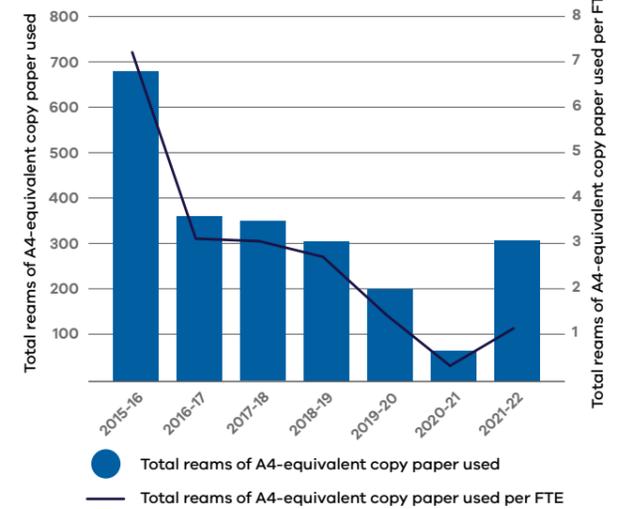
Scope 1 and Scope 2 emissions are calculated using emissions factors for fuels and electricity from the National Greenhouse Accounts Factors Tables 2021.

Scope 3 emissions due to air travel are as calculated and reported by the travel provider.

Emissions from facility energy use are reported from the commencement of the commissioning of the DC in February 2021

Vehicle fuels emissions only includes the HSV distribution vehicles from May 2022 when the fuel cards used transferred to HSV from management by The Royal Melbourne Hospital to HSV.

Paper usage



Greenhouse gas emissions

Operational greenhouse gas emissions are reported following FRD 24D guidelines for Scope 1 Direct emissions and Scope 2 Energy Indirect emissions. Scope 3 Indirect Emissions from corporate air travel are included as well.

HSV operational emissions have increased significantly since taking on distribution centre operations. Full-year emissions due to diesel fuels used by HSV distribution vehicles will be included from next annual report.

Social procurement report

HSV continues to pursue social and sustainable procurement outcomes in line with Victoria’s SPF and our goal to increase best-value healthcare outcomes and a balanced approach towards financial and non-financial benefits and supply chain risk.

Our social procurement strategy prioritises outcomes associated with the following SPF objectives as standard practice during all procurement:

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

Our strategy also priorities efforts to achieve outcomes associated with the following SPF objectives in specific categories where outcomes against the following objectives are available:

- environmentally sustainable outputs
- sustainable Victorian social enterprise and Aboriginal business sectors.
- Outcomes against other SPF objectives are sought if specific opportunities are identified during the category planning process.

Objectives for each individual market approach are set during pre-tender planning and tender responses are scored and weighted using evaluative criteria, as part of the value for money assessment.

Suppliers are invited to offer additional social procurement commitments if awarded an HSV agreement. These commitments form part of the contract performance requirements for successful respondents.

HSV’s procurement system is being continuously improved to enable effective and efficient handling of supply chain information for use in SPF benefits measurement and reporting.

Health services can use a reporting dashboard to track social procurement benefits related to their direct social procurement spend on HSV supplier panels. An online Qlik Sense report assists in extracting procurement spend data for SPF benefits reporting.

Highlights

In 2021-22, we received 162 social procurement commitment offers from 77 successful respondents to tenders, including commitments to:

- implement a gender equality policy or strategy
- implement a family violence policy
- create jobs, apprenticeships or traineeships for disadvantaged Victorians
- subcontract to Victorian social benefit suppliers.

HSV continues to use Clean Force Property Services, a flagship social enterprise of WISE Employment Ltd to provide cleaning, hygiene and waste handling on-site at the Derrimut DC. Clean Force employs Victorians who are living with disability, including mental illness. Some additional direct spend was with Uniting Vic.Tas.

Social procurement outcomes

SPF objective	SPF outcomes	Measure
Sustainable Victorian social enterprise and Aboriginal business sectors	Direct purchasing from social benefit suppliers	Supplier(s): 2 Direct spend: \$77,734
	Indirect spend with social benefit suppliers, committed to by suppliers	4 supplier commitments made Social procurement performance reports will be obtained in 2022-23
Supporting safe and fair workplaces	Purchasing from suppliers that comply with industrial relations laws and promote secure employment	100% acknowledgment of Victorian Supplier Code of Conduct by suppliers on HSV Agreements
Women’s safety and equality	Adoption of family violence leave and family violence policies by suppliers	58% of tender respondents had an existing family violence policy 47 supplier commitments made to implement a family violence policy
	Gender equality within suppliers	50% of respondents had an existing gender equality policy or strategy 54 supplier commitments made to implement a gender equality policy
Opportunities for disadvantaged Victorians	Number of commitments	6 commitments made
	Job and training outcomes for disadvantaged Victorian cohorts	Social procurement performance reports will be obtained in 2022-23
Environmentally sustainable business practices	Adoption of environmentally sustainable business practices by suppliers	Scorecard evaluation of environmentally sustainable business practices is part of the value for money assessment in all tenders
Environmentally sustainable outputs	Project-specific requirements to use sustainable resources and to manage waste and pollution	Environmentally preferable product or service offers are awarded under some contracts, including catering supplies and workplace supplies. These benefits are being verified

Management and organisation

HSV's Executive Leadership Team



Mr Neil Rodaway

BSc (Hons), FCA, FGIA CGI

Chief Executive

Neil has led HealthShare Victoria as its inaugural Chief Executive since January 2021. After more than 30 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 role prior to joining HSV was in the mining, transport and industrial sector.

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.



Ms Mili Cohen

BA Sc Hons (Exercise Physiology and Biomechanical Science), Grad Dip Supply Chain and Logistics Management, Lean Six Sigma Black Belt

Executive Director Supply Chain

Mili joined HSV in November 2021 as our inaugural Executive Director Supply Chain, bringing extensive experience across the fast-moving consumer goods, dairy, grocery and healthcare sectors. She has senior-level experience and a history of success in supply chain and logistics, negotiation and operations management, specialising in the establishment of rapid supply chain requirements and distribution network modelling.

Mili's most recent role prior to joining HSV was as National Operations Manager at Linfox. Previously, she has worked as a consultant to the Australian Defence Organisation, and has held senior roles at Super Retail Group, Bulla Dairy Foods and Lion Dairy and Drinks.

Mili is a volunteer at Edgar's Mission Farm Sanctuary and Beagle Freedom Australia, and is involved in fundraising activities, administrative support and foster care for animals.



Mr Hugh McKerrow

B.Com, LLB, Grad Cert. Legal Prac.

Executive Director Transformation

Hugh joined HSV as Executive Director Transformation in November 2021, after having worked with the business in a consultative capacity from March 2021 across strategy, commercial, IT and transformation.

Hugh is an experienced and accomplished commercial and strategic leader within large commercial organisations, and has a proven track record in strategy development and implementation.

Prior to joining HSV, Hugh was Head of Commercial (Investments) at Swire Group and formerly Head of Corporate Development at Pacific National. These roles saw Hugh pursue and deliver on value creation opportunities, business growth (organic and M&A) and business transformation and change. Resolving business challenges through continuous improvement initiatives has also been a theme throughout Hugh's career.

Hugh commenced his career in law before moving to banking where he specialised in environmental finance.



Mr John Delinaoum

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

Executive Director Finance, Risk and Governance (CFO)

John has been with the organisation (including HSV's predecessor) since March 2015. With over 25 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.

Since 2017, John has been a member of the Finance and Risk Committee of the Australian College of Optometry (ACO), providing governance and risk management support.

He was previously a Board member and Treasurer of the Healthcare Financial Management Association (HFMA), the peak body for health finance professionals providing value through education, research and networking activities across Australia.



Ms Mel Nolet

MHRMgmt, Member Australian HR Institute

Director People, Culture and Safety

Mel commenced at HSV in May 2022 following a career spanning almost 20 years in human resource management and industrial relations across the private sector. Mel's safety and customer-first focus developed working with large critical infrastructure service organisations in asset management, design, construction, operations and maintenance functions.

Prior to joining HSV, Mel gained public sector experience as Head of People, Culture and Safety at Phillip Island Nature Parks, an agency of the Department of Environment, Land, Water and Planning.

Mel's collaborative approach, strong commercial acumen and focus on the importance of values-led leadership and capability building help to foster safe and high-performing cultures.

Mel has post-graduate qualifications in human resource management and is currently studying a Master of Health, Safety and Ergonomics.



Mr Raph Even-Chaim

MMgt (InfoTech), MBA, MAICD

Director IT

Raph joined HSV in May 2021 and brings more than 20 years of experience in managing technology strategy and operations in SME and large enterprise 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 several 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.



Ms Kate Warren

BSc (Hons)

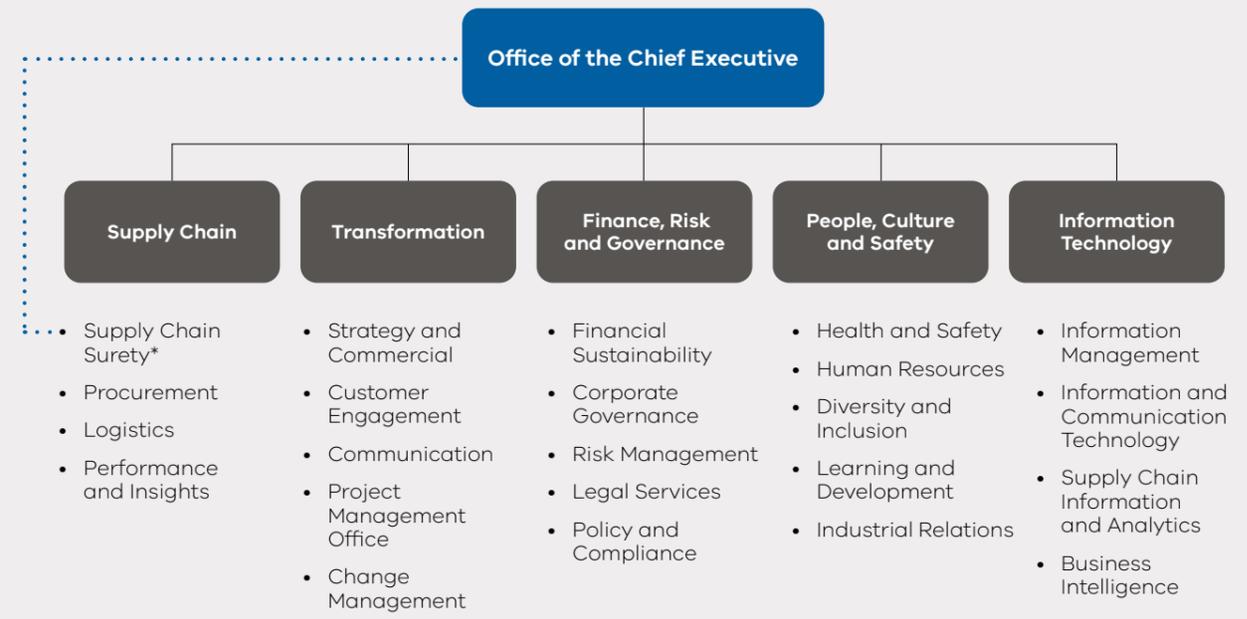
Director Supply Chain Surety

Kate joined HSV in April 2020 and brings 15 years of pharmaceutical supply chain experience both in Australia and overseas, having led and supported global supply chains to deliver strategic programs and improve business performance. Kate's focus is on working with internal and external stakeholders to deliver solutions across global supply chains that enable the supply of medicines to patients at the end of the supply chain.

Over her career Kate has led high-performing multidisciplinary teams to undertake supply and demand planning, global stock allocation, supply chain risk mitigation and optimisation to support improved supply chain continuity. Implementing network change and new operating models, and ensuring effective program governance and risk frameworks have also been focus areas for Kate throughout her career.

Organisational structure

The following chart shows HSV's organisational structure at the end of 2021-22, and the business functions within each steam.



* Supply Chain Surety reports directly to the Chief Executive

HSV's organisation structure 2021-22

People, culture and safety

Ensuring we have capable and motivated people to support HSV's business objectives is a critical enabler of HSV's strategy. To support our substantial growth, we recruited 73 positions throughout the year – competing with other organisations in a very challenging recruitment market to attract and retain the talent who can help keep improving our business

HSV aims to be a great place to work – we are a service organisation that puts our people first. Our purpose, to help the health sector provide essential services to the Victorian community, offers opportunities for our people to develop while playing a part in helping the Victorian health sector.

Our vision of **Health.Safety.Value. In everything we do.** together with our values and principles (see pages 7 and 8) support a culture that fosters career opportunities and development as well as safety and wellbeing. We offer competitive conditions including flexible working arrangements, salary packaging and generous leave provisions, such as accrued days off.

We believe our people are our greatest resource, and the sustainability of our workforce depends on how well we use and develop our skills and abilities together. The People, Culture and Safety team plays an integral role in our organisation's action plan to support and influence all of our operations, including service delivery. A key focus is developing a positive culture and improving our own health and wellbeing.

Safety in everything we do

As HSV transformed from an organisation providing procurement services to one encompassing an operational end-to-end supply chain, we continued to increase our focus on occupational health and safety (OHS).

Ensuring our people and everyone involved with HSV are physically and psychologically safe is simply the right thing to do. 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.

Safety strategy – BeSafe

Our safety strategy, BeSafe, was launched and implemented during 2021-22 to establish a strategic direction for managing occupational health and safety at HSV.

The strategy, developed from an extensive consultation process involving employees and all levels of management, consists of seven objectives (see figure below). Each objective has a theme, metrics and program of works, with timeframes and milestones established to provide transparency and accountability for delivery of the strategy.

BeSafe ensures our managers lead by example and clearly communicate expectations. Employees are given the training to perform their work safely, and everyone is encouraged to take ownership for health and safety. Wellbeing is an important component of BeSafe – we care for the mental and physical health of everyone at HSV, whether they're working from an HSV workplace or from home.

Our strategy incorporates and aligns numerous existing safety programs and human resource initiatives, including the HSV OHS Committee, risk management framework, Speak Up program, Health and Wellbeing Committee, Employee Assistance Program and ergonomic assessments.

In 2021-22, we implemented our OHS framework, which included establishing a new Workplace Health and Safety Committee and electing health and safety reps. The committee works with employees throughout the year to ensure a high level of consultation and understanding of HSV's risk management policies and procedures.



Safety at the Derrimut DC

Safety is particularly relevant at our new DC, where operations involve heavy vehicles, forklifts and other manual handling equipment, reflecting a complex health and safety environment. With the introduction of additional volume, equipment and operating practices, we have maintained a safe workplace and engaged effectively with team members to ensure understanding and continuous education regarding safe work practices.

Through partnering with the HSV Work Health and Safety Manager and the broader People, Culture and Safety team, the DC team has established safe work practices to support the operational requirements. Activities in 2021-22 included:

- encouraging proactive reporting, educating the broader Supply Chain team to identify and report hazards before incidents occur
- working collaboratively to mitigate risks
- consultation and launch of a new OHS committee restructure to better suit the changed environment
- adapting risk management practices to ensure new obligations around psychological health are met
- continually updating policies and procedures, such as the traffic management plan and standard operating procedures, to reflect operational changes and growth at the DC
- conducting site orientation and induction programs with the primary focus on safety.



OHS report

Following the introduction of our new incident reporting system, Resolver, in January 2022, we have been focused on encouraging reporting of OHS hazards and incidents. This has resulted in an increase in reports and we have been pleased to see an upward trend in hazard reporting, which can help prevent workplace injuries and illnesses.

HSV OHS summary, 2021-22

OHS matter	2021-22	2020-21	2019-20
The number of reported hazards/incidents for the year per 100 FTE	24.60	0	2.98
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	0.85	0	0.74
The average cost per WorkCover claim for the year	\$7,164	0	\$4,516

One WorkCover 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 \$4,516.

Two claims were made in 2021-22 with a total estimated cost of \$14,329 relating to one claim due to specialised equipment and rehabilitation requirements. The other claim has zero claim costs recorded to date.

There have been no fatalities.

Occupational violence

HSV occupational violence summary, 2021-22

Occupational violence statistic	21-22 update
WorkCover accepted claims with an occupational violence cause per 100 FTE	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	2
Number of occupational violence incidents reported per 100 FTE	0.85
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.

Workforce data

During 2021-22, we recorded a 74 per cent increase in employee headcount compared to the 2020-21 headcount.

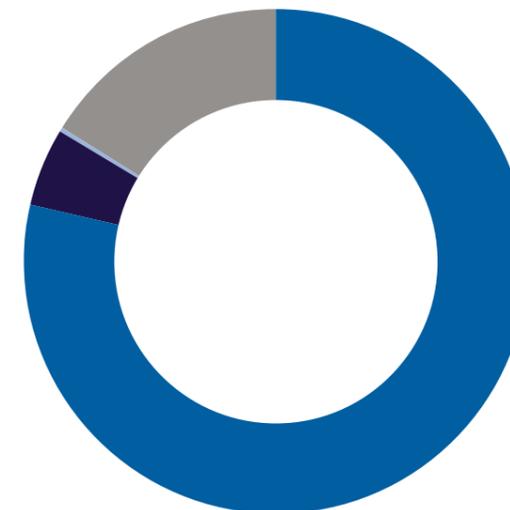
HSV's workforce composition for the last full pay period in June 2022

	FY average 2020-21	FY average 2021-22	June 2021	June 2022	June 2021	June 2022
	Full-time equivalent		Full-time equivalent		Head count	
Full time	105	157	122	193	125	193
Part time	6	9	8	9	10	12
Total number of payroll employees	111	166	130	202	135	205
Agency/casual	5	23	5	34	5	39
Total FTE Employee	116	185	135	236	140	244

HSV's gender and age and data

	All employees		Ongoing		Fixed term		Woman	Man	
	Headcount	FTE	Full time (headcount)	Part time (headcount)	FTE	Headcount			FTE
Gender									
Woman	81	79	62	9	69	10	10		
Man	124	123	107	3	109	14	14		
Self described	0	0	0	0	0	0	0	0	0
Age									
15-24	1	1	1	0	1	0	0	0	1
25-34	36	35	31	3	33	2	2	13	23
35-44	77	76	64	5	68	8	8	35	42
45-54	47	47	35	1	36	11	11	22	25
55-64	36	36	32	2	34	2	2	9	27
65+	8	8	7	1	8	0	0	2	6

HSV workforce composition at 30 June 2022



- 193 full-time employees
- 12 part-time employees
- 1 secondee
- 39 agency contractors

Growth and change areas include our Procurement division with the appointment of 20 new team members, with key internal appointment of a Deputy Director Procurement. Appointments also focused on expansion of the Pharmaceutical Sourcing team and establishment of a new team with a specific focus on surety. We continue to build capability in category and contract management with 17 appointments in category manager and senior category manager positions.

HSV's Supply Chain Surety function has been established with the appointment of a new Director Supply Chain Surety role and recruitment of a number of key positions into the team, which continues to evolve.

The Finance, Risk and Governance team appointed 19 new team members, including the appointment of six new legal team members, three appointments within the Enterprise Risk team and four new roles to manage the growing HSV accounts payable function to support our ongoing management as an end-to-end supply chain business.

The expanding requirements for HSV's Supply Chain team have seen 18 roles appointed to the DC since January 2022, including the new Director Logistics and a new Work Health and Safety Manager with strong subject matter expertise and logistics industry experience (part of our People, Culture and Safety team). Other key operational and development roles were filled in areas such as demand and supply management, performance and insights analysis, and supply chain contracts management.

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 continued focus on supporting employees with career progression within HSV has resulted in 17 internal promotions.

HSV recruitment

HSV continued to grow in 2021-22, with 110 new starters joining the business, including 73 new recruits. We also welcomed 37 employees who transferred from Melbourne Health as part of the establishment of our DC operations.

There has been extensive headcount and workforce planning to map resourcing requirements and identify critical roles, to support areas including FMIS, Warehouse Management System and Workplace Health and Safety.

Key appointments to the Executive Leadership team included the appointment of an Executive Director Supply Chain, a new Director People, Culture and Safety and a new Director Procurement.

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 inclusive and promotes diversity and equality. We have a suite of plans in line with this focus, such as our Gender Equality Action Plan 2022-25, that highlight the importance of treating everyone with dignity, respect and fairness.

Our workforce is diverse. In the 2022 People Matter Survey, 48 per cent of employees reported their cultural identity as being born in Australia and 25 per cent were born outside Australia (27 per cent preferred not to say). One per cent of survey respondents reported they identify as Aboriginal or Torres Strait Islander, 85 per cent did not identify as either and 14 per cent preferred not to say.

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, LGBTQIA+ 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 OHS Committee and communication team have all worked hard to promote wellbeing and support our employees in working from home and returning to the office as part of hybrid working arrangements. These teams have also contributed to building one culture by including DC employees into HAWC activities, such as Australia's Biggest Morning Tea and other celebration and recognition events.

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 builds cultural awareness with employees by regularly communicating topics relating to Aboriginal history, culture, art and music via our intranet.

In continuing to build awareness and upskilling in this critical area, several HSV Board members and the HSV Chief Executive have attended 'Building Aboriginal Cultural Competency for Organisation' training conducted by the Koorie Heritage Trust.

The value we add: Speaking up for an ethical workplace

Building employee capability at HSV is a priority. HSV's ethical leadership program 'Speak Up' is an experiential learning program that empowers employees to speak up about behaviours that aren't in line with our values, and to speak up with their ideas and improvements. It focuses on honing ethical problem-solving skills.

The program is based on behavioural research that says practising how you will respond to a situation and what you will say means you are more likely to 'speak up' when the situation arises.

Speak Up involves an induction program for new starters, followed by regular cross-functional group discussions across the whole organisation. These discussions cover topics such as combatting everyday sexism, change and resilience, incivility, safety, and giving and receiving feedback.

The program helps us resolve issues quickly, before they escalate, and contributes to employee wellbeing, job satisfaction, retention, collaboration and improved relationships.



Disclosure of consultancies

In 2021-22, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021-22 in relation to these consultancies is \$2.803 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 2021-22 (ex GST)	Future expenditure
PwC	To review the HSV supply chain strategy, incorporating the design of operations and the commissioning of the DC. The review also extended to an assessment of the end-to-end supply chain capabilities.	August 2021	October 2021	\$93,100	\$93,100	\$0
PwC	To support HSV to develop a strategic roadmap for the organisation. The strategic roadmap will enable the executive team and HSV Board to deliver on the critically important agenda established for the organisation and its role in the Victorian health system.	July 2021	August 2021	\$75,000	\$75,000	\$0
Mercer Consulting	To assist with salary benchmarking required by the Victorian Public Sector Commission as part of developing the HSV Executive structure.	July 2021	July 2021	\$33,100	\$33,100	\$0
Deloitte*	To implement Health Technology Solutions (HTS) Oracle (Financial Management Information System [FMIS]) platform for migration of supply chain function enabling functionality between HSV and health services. To implement Warehouse Management System (WMS) as the cornerstone for statewide purchasing, warehousing and supply of medical consumables to health services, with ability to receive, put away, pick, pack and ship efficiently in a large-scale warehouse.	July 2021	May 2022	\$2,030,870	\$2,030,870	\$0

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2021-22 (ex GST)	Future expenditure
Deloitte	To report on the effectiveness of the current state of service delivery and the direction required to plan the future state for the whole of Victorian government logistics.	February 2022	March 2022	\$57,400	\$57,400	\$0
Deloitte	To deliver an organisation design for HSV's Supply and Logistics function with the ability to scale for future customer expansion. Design to optimise future operations of supply and logistics with implementation of a new WMS.	February 2022	April 2022	\$146,200	\$146,200	\$0
KPMG	To build a Project Management and Organisational Change 'playbook' to enable consistent delivery approaches across HSV. Playbook incorporates a 'how to' guide, including practical tools, templates and approaches.	May 2022	June 2022	\$133,450	\$133,450	\$0
Safe Sense	To provide subject matter expertise and deliver a program of work to develop a health, safety and wellbeing management system with traditional governance, risk management, operations and assurance procedures and more contemporary health and safety issues, including change management, mental health and wellbeing across HSV.	July 2021	June 2022	\$185,600	\$185,600	\$0
Amplify	To develop an operating model to best support the Surety strategy by delivering a performance reporting framework dashboard and other visual aids as part of a toolkit.	May 2022	June 2022	\$48,000	\$48,000	\$0

* Note the current scope of the Oracle WMS is being reviewed to consider additional functionalities to support longer-term system requirements.

In 2021-22, HSV engaged with three other consultants where the total fees payable to the consultant were less than \$10,000 (excluding GST). The total cost of these engagements is approximately \$20,400.

Information and Communication Technology (ICT) expenditure

Consistent with FRD 22H (Section 5.17), this Report of operations presents the following 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 elements:

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

The total ICT expenditure incurred during 2021-22 is \$7.99 million (excluding GST), with details shown in the following table.

Business-as-usual (BAU) ICT expenditure		Non-business-as-usual (non-BAU) ICT expenditure	
Total (ex GST)	Total = operational expenditure and capital expenditure (ex GST)	Total operational expenditure (ex GST)	Total capital expenditure (ex GST)
\$6.23 million	\$1.76 million	\$0.99 million	\$0.77 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 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 four reporting periods

	2022 \$000	2021 \$000	2020 \$000	2019 \$000	2018 \$000
Operating result*	5,527	3,490	(153)	(888)	22
Total revenue	133,094	42,565	18,977	16,207	16,283
Total expenses	129,633	29,327	19,599	17,727	16,889
Net result from transactions	3,461	13,238	(622)	(1,520)	(606)
Total other economic flows	850	85	(19)	(67)	(1)
Net result	4,311	13,323	(641)	(1,587)	(607)
Total assets	47,791	32,569	9,882	5,111	6,358
Total liabilities	28,723	17,812	8,447	3,035	2,695
Net assets / Total equity	19,068	14,757	1,435	2,076	3,663

* The operating result is the financial result monitored in the Statement of Priorities.

Summary of significant changes in HSV's financial position

The 2021-22 financial year was another period of significant growth for HSV, representing our first year of supply chain and logistics operations.

The successful transition of supply chain and logistics services from the Royal Melbourne Hospital into HSV has enabled services to be delivered to our first tranche of health service customers, representing approximately 30 per cent of the State's public healthcare expenditure. This service is the key driver of the material increase in HSV revenue as we recovered both operating costs via a service level agreement and the cost of goods supplied to health services.

This profile is expected to increase year on year as HSV onboards additional health services, delivering value through increased economies of scale. Grant revenue from the Department of Health remained relatively consistent with the previous financial year.

At the start of the calendar year the State Supply Chain – supporting the State's response to COVID-19 – called on HSV to assist in managing RATs. As a new service provider of statewide end-to-end supply chain, logistics and procurement services, HSV has invested in new systems and infrastructure. We have implemented a level of automation in our new Derrimut DC to support the 'pick and pack' function and we have put in place more material handling equipment to build on the DC's current operational capacity of 85 percent.

The new end-to-end supply chain will benefit hospitals to support better patient outcomes, primarily by providing more consistent stock availability and large volume orders to maximise purchasing power.

As at the end of 2021-22, HSV achieved \$1.3 billion in value under contract and \$161 million in benefits achieved through the delivery of various procurements across indirect services, pharmaceuticals, medical consumables, ICT contracts and medical equipment purchases. Partnering with health services to gain clinical guidance and support are essential parts of HSV's procurement process. All new HSV contracts are established in a process that involves reference groups, working parties and other advisory forums overseen by HSV's governance structure that includes key health service representatives.

In 2021-22 HSV continued to face unprecedented challenges arising from the COVID-19 pandemic. The peaks required a refocus of internal resources from business-as-usual procurement to securing critical PPE suppliers to meet the State's needs. In providing these additional services, we needed to increase our resources, resulting in a rise in our employee headcount from 140 in June 2021 to 244 in June 2022.

HSV's financial performance during the 2021-22 financial year is an operating surplus of \$5.5 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 \$4.3 million is impacted by depreciation and adjustments for economic flows and impairment assessments to financial and non-financial assets. Overall, the cash levels for HSV remain strong and there is adequate cash in the operating account to support going concern requirements.

HSV's performance against our SoP and strategic objectives has been reported earlier in this Annual Report.

¹Tranche 1: the Royal Melbourne Hospital, Western Health, Northern Health, Peter MacCallum Cancer Centre, the Royal Children's Hospital, the Royal Women's Hospital, the Royal Eye and Ear Hospital.

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.

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Financial statements and accompanying notes for the year ended 30 June

Board Chair's, 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 52 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 2022 and financial position of HealthShare Victoria at 30 June 2022.

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
25 August 2022



Mr Neil Rodaway
Chief Executive
HealthShare Victoria
25 August 2022



Mr John Delinaoum
Chief Financial and
Accounting Officer
HealthShare Victoria
25 August 2022



Independent Auditor's Report

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

Opinion I have audited the financial report of Health Purchasing Victoria (the entity) which comprises the:

- balance sheet as at 30 June 2022
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- board chair, accountable officer's and chief finance officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Board's responsibilities for the financial report 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 *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the 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.

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
13 September 2022


Sanchu Chummar
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue and income from transactions			
Operating activities	2.1	133,056,825	42,499,369
Non-operating activities	2.1	37,590	65,345
Total revenue and income from transactions		133,094,415	42,564,714
Expenses from transactions			
Employee expenses	3.1	(23,890,259)	(15,989,909)
Non salary labour costs	3.1	(7,179,526)	(4,805,204)
Supplies and consumables	3.1	(85,154,259)	-
Finance costs	3.1	(63,767)	(28,733)
Other operating expenses	3.1	(11,367,824)	(7,455,393)
Depreciation and amortisation	3.1	(1,978,228)	(1,047,727)
Total expenses from transactions		(129,633,863)	(29,326,966)
Net result from transactions – Net operating balance		3,460,552	13,237,748
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	3.2	1,317,765	(22,758)
Net gain/(loss) on financial instruments	3.2	(867,373)	-
Other gain/(loss) from other economic flows	3.2	399,648	107,933
Total other economic flows included in net result		850,040	85,175
NET RESULT FOR THE YEAR		4,310,592	13,322,923
Other comprehensive income		-	-
COMPREHENSIVE RESULT FOR THE YEAR		4,310,592	13,322,923

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

Balance sheet

As at 30 June 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	6.2	19,714,757	13,995,577
Receivables and contract assets	5.1	11,286,063	1,641,420
Inventories	4.6	5,444,794	6,243,410
Prepayments		904,556	758,859
Total current assets		37,350,170	22,639,266
Non-current assets			
Receivables and contract assets	5.1	1,836,663	904,982
Property, plant and equipment	4.2	3,308,026	2,862,015
Right-of-use assets	4.3	5,075,567	5,829,538
Intangible assets	4.4	220,289	333,506
Total non-current assets		10,440,545	9,930,041
TOTAL ASSETS		47,790,715	32,569,307
Current liabilities			
Payables and contract liabilities	5.2	17,307,918	6,675,140
Borrowings	6.1	1,555,998	1,267,523
Employee benefits	3.3	5,387,280	4,563,455
Total current liabilities		24,251,196	12,506,118
Non-current liabilities			
Borrowings	6.1	3,423,238	4,594,216
Employee benefits	3.3	801,824	711,474
Other provisions	5.3	246,366	-
Total non-current liabilities		4,471,428	5,305,690
TOTAL LIABILITIES		28,722,624	17,811,808
NET ASSETS		19,068,091	14,757,499
EQUITY			
Contributed capital	SCE	31,570	31,570
Accumulated surplus	SCE	19,036,521	14,725,929
TOTAL EQUITY		19,068,091	14,757,499

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

Statement of changes in equity

For the financial year ended 30 June 2022

	Note	Contributed Capital \$	Accumulated Surplus/(Deficit) \$	Total \$
Balance at 30 June 2020		31,570	1,403,006	1,434,576
Net result for the year		-	13,322,923	13,322,923
Balance at 30 June 2021		31,570	14,725,929	14,757,499
Net result for the year		-	4,310,592	4,310,592
Balance at 30 June 2022		31,570	19,036,521	19,068,091

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

Cash flow statement

For the financial year ended 30 June 2022

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating grants from Government		43,644,373	25,528,563
Capital grants from Government		-	9,700,000
Interest received		37,590	38,805
GST received from ATO		1,537,614	496,166
Sale of goods		15,117,585	-
Supply chain service fees		5,357,619	-
Other receipts		-	26,540
Total receipts		65,694,781	35,790,074
Payments			
Employee expenses paid		(29,549,224)	(19,361,813)
Payments for supplies and consumables		(27,950,858)	(8,033,285)
Cash outflow for leases		(35,965)	(34,639)
Total Payments		(57,536,047)	(27,429,737)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	8.1	8,158,734	8,360,337
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,493,619)	(1,655,581)
Purchase of intangible assets		(63,432)	(68,147)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(1,557,051)	(1,723,728)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(882,503)	(617,983)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(882,503)	(617,983)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		5,719,180	6,018,626
Cash and cash equivalents at beginning of financial year		13,995,577	7,976,951
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	19,714,757	13,995,577

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 (HSV) for the financial year ended 30 June 2022.

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 25 August 2022.

(b) Reporting entity

The financial statements include all the controlled activities of HSV.

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 2022, and the comparative information presented in these financial statements for the year ended 30 June 2021. 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 HealthShare Victoria.

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, except for the GST components of cash flows arising from investing and/or financing activities, which are recoverable from, or payable to the ATO. These GST components 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 HealthShare Victoria.

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

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

(e) Comparatives

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

(f) Impact of COVID-19 pandemic

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

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

In response to the ongoing COVID-19 pandemic, HSV has:

- introduced restrictions on non-essential visitors
- performed COVID-19 testing
- implemented work-from-home arrangements where appropriate.

Notes to and forming part of the financial statements

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 income from the sale of goods and provision of supply chain and logistics services, with a small amount of income from bank interest.

Structure:

2.1 Revenue and income from transactions

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	HSV applies significant judgment 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.

Note 2.1: Revenue and income from transactions

Note	2022 \$	2021 \$
Operating activities		
Revenue from contracts with customers		
Commercial activities	90,673,590	-
Total revenue from contracts with customers	90,673,590	-
Other sources of income		
Government grants (State) – operating	39,975,373	30,696,123
Indirect contributions by Department of Health		
- Insurance	35,004	13,511
- Office lease	993,756	994,148
- Long service leave	1,379,102	-
Government grants (State) – capital	-	9,700,000
Assets received free of charge or for nominal consideration	-	1,095,587
Total other sources of income	42,383,235	42,499,369
Total revenue and income from operating activities	133,056,825	42,499,369
Non-operating activities		
Other sources of income		
Interest income	37,590	38,805
Other income	-	26,540
Total other sources of income	37,590	65,345
Total income from non-operating activities	37,590	65,345
Total revenue and income from transactions	133,094,415	42,564,714

Notes to and forming part of the financial statements

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

	2022 \$	2021 \$
HSV disaggregates revenue by the timing of revenue recognition.		
Goods and services transferred to customers:		
At a point in time	90,673,590	-
Total revenue from contracts with customers	90,673,590	-

How we recognise revenue and income from operating activities

Government operating grants

To recognise revenue, HSV 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, HSV:

- 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, HSV:

- 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.

Non-cash contributions 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.

How we recognise revenue and income from operating activities

Interest income

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

Other income

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

Notes to and forming part of the financial statements

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

	2022 \$	2021 \$
Property, plant and equipment	-	1,095,587
Total fair value of assets received free of charge or for nominal consideration	-	1,095,587

How we recognise the fair value of assets and services received free of charge or for nominal consideration

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 HealthShare Victoria 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 Other economic flows
- 3.3 Employee benefits in the balance sheet
- 3.4 Superannuation

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Classifying employee benefit liabilities	<p>HSV applies significant judgment when classifying its employee benefit liabilities. 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>
Measuring employee benefit liabilities	<p>HSV applies significant judgment when measuring its employee benefit liabilities. HSV applies judgement to determine when it expects its employee entitlements to be paid.</p> <p>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, being the expected future payments to employees.</p> <p>Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields on government bonds at the end of the reporting period.</p> <p>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

	2022 \$	2021 \$
Employee expenses		
Salaries and wages	20,283,480	13,776,579
Superannuation	2,203,557	1,410,694
Workcover	100,577	31,019
Payroll tax	1,302,645	771,617
Total employee expenses	23,890,259	15,989,909
Non salary labour costs		
Agency costs	3,259,735	1,015,074
Long service leave provision	937,051	1,684,190
Annual leave provision	2,037,288	1,425,880
Accrued days off provision	945,452	680,060
Total non salary labour costs	7,179,526	4,805,204
Supplies and consumables		
Medical and surgical supplies	85,154,259	-
Total supplies and consumables	85,154,259	-
Finance costs		
Interest on lease liabilities	63,767	28,733
Total finance costs	63,767	28,733

	2022 \$	2021 \$
Other operating expenses		
Advertising	56,869	18,275
Software licence and support	2,647,807	1,925,712
Insurance	62,679	13,511
Legal fees	440,148	83,112
Outgoings	738,089	92,683
Printing and stationery	218,083	36,908
Subscriptions	70,611	68,461
Rent	1,231,505	1,099,348
Recruitment	712,026	319,479
Security	54,084	29,244
Consultant and professional fees	3,886,961	3,300,696
Telecommunication costs	122,166	70,900
Vehicle and travel costs	181,753	48,787
Staff development and seminars	265,212	108,093
Audit fees – VAGO	38,600	38,900
Audit fees – internal audit	56,075	40,800
Bank charges	1,122	861
Expenses related to short term leases	140,038	1,659
Expenses related to leases of low value assets	1,059	5,957
Other	442,937	152,007
Total other operating expenses	11,367,824	7,455,393
Total operating expenses	127,655,635	28,279,239
Depreciation and amortisation (Note 4.5)	1,978,228	1,047,727
Total depreciation and amortisation	1,978,228	1,047,727
Total non-operating expenses	1,978,228	1,047,727
Total expenses from transactions	129,633,863	29,326,966

Notes to and forming part of the financial statements

Note 3.1: Expenses from transactions (continued)

How we recognise expenses from transactions

Expense recognition

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

Employee expenses

Employee expenses include:

- salaries and wages (including fringe benefits tax, leave entitlements, termination payments)
- on-costs
- agency expenses
- work cover premiums.

Supplies and consumables

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

Finance costs

Finance costs include:

- finance charges in respect of leases which are recognised in accordance with AASB 16 leases.

Other operating expenses

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

- fuel, light and power
- repairs and maintenance
- other administrative expenses
- expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold).

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.

Note 3.2: Other economic flows

	2022 \$	2021 \$
Impairment of property, plant and equipment (including intangible assets)	-	(22,758)
Other gains/(losses) from other economic flows	1,317,765	-
Total net gain/(loss) on non-financial assets	1,317,765	(22,758)
Allowance for impairment losses of contractual receivables	(867,373)	-
Total net gain/(loss) on financial instruments	(867,373)	-
Net gain/(loss) arising from revaluation of long service liability	399,648	107,933
Total other gains/(losses) from other economic flows	399,648	107,933
Total gains/(losses) from other economic flows	850,040	85,175

How we recognise other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

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

Net gain/(loss) on financial instruments

Receivables are subject to impairment loss assessment in accordance with the AASB 9 expected credit loss model and the impairment loss allowance is increased accordingly with the impairment expense recognised in the net result as an 'other economic flow'.

Notes to and forming part of the financial statements

Note 3.3: Employee benefits in the balance sheet

	2022 \$	2021 \$
Current employee benefits and related on-costs		
Annual leave		
- Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	1,890,015	1,512,862
- Unconditional and expected to be settled after 12 months ⁽ⁱⁱ⁾	302,615	253,022
	2,192,630	1,765,884
Long service leave		
- Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	115,300	444,972
- Unconditional and expected to be settled after 12 months ⁽ⁱⁱ⁾	2,253,601	1,458,565
	2,368,901	1,903,537
Accrued days off		
- Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	398,326	327,859
	398,326	327,859
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value) ⁽ⁱ⁾	230,754	298,641
- Unconditional and expected to be settled after 12 months (present value) ⁽ⁱⁱ⁾	196,669	267,534
	427,423	566,175
Total current employee benefits and related on-costs	5,387,280	4,563,455
Non-current employee benefits and related on-costs		
Conditional long service leave	745,552	614,824
Provisions related to employee benefit on-costs	56,272	96,650
Total non-current employee benefits and related on-costs	801,824	711,474
Total employee benefits and related on-costs	6,189,104	5,274,929

(i) The amounts disclosed are nominal amounts.

(ii) The amounts disclosed are discounted to present values.

Note 3.3(a): Consolidated employee benefits and related on-costs

	2022 \$	2021 \$
Current employee benefits and related on-costs		
Unconditional accrued days off	398,326	327,859
Unconditional annual leave entitlements	2,444,783	2,032,823
Unconditional long service leave entitlements	2,544,171	2,202,773
Total current employee benefits and related on-costs	5,387,280	4,563,455
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	801,824	711,474
Total non-current employee benefits and related on-costs	801,824	711,474
Total employee benefits and related on-costs	6,189,104	5,274,929
Attributable to:		
Employee benefits	5,705,409	4,612,104
Provision for related on-costs	483,695	662,825
Total employee benefits and related on-costs	6,189,104	5,274,929

Notes to and forming part of the financial statements

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

	2022 \$	2021 \$
Carrying amount at start of year	662,825	361,643
Additional provisions recognised	(120,861)	316,919
Net gain/(loss) arising from revaluation of long service liability	(58,269)	(15,737)
Carrying amount at end of year	483,695	662,825

How we recognise employee benefits

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 benefit recognition

Employee benefits are accrued for employees in respect of accrued days off, annual leave and long service leave, for services rendered to the reporting date as an expense during the period the services are delivered.

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

Annual leave and accrued days off

Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities', because HealthShare Victoria 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.

Notes to and forming part of the financial statements

Note 3.3: Employee benefits in the balance sheet (continued)

Long service leave

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where HealthShare Victoria 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 measured at present value and is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

Termination benefits

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

HealthShare Victoria 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.

Provision for on-costs related to employee benefits

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

Note 3.4: Superannuation

	2022 \$	2021 \$
Total payments towards defined contribution plans	2,203,557	1,410,694

HSV has an unpaid superannuation liability as at 30 June 2022 of \$196,521 (2021: \$117,029)

How we recognise superannuation

Employees of HSV are entitled to receive superannuation benefits and it contributes to defined contribution plans. 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 2022 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 10.0% 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.

Notes to and forming part of the financial statements

Note 4: Key assets available to support output delivery

HealthShare Victoria 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 Right-of-use assets
- 4.4 Intangible assets
- 4.5 Depreciation and amortisation
- 4.6 Inventories
- 4.7 Impairment of assets

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating useful life of property, plant and equipment	<p>HSV assigns an estimated useful life to each item of property, plant and equipment. 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>
Estimating the useful life of intangible assets	<p>HSV assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.</p>

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
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"> - if an asset's value has declined more than expected based on normal use - if a significant change in technological, market, economic or legal environment which adversely impacts the way HSV uses an asset - if an asset is obsolete or damaged - 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 - if the performance of the asset is or will be worse than initially expected. <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

How we recognise investments and other financial assets

HSV investments and other financial assets are made in accordance with Standing Direction 3.72 - Treasury Management, including Central Banking System .

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require 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.

All financial assets, except for those measured at fair value through the comprehensive operating statement are subject to annual review for impairment.

Notes to and forming part of the financial statements

Note 4.1: Investments and other financial assets (continued)

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*.

Impairment is expected to be measured in line with the expected credit loss model, as detailed in Note 7.2.

Note 4.2: Property, plant and equipment

Note 4.2(a): Gross carrying amount and accumulated depreciation

	2022 \$	2021 \$
Plant and equipment at fair value	4,032,642	3,555,996
Less accumulated depreciation	(1,227,841)	(942,110)
Total plant and equipment at fair value	2,804,801	2,613,886
Computer equipment at fair value	802,898	482,605
Less accumulated depreciation	(324,584)	(269,351)
Total computer equipment at fair value	478,314	213,254
Furniture and fittings at fair value	147,613	141,043
Less accumulated depreciation	(122,702)	(106,168)
Total furniture and fittings at fair value	24,911	34,875
Total plant, equipment, furniture and fittings at fair value	3,308,026	2,862,015
Total property, plant and equipment	3,308,026	2,862,015

Note 4.2(b): Reconciliations of carrying amount by class of asset

	Note	Plant and equipment \$	Computer equipment \$	Furniture and fittings \$	Total \$
Balance at 1 July 2020		55,365	93,213	54,300	202,878
Additions		2,614,222	174,012	-	2,788,234
Disposals		-	-	-	-
Depreciation	4.5	(55,701)	(53,971)	(19,425)	(129,097)
Balance at 30 June 2021	4.2(a)	2,613,886	213,254	34,875	2,862,015
Additions		476,646	379,029	6,570	862,245
Disposals		-	-	-	-
Depreciation	4.5	(285,731)	(113,969)	(16,534)	(416,234)
Balance at 30 June 2022	4.2(a)	2,804,801	478,314	24,911	3,308,026

How we recognise property, plant and equipment

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

Initial recognition

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

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

Notes to and forming part of the financial statements

Note 4.2: Property, plant and equipment (continued)

Subsequent measurement

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

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

Revaluation

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

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

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

Revaluation increments are recognised in 'Other comprehensive income' and are credited directly to the property, plant and equipment revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, in which case the increment is recognised as income in the net result.

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

Note 4.3: Right-of-use assets

Note 4.3(a): Gross carrying amount and accumulated depreciation

	2022 \$	2021 \$
Right-of-use plant and equipment at fair value	6,886,186	6,286,692
Less accumulated depreciation	(1,966,713)	(618,237)
Total right-of-use plant and equipment at fair value	4,919,473	5,668,455
Right-of-use vehicles at fair value	243,475	211,594
Less accumulated depreciation	(87,381)	(50,511)
Total right-of-use vehicles at fair value	156,094	161,083
Total right-of-use plant, equipment and vehicles at fair value	5,075,567	5,829,538
Total right-of-use assets	5,075,567	5,829,538

Note 4.3(b): Reconciliations of carrying amount by class of asset

Note	Right-of-use plant and equipment \$	Right-of-use vehicles \$	Total \$
Balance at 1 July 2020	-	245,764	245,764
Additions	6,286,692	-	6,286,692
Disposals	-	(37,067)	(37,067)
Depreciation	4.5 (618,237)	(47,614)	(665,851)
Balance at 30 June 2021	4.3(a) 5,668,455	161,083	5,829,538
Additions	599,493	31,881	631,374
Disposals	-	-	-
Depreciation	4.5 (1,348,475)	(36,870)	(1,385,345)
Balance at 30 June 2022	4.3(a) 4,919,473	156,094	5,075,567

Notes to and forming part of the financial statements

Note 4.3: Right-of-use assets (continued)

How we recognise right-of-use assets

Where HSV enters a contract, which provides HSV 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 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 and comprises the initial measurement of the corresponding lease liability, adjusted for:

- any lease payments made at or before the commencement date;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

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 remeasurements of the lease liability.

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.

Note 4.4: Intangible assets

Note 4.4(a): Gross carrying amount and accumulated depreciation

	2022 \$	2021 \$
Software	2,380,135	2,363,342
Less accumulated amortisation	(2,159,846)	(2,029,836)
Total software	220,289	333,506
Total intangible assets	220,289	333,506

Note 4.4(b): Reconciliations of carrying amount by class of asset

	Note	Software \$	Total \$
Balance at 1 July 2020		570,615	570,615
Additions		68,147	68,147
Disposals		(52,477)	(52,477)
Amortisation	4.5	(252,779)	(252,779)
Balance at 30 June 2021	4.4(a)	333,506	333,506
Additions		63,432	63,432
Disposals		-	-
Amortisation	4.5	(176,649)	(176,649)
Balance at 30 June 2022	4.4(a)	220,289	220,289

Notes to and forming part of the financial statements

Note 4.4: Intangible assets (continued)

How we recognise intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and car park revenue recognition rights (where applicable).

Initial recognition

Purchased 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 HealthShare Victoria.

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
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent measurement

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

Note 4.5: Depreciation and amortisation

	2022 \$	2021 \$
Depreciation		
Property, plant and equipment		
Plant and equipment	285,731	55,701
Computer equipment	113,969	53,971
Furniture and fittings	16,534	19,425
Total depreciation – property, plant and equipment	416,234	129,097
Right-of-use assets		
Right-of-use plant and equipment	1,348,475	618,237
Right-of-use vehicles	36,870	47,614
Total depreciation – right-of-use assets	1,385,345	665,851
Total depreciation	1,801,579	794,948
Amortisation		
Software	176,649	252,779
Total amortisation	176,649	252,779
Total depreciation and amortisation	1,978,228	1,047,727

Notes to and forming part of the financial statements

Note 4.5: Depreciation and amortisation (continued)

How we recognise depreciation

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

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

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the health service anticipates to exercise a purchase option, the specific right-of-use asset is depreciated over the useful life of the underlying asset.

How we recognise amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

	2022	2021
Computer hardware	2-3 years	2.5 years
Furniture and fittings	5 years	5.3 years
Office equipment	2.5 years	2.5 years
Leasehold improvements	7 years	7 years
Plant and equipment	5-40 years	7-40 years
Vehicles	1-3 years	3-6 years
Intangible assets	3-5 years	3-5 years

Note 4.6: Inventories

	2022 \$	2021 \$
Medical and surgical consumables at cost	5,444,794	6,243,410
Total inventories	5,444,794	6,243,410

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

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

Note 4.7: Impairment of assets

How we recognise impairment

At the end of each reporting period, HSV reviews the carrying amount of its tangible and intangible assets that have a finite useful life, to determine whether there is any indication that an asset may be impaired. The assessment will include consideration of external sources of information and internal sources of information.

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

If such an indication exists, an impairment test is carried out. Assets with indefinite useful lives (and assets not yet available for use) are tested annually for impairment, in addition to where there is an indication that the asset may be impaired.

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

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

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

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

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 HealthShare Victoria's operations.

Structure:

- 5.1 Receivables and contract assets
- 5.2 Payables and contract liabilities
- 5.3 Other provisions

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the provision for expected credit losses	HSV uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
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.
Recognition of other provisions	Other provisions include HSV's obligation to restore leased assets to their original condition at the end of a lease term. HSV applies significant judgement and estimate to determine the present value of such restoration costs.

Note 5.1: Receivables and contract assets

	Note	2022 \$	2021 \$
Current receivables and contract assets			
Contractual			
Inter hospital debtors		11,248,454	-
Allowance for impairment losses	5.1(a)	(867,373)	-
Amounts receivable from government		904,982	1,126,561
Total contractual receivables		11,286,063	1,126,561
Statutory			
GST receivable		-	514,859
Total statutory receivables		-	514,859
Total current receivables and contract assets		11,286,063	1,641,420
Non-current receivables and contract assets			
Contractual			
Amounts receivable from government		1,836,663	904,982
Total contractual receivables		1,836,663	904,982
Total non-current receivables and contract assets		1,836,663	904,982
Total receivables and contract assets		13,122,726	2,546,402
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>			
Total receivables and contract assets		13,122,726	2,031,543
Total financial assets	7.1(a)	13,122,726	2,031,543

Notes to and forming part of the financial statements

Note 5.1(a): Movement in the allowance for impairment losses of contractual receivables

	2022 \$	2021 \$
Balance at the beginning of the year	-	-
Increase in allowance	(867,373)	-
Amounts written off during the year	-	-
Reversal of allowance written off during the year as uncollectable	-	-
Balance at the end of the year	(867,373)	-

How we recognise receivables

Receivables consist of:

- **Contractual receivables**, which mostly includes debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. HSV holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.
- **Statutory receivables**, includes goods and services tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. HSV applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. HSV is not exposed to any significant credit risk exposure. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Impairment losses of contractual receivables

Refer to Note 7.2(a) for HSV's contractual impairment losses.

Note 5.2: Payables and contract liabilities

	Note	2022 \$	2021 \$
Current payables and contract liabilities			
Contractual			
Trade creditors		3,177,461	113,297
Accrued expenses		9,673,796	6,083,942
Accrued salaries and wages		656,284	394,113
Contract liabilities	5.2(a)	3,000,000	-
Total contractual payables		16,507,541	6,591,352
Statutory			
GST payable		609,694	-
Payroll tax		146,036	78,668
Fringe benefits tax		44,647	5,120
Total statutory payables		800,377	83,788
Total current payables and contract liabilities		17,307,918	6,675,140
Total payables and contract liabilities		17,307,918	6,675,140
<i>(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))</i>			
Total payables		13,507,541	6,591,352
Total contractual payables	7.1(a)	13,507,541	6,591,352

Notes to and forming part of the financial statements

Note 5.2: Payables and contract liabilities (continued)

How we recognise payables and contract liabilities

Payables consist of:

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

The normal credit terms for accounts payable are usually net 30 days.

Note 5.2(a): Contract liabilities

	2022 \$	2021 \$
Opening balance of contract liabilities	-	4,498,560
Add: Payments received for performance obligations to be completed during the period	42,975,373	27,391,620
Add: Grant consideration for sufficiently specific performance obligations received during the year	-	-
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(39,975,373)	(27,391,620)
Less: Grant revenue for sufficiently specific performance obligations works recognised consistent with the performance obligations met during the year	-	(4,448,560)
Less: Reallocation to net off Department of Health debtor	-	(50,000)
Total contract liabilities	3,000,000	-
Represented by:		
- Current contract liabilities	3,000,000	-
- Non-current contract liabilities	-	-
	3,000,000	-

How we recognise contract liabilities

Contract liabilities include consideration received in advance from the Department of Health. The balance of contract liabilities was significantly higher than the previous reporting period due to the impact of COVID delaying the commencement of the system implementation of WMS and Zycus (or equivalent) as part of the State Supply Chain transition.

Note 5.3: Other provisions

	2022 \$	2021 \$
Non-current other provisions		
Make-good provision	246,366	-
Total non-current other provisions	246,366	-
Total other provisions	246,366	-
Balance at the beginning of the year	-	-
Additional provisions recognised	246,366	-
Total other provisions	246,366	-

How we recognise contract liabilities

Other 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 provision 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.

Make good provisions are recognised when HSV has contractual obligations to remove leasehold improvements from leased properties and restore the leased premises to their original condition at the end of the lease term. The related expenses of making good such properties are included in the measurement of the right-of-use asset.

Notes to and forming part of the financial statements

Note 6: How we finance our operations

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

This section includes disclosures of balances that are financial instruments (such as cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

Structure:

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

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 the health service:</p> <ul style="list-style-type: none"> - has the right-to-use an identified asset - has the right to obtain substantially all economic benefits from the use of the leased asset and - can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	<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"> - If there are significant penalties to terminate (or not extend), HSV is typically reasonably certain to extend (or not terminate) the lease. - If any leasehold improvements are expected to have a significant remaining value, HSV is typically reasonably certain to extend (or not terminate) the lease. - HSV considers historical lease durations and the costs and business disruption to replace such leased assets.

Note 6.1: Borrowings

	Note	2022 \$	2021 \$
Current borrowings			
Lease liability ⁽ⁱ⁾	6.1(a)	1,555,998	1,267,523
Total current borrowings		1,555,998	1,267,523
Non-current borrowings			
Lease liability ⁽ⁱ⁾	6.1(a)	3,423,238	4,594,216
Total non-current borrowings		3,423,238	4,594,216
Total borrowings		4,979,236	5,861,739

(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.

Notes to and forming part of the financial statements

Note 6.1 (a): Lease liabilities

HSV's lease liabilities are summarised below:

	2022 \$	2021 \$
Total undiscounted lease liabilities	5,068,412	5,992,720
Less unexpired finance expenses	(89,176)	(130,981)
Net lease liabilities	4,979,236	5,861,739

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

	2022 \$	2021 \$
Not longer than one year	1,492,241	1,321,514
Longer than one year but not longer than five years	3,576,171	4,671,206
Longer than five years	-	-
Minimum future lease liability	5,068,412	5,992,720
Less unexpired finance expenses	(89,176)	(130,981)
Present value of lease liability	4,979,236	5,861,739
Represented by:		
- Current liabilities	1,555,998	1,267,523
- Non-current liabilities	3,423,238	4,594,216
	4,979,236	5,861,739

How we recognise lease liabilities

A lease is defined as a contract, or part of a contract, that conveys the right for HSV to use an asset for a period of time in exchange for payment. To apply this definition, HSV ensures the contract meets the following criteria:

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

HSV's lease arrangements consist of the following:

Type of asset leased	Lease Term
Leased plant and equipment	5 years
Leased vehicles	1-5 years

All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months. The following low value and short term lease payments are recognised in profit or loss:

Type of payment	Description of payment	Type of leases captured
Low value lease payments	Leases where the underlying asset's fair value, when new, is no more than \$10,000	Forklifts, pallet trucks, photocopiers / printers
Short-term lease payments	Leases with a term less than 12 months	Forklifts, pallet trucks, photocopiers / printers

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.

Notes to and forming part of the financial statements

Note 6.1 (a): Lease liabilities (continued)

Separation of lease and non-lease components

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

Initial measurement

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

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

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 to in-substance fixed payments.

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

Leases 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.

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

	Note	2022 \$	2021 \$
Cash at bank		19,714,757	13,995,577
Total cash and cash equivalents	7.1(a)	19,714,757	13,995,577

How we recognise cash and cash equivalents

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheets (HSV does not maintain an overdraft facility).

Notes to and forming part of the financial statements

Note 6.3: Commitments for expenditure

	2022 \$	2021 \$
Operating expenditure commitments		
Less than one year	1,166,790	1,077,539
Longer than one year but not longer than five years	436,611	1,189,798
Five years or more	-	-
Total operating expenditure commitments	1,603,401	2,267,337
Non-cancellable short term and low value lease commitments		
Less than one year	51,198	12,718
Longer than one year but not longer than five years	19,822	29,412
Five years or more	-	-
Total non-cancellable short term and low value lease commitments	71,020	42,130
Total commitments for expenditure (inclusive of GST)	1,674,421	2,309,467
Less GST recoverable from Australian Tax Office	(145,826)	(203,302)
Total commitments for expenditure (exclusive of GST)	1,528,595	2,106,165

How we disclose our commitments

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

Expenditure commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. 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. HSV discloses short term and low value lease commitments which are excluded from the measurement of right-of-use assets and lease liabilities. Refer to Note 6.1 for further information.

Lease commitments relating to HSV's use of Level 34, 2 Lonsdale Street have 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

HealthShare Victoria 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 Financial risk management objectives and policies
- 7.3 Contingent assets and contingent liabilities
- 7.4 Fair value determination

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of non-financial assets	<p>Fair value is measured with reference to highest and best use, that is, the use of the asset by a market participant that is physically possible, legally permissible, financially feasible, and which results in the highest value, or to sell it to another market participant that would use the same asset in its highest and best use.</p> <p>In determining the highest and best use, HSV has assumed the current use is its highest and best use. Accordingly, characteristics of the health service's assets are considered, including condition, location and any restrictions on the use and disposal of such assets.</p> <p>The health service selects a valuation technique which is considered most appropriate, and for which there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.</p> <p>Subsequently, HSV applies significant judgement to categorise and disclose such assets within a fair value hierarchy.</p>

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*.

Notes to and forming part of the financial statements

Note 7.1 (a): Categorisation of financial instruments

	Note	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
2022				
Contractual financial assets				
Cash and cash equivalents	6.2	19,714,757	-	19,714,757
Receivables and contract assets	5.1	13,122,726	-	13,122,726
Total financial assets		32,837,483	-	32,837,483
Financial liabilities				
Payables	5.2	-	13,507,541	13,507,541
Borrowings	6.1	-	4,979,236	4,979,236
Total financial liabilities ⁽ⁱ⁾		-	18,486,777	18,486,777
2021				
Contractual financial assets				
Cash and cash equivalents	6.2	13,995,577	-	13,995,577
Receivables and contract assets	5.1	2,031,543	-	2,031,543
Total financial assets		16,027,120	-	16,027,120
Financial liabilities				
Payables	5.2	-	6,591,352	6,591,352
Borrowings	6.1	-	5,861,739	5,861,739
Total financial liabilities ⁽ⁱ⁾		-	12,453,091	12,453,091

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

How we categorise financial instruments

Categories of financial assets

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

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

Financial assets at amortised cost

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

- the assets are held by HSV to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

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

HealthShare Victoria recognises the following assets in this category:

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

Categories of financial liabilities

Financial liabilities are recognised when HSV becomes a party to the contractual provisions to the instrument.

Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result.

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

HSV recognises the following liabilities in this category:

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

Notes to and forming part of the financial statements

Note 7.2: Financial risk management objective and policies

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

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

HSV's main financial risk(s) include credit risk and liquidity risk. HSV manages these financial risk(s) in accordance with its financial risk management policy.

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

Note 7.2(a): Credit risk

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

Credit risk associated with HSV's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, HSV is exposed to credit risk associated with other health agencies.

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

Impairment of financial assets under AASB 9 – Financial instruments

HealthShare Victoria has assessed the allowance for expected credit loss for the relevant financial instruments applying AASB 9's expected credit loss approach. Subject to a AASB 9 impairment assessment, this includes HealthShare Victoria'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 select the expected credit loss rate based on HSV's past history, existing market conditions, as well as 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.

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

	Note	Current	Less than 1 month	1-2 months	2-3 months	3+ months	Total
30 June 2022							
Expected loss rate		5%	10%	10%	10%	33%	
Gross carrying amount of contractual receivables	5.1	6,959,418	2,856,570	2,295,107	42,341	-	12,153,436
Loss allowance		347,971	285,657	229,511	4,234	-	867,373
30 June 2021							
Expected loss rate		5%	10%	10%	10%	33%	
Gross carrying amount of contractual receivables	5.1	-	-	-	-	-	-
Loss allowance							

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, no loss allowance has been recognised.

Notes to and forming part of the financial statements

Note 7.2(b): Liquidity risk

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

HSV is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees.

HSV's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The following table discloses the contractual maturity analysis for HSV's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

	Note	Carrying amount \$	Nominal amount \$	Maturity dates			
				Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
30 June 2022							
Financial liabilities at amortised cost							
Payables	5.2	13,507,541	13,507,541	13,507,541	-	-	-
Borrowings	6.1	4,979,236	5,068,412	120,555	269,121	1,102,565	3,576,171
Total financial liabilities		18,486,777	18,575,953	3,628,096	269,121	1,102,565	3,576,171
30 June 2021							
Financial liabilities at amortised cost							
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
Total financial liabilities		12,453,091	12,584,072	6,709,063	225,396	978,407	4,671,206

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

Note 7.3: Contingent assets and contingent liabilities

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

Note 7.4: Fair value determination

How we measure fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- Property, plant and equipment
- Right-of-use assets.

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

Valuation hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

HSV determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between levels during the period.

Notes to and forming part of the financial statements

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

	Note	Carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2022 \$	Level 1 ⁽ⁱ⁾ \$	Level 2 ⁽ⁱ⁾ \$	Level 3 ⁽ⁱ⁾ \$
Plant and equipment	4.2(a)	2,804,801			2,804,801
Computer equipment	4.2(a)	478,314			478,314
Furniture and fittings	4.2(a)	24,911			24,911
Total plant, equipment, furniture and fittings at fair value		3,308,026	-	-	3,308,026
Right-of-use plant and equipment	4.3(a)	4,919,473			4,919,473
Right-of-use vehicles	4.3(a)	156,094			156,094
Total right-of-use assets at fair value		5,075,567	-	-	5,075,567
Total non-financial physical assets at fair value		8,383,593	-	-	8,383,593

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

	Note	Carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2021 \$	Level 1 ⁽ⁱ⁾ \$	Level 2 ⁽ⁱ⁾ \$	Level 3 ⁽ⁱ⁾ \$
Plant and equipment	4.2(a)	2,613,886			2,613,886
Computer equipment	4.2(a)	213,254			213,254
Furniture and fittings	4.2(a)	34,875			34,875
Total plant, equipment, furniture and fittings at fair value		2,862,015	-	-	2,862,015
Right-of-use plant and equipment	4.3(a)	5,668,455			5,668,455
Right-of-use vehicles	4.3(a)	161,083			161,083
Total right-of-use assets at fair value		5,829,538	-	-	5,829,538
Total non-financial physical assets at fair value		8,691,553	-	-	8,691,553

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

How we measure fair value of non-financial physical assets

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

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with AASB 13 *Fair Value Measurement paragraph 29*, HSV has assumed the current use of a non-financial physical asset is its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

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

Vehicles

HSV acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by HSV who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying amount (depreciated cost).

Furniture, fittings, plant and equipment

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

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

Notes to and forming part of the financial statements

Note 7.4: Fair value determination (continued)

Reconciliation of level 3 fair value measurement

Note	Plant and equipment \$	Computer equipment \$	Furniture and fittings \$	Right-of-use plant and equipment \$	Right-of-use vehicles \$
Balance at 1 July 2020	55,365	93,213	54,300	-	245,764
Additions/(disposals)	1,518,635	174,012	-	6,286,692	(37,067)
Assets provided free of charge	1,095,587	-	-	-	-
Net transfers between classes	-	-	-	-	-
<i>Gains/(losses) recognised in net result</i>					
- Depreciation and amortisation	(55,701)	(53,971)	(19,425)	(618,237)	(47,614)
- Impairment loss	-	-	-	-	-
<i>Items recognised in other comprehensive income</i>					
- Revaluation	-	-	-	-	-
Balance at 30 June 2021	2,613,886	213,254	34,875	5,668,455	161,083
Additions/(disposals)	476,646	379,029	6,570	599,493	31,881
Assets provided free of charge	-	-	-	-	-
Net transfers between classes	-	-	-	-	-
<i>Gains/(losses) recognised in net result</i>					
- Depreciation and Amortisation	(285,731)	(113,969)	(16,534)	(1,348,475)	(36,870)
- Impairment loss	-	-	-	-	-
<i>Items recognised in other comprehensive income</i>					
- Revaluation	-	-	-	-	-
Balance at 30 June 2022	2,804,801	478,314	24,911	4,919,473	156,094

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

Fair value determination of level 3 fair value measurement

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Vehicles	Current replacement cost approach	- Cost per unit - Useful life
Plant and equipment	Current replacement cost approach	- Cost per unit - Useful life

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 flow 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 Accounting standards issued but not yet effective
- 8.12 Glossary of terms and style conventions

Notes to and forming part of the financial statements

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

	Note	2022 \$	2021 \$
Net result for the year		4,310,592	13,322,923
Non-cash movements			
Depreciation and amortisation of non-current assets	4.5	1,978,228	1,047,727
Assets received free of charge	2.1(b)	-	(1,095,587)
Loss allowance for receivables	3.2	867,373	-
(Gain)/Loss arising from revaluation of long service liability	3.2	(399,648)	(107,933)
(Gain)/Loss on non-financial assets	3.2	(1,317,765)	-
Impairment of non-current assets	3.2	-	22,758
(Gain)/Loss on sale or disposal of non-financial assets		-	29,719
Other non-cash movements		-	(53,577)
Movements in assets and liabilities			
(Increase)/Decrease in receivables and contract assets		(11,443,697)	(2,336,446)
(Increase)/Decrease in inventories		2,116,381	(6,243,410)
(Increase)/Decrease in prepayments		(145,697)	(82,990)
Increase/(Decrease) in payables and contract liabilities		10,632,778	1,275,724
Increase/(Decrease) in employee benefits		1,313,823	2,581,429
Increase/(Decrease) in other provisions		246,366	-
Net cash inflow from/(used in) operating activities		8,158,734	8,360,337

Note 8.2: Operating segments

HealthShare Victoria's functions as described in Section 131 of the *Health Services Act 1988* 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
Responsible Ministers	
The Honourable Martin Foley	
Minister for Health	1 July 2021 to 24 June 2022
Minister for Ambulance Services	1 July 2021 to 24 June 2022
The Honourable James Merlino	
Minister for Mental Health	1 July 2021 to 24 June 2022
The Honourable Mary-Anne Thomas	
Minister for Health	25 June 2022 to 30 June 2022
Minister for Ambulance Services	25 June 2022 to 30 June 2022
The Honourable Gabrielle Williams	
Minister for Mental Health	25 June 2022 to 30 June 2022
Governing Board	
Mr Lance Wallace (Board Chair)	1 July 2021 to 30 June 2022
Ms Kate O'Sullivan	1 July 2021 to 30 June 2022
Ms Eileen Keane	1 July 2021 to 30 June 2022
Ms Janet Young	1 July 2021 to 30 June 2022
Mr Andrew Strip	1 July 2021 to 30 June 2022
Professor Christine Kilpatrick	1 July 2021 to 30 June 2022
Mr Craig Fraser	1 July 2021 to 30 June 2022
Mr Dale Fraser	1 July 2021 to 30 June 2022
Mr Douglas Travis	1 July 2021 to 30 June 2022
Ms Felicity Topp	1 July 2021 to 30 June 2022
Ms Ingrid Player	1 July 2021 to 30 June 2022
Dr Phuong Pham	1 July 2021 to 30 June 2022
Accountable Officer	
Mr Neil Rodaway	1 July 2021 to 30 June 2022

Notes to and forming part of the financial statements

Note 8.3: Responsible persons (continued)

Remuneration of responsible persons

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

Income band	2022 no.	2021 no.
Nil	8	10
\$0 - \$9,999	-	2
\$10,000 - \$19,999	-	9
\$20,000 - \$29,999	2	-
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	-	2
\$200,000 - \$209,999	-	1
\$410,000 - \$419,999	-	1
\$470,000 - \$479,999	1	-
Total numbers	13	25
Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:	612,529	827,965

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

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

Note 8.4: Remuneration of executives

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 of executive officers

	Total remuneration	
	2022 \$	2021 \$
Short term employee benefits	1,925,426	1,024,555
Post-employment benefits	194,463	114,706
Other long-term benefits	133,154	25,057
Termination benefits	143,217	162,689
Total remuneration ⁽ⁱ⁾	2,396,260	1,327,007
Total number of executives	14	6
Total annualised employee equivalent ⁽ⁱⁱ⁾	9.0	5.0

(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.

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.

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.

Notes to and forming part of the financial statements

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.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of HSV.

Key management personnel

The Board of Directors and the Chief Executive of HealthShare Victoria are deemed to be KMPs. This includes the following:

KMPs	Position title
Mr Lance Wallace	Board Chair
Ms Kate O'Sullivan	Board member
Ms Eileen Keane	Board member
Ms Janet Young	Board member
Mr Andrew Strip	Board member
Professor Christine Kilpatrick	Board member
Mr Craig Fraser	Board member
Mr Dale Fraser	Board member
Mr Douglas Travis	Board member
Ms Felicity Topp	Board member
Ms Ingrid Player	Board member
Dr Phuong Pham	Board member
Mr Neil Rodaway	Chief Executive

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	2022 \$	2021 \$
Short term employee benefits ⁽ⁱ⁾	573,905	620,211
Post-employment benefits	36,441	42,671
Other long-term benefits	2,183	2,394
Termination benefits	-	162,689
Total⁽ⁱⁱⁱ⁾	612,529	827,965

(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.

Significant transactions with government-related entities

HSV received funding from the Department of Health of \$41,896,763 (2021: \$40,396,123) and indirect contributions of \$1,028,760 (2021: \$1,007,659).

A related party transaction has been recognised with the transfer of inventory (\$4,095,655) as at 30 June 2022 as part of the transfer of the supply chain and logistics services from Melbourne Health to HSV (official system go live for HSV was late March 2022).

Revenue received from related party transactions from health agencies have been recognised (\$90,673,590) as at 30 June 2022 as part of the supply chain logistics services, which includes the sales of goods.

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 2022.

There were no related party transactions required to be disclosed for the HealthShare Victoria Board of Directors and Chief Executive in 2022.

Notes to and forming part of the financial statements

Note 8.6: Remuneration of auditors

	2022 \$	2021 \$
Victorian Auditor-General's Office		
- Audit of financial statements	38,600	38,900
Total remuneration of auditors	38,600	38,900

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.

	2022 \$	2021 \$
HSV has made the following ex-gratia expenses:		
Compensation for economic loss	-	-
Total ex-gratia expenses	-	-

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 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: Accounting standards issued but not yet effective

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

Standard	Adoption date	Impact
AASB 17: Insurance Contracts	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-3: Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2021-2: Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definitions of Accounting Estimates.	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-5: Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-6: Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-7: Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.

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 paragraph 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.

Notes to and forming part of the financial statements

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

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced assets 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.

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).

Notes to and forming part of the financial statements

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

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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