



**Annual Report**  
**2022-23**

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HealthShare Victoria acknowledges the First Nations peoples as the Traditional Owners of Country throughout Victoria and pays respects to Elders past and present.

We acknowledge the strength and resilience of First Nations peoples as the world's oldest living culture and the contribution of generations of Aboriginal leaders who have fought for the rights of their people and communities.

# HSV in 2022-23: The year in review

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

The past year has been one of continued transformation and growth for HealthShare Victoria (HSV). Since our establishment on 1 January 2021, HSV has made substantial progress in transforming our operations and building vital support resources and expertise to benefit our health service customers. We are now well placed to add further value to Victoria's public health sector supply chain to help them make a difference for their patients.

As we emerged from the COVID-19 crisis into a post-pandemic era, our focus in 2022-23 is on securing the right product in the right place at the right time – and at the right price.

We continue to work in partnership with health services, Victoria's Department of Health, Safer Care Victoria and suppliers, as well as Commonwealth bodies such as the Therapeutic Goods Administration (TGA), and our interstate counterparts to meet our goals and ensure supply chain sustainability for Victoria's public health sector.

Some of our notable achievements and undertakings in 2022-23 include:

- establishing a Critical Supplies Register (CSR) – a health sector initiative to proactively identify and manage supply chain risks for critical products. The CSR work began in October 2022 and has since involved 66 clinicians across 13 health services with seven clinical workstreams now in place.
- successfully transitioning the State Supply Chain (SSC) from Monash Health to HSV. This complex undertaking was completed on 5 June 2023, when HSV assumed responsibility for the SSC's supply and logistics function in addition to the procurement responsibility we already held.

The SSC function significantly increases the volume of stock under management by HSV.

- adding a second distribution centre (DC) located in Ordish Road, Dandenong as an important component of the SSC transition. This DC aligns with our growth needs, providing a south-east Melbourne warehouse base and a second site to house stock and support business continuity.
- recording supply chain customer service levels well above our benchmark DIFOT (Delivery in Full on Time) target of 95 per cent. This means our customers are receiving at least 98 out of every 100 items they have ordered.
- onboarding Bacchus Marsh Hospital under the umbrella of Western Health, and putting the foundations in place to fully onboard additional larger health services and expand the value of medical consumable spend under management. This includes commencing initial scoping discussions for these health services to become end-to-end medical consumable supply chain customers of HSV.
- addressing ongoing shortages of key medicines and medical consumables including heart attack treatments, endotracheal tubes and contrast IV fluid shortages. In 2022-23, more than 100 clinicians provided advice on medicine shortages and a total of 130 supply chain risks were investigated, 47 per cent of which were deemed high or very high risk and managed with health services and suppliers.
- continuing to build the efficiency of our procurement processes and progress our five-year plan. Our most recent six-monthly Procurement Activity Plan (PAP) presentation to the public health sector outlined strategies

to expand the overall value under contract and deliver increased benefits in the face of challenging post-pandemic conditions such as upward cost pressures, inflation and supply chain disruption.

- assisting health services with 20 equipment buy activities covering \$50.4m in spend – an increase of \$20.0m compared with 2021-22 – to deliver \$10.3m in benefits.
- helping to manage a critical service disruption in clinical waste, a challenging and costly exercise for the Victorian health sector with impacts extending beyond the healthcare sector. This required HSV and its key stakeholders to work together to achieve a short-term solution while planning for a more viable long-term outcome.

Our business-as-usual procurement activities continued to provide measurable savings for Victoria's public health services, delivering \$202.3 million in total benefits in 2022-23 and \$27.4m in net cost reduction. We currently have \$1.4 billion in value under contract.

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

- entering into 423 new agreements across 19 categories
- completing 59 procurement activities with a total annual contract value of \$0.8 billion
- completing three collaborative tenders in regional areas, saving valuable time, effort and money for 20 health services including a uniform tender that resulted in a 25 per cent cost reduction for 11 health services.

The end of COVID restrictions has allowed us to resume face-to-face interactions with our customers this year. Our Customer Engagement team was able to increase in-person meetings by 54 per cent, and the Derrimut DC was pleased to begin reciprocal health service visits to cultivate a greater understanding of supply chain operations.

The past financial year has also shone a light on the important work HSV does beyond the realm of physical products. Our Indirect Products and Services team has stayed busy in 2022-23 in responding to significant disruptions in two important service areas: non-emergency patient transport (NEPT) and clinical waste. Both issues posed complex challenges for the health sector and involved our teams working tirelessly with

health services, suppliers, the Department of Health and other agencies to maintain services and develop long-term solutions.

HSV's supporting functions – namely Finance, Risk and Governance; Transformation; Information Technology and People, Culture and Safety – contributed to our success this year by delivering important activities and initiatives for the benefit of our strategic goals, organisational capability and ultimately Victoria's health sector. For example:

- updating the HSV Purchasing Policies to help health services drive value and improve probity and governance, in consultation with 98 health service representatives over six months.
- rescoping a Warehouse Management System (WMS) that can meet the needs of the whole sector on up-to-date platforms with capability for a professional data-driven supply chain. The tender process is now complete, with planning and design work commencing in early 2023-24.
- adopting a new business intelligence platform (Microsoft Power BI) that enables faster development of reporting applications, allowing stakeholders to focus on analysing business problems rather than data preparation.
- uplifting our IT security systems by adopting the 'essential eight' security controls, supported by cyber security education and training across HSV.
- recruiting 128 positions, including 83 new roles to ensure we are able to expertly deliver on our strategic goals and vital business-as-usual activities.
- developing a new Employee Value Proposition to ensure the capability, satisfaction and wellbeing of our people, and delivering training in procurement negotiation, change management, communication and presentation, family violence, diversity and inclusion, mental health first aid and more.

While remaining committed to achieving our financial and commercial goals, we place great importance on supporting a holistic environmental, social and governance approach to business. Our procurement strategy aligns to the *Local Jobs First Act 2003* and the Victorian Government Social Procurement Framework, and we have a dedicated Sustainable Procurement Lead who ensures environmental factors are a key consideration in our procurement activities.

Modern slavery is a front-of-mind issue for HSV and this year we published our inaugural Modern Slavery Position Statement to support health services in reporting under the *Modern Slavery Act (2018)* (Cth) and implemented a Modern Slavery Risk Mitigation Program. We also launched online modern slavery training modules to help health service employees identify risks in this area.

We acknowledge the support and commitment of our key stakeholders over the past year, led by the Victorian Minister for Health and Minister for Ambulance Services, together with the Department of Health, and other government and health sector agencies and stakeholders.

We continued strengthening our partnership with Victoria's public health services and our 830 suppliers in 2022-23 – their ongoing contribution is crucial to our achievements.

We express great appreciation to all our health service customers, whose support in working closely with HSV has been so important in ensuring that together we provide essential health supply chain services to the Victorian community. Special thanks go to the dedicated health sector experts whose involvement in HSV's reference groups and CSR clinical workstreams is invaluable.

Our sincere thanks also go to HSV's Board and sub-committee members. Their commitment to our strategic objectives and continuous improvement initiatives has been instrumental to our achievements in 2022-23.

Finally, a very big thank you to HSV's employees, who have risen to the challenge of managing complex and diverse projects during a time of great change and transformation. Their contribution to help deliver on HSV's roadmap initiatives and important business-as-usual work is substantial.

We also highlight that a crucial part of our work is a willingness to reflect on key learnings, anticipate potential outcomes and strive to achieve the best possible result to help health services improve patient care.

This report recognises our efforts and successes in ensuring the health sector can count on having the right product at the right place at the right time, and at the right price.

### 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 2023.



**Lance Wallace**  
HSV Board Chair  
5 September 2023



**Neil Rodaway**  
HSV Chief Executive  
5 September 2023

**\$202.3 million in total benefits in 2022-23 and \$27.4m in net cost reduction. We currently have \$1.4 billion in value under contract.**

# 2022-23 at a glance

These are some of HSV's achievements and activities from a busy year that saw the growth and further service development of our end-to-end supply chain and surety function, as well as transition of the State Supply Chain over to HSV.

**130** 

130+ supply chain risks investigated

**423** 

423 new individual supplier agreements in 2022-23

**June 2023**

State Supply Chain goes live under HSV management

**10,000** 

10,000+ helpdesk enquiries resolved

**11** 

11 HSV Updates published with monthly readership of over 900 people

**75%** 

75% customer satisfaction survey overall rating for HSV

**7,915m<sup>2</sup>** 

7,915 sqm Ordish Road Dandenong warehouse brought online for HSV

**\$1.4b** 

66 categories covered with a total value under contract of \$1.4b

**278** 

278 reference group nominations

**76%** 

76% of health services see value in HSV communication

**13,921** 

13,921 Customer Engagement contacts with HSV

**\$202.3m** 

\$202.3m in benefits from collective agreements delivered to the sector, \$40m above target

**\$50m** 

\$50m in medical equipment expenditure across 14 health services, over \$10m in benefits

**231** 

231 people trained in contract management, compliance and modern slavery across 47 health services

**44,730 km** 

44,730 km travelled to regional health services by Customer Engagement team

# About HSV

HSV was established on 1 January 2021 as an independent public sector and commercially oriented independent provider of supply chain services (surety, procurement and logistics) 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 (right price) 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, including establishing our transformational capability to support ongoing development and continuous improvement.

In this capacity, we assisted Victoria's public health services in responding to the unprecedented challenges presented by the pandemic. This included initially supporting the creation and ongoing operation of the Monash Health-operated State Supply Chain (SSC), before transitioning it to HSV control and operation in June 2023 with minimal impact on health services.

The SSC plays a critical role in ensuring Victorian public health services have access to goods that may be in higher demand or difficult to access, including PPE, surgical reserve stockpile (including sterilisation wraps), ICU equipment, rapid antigen tests and the Victorian pharmaceutical reserve. In addition, the SSC ensures equitable access to these items through an allocation model when required.

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 values



### Customer-centric

We work with our customers and put them at the centre of our decision making



### Accountable

We do what we say we will do



### Respectful

We treat people the way we would like to be treated and work together in a safe, kind and honest way



### Solutions-focused

We work together to find the best operational and commercial outcomes



### Open

We welcome new ideas and change as we continue to learn and grow

## Our principles

Underpinning our values, our principles support our vision of 'Health.Safety.Value. In everything we do':

- **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

## 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 goals and collaborative stakeholder focus are reflected in our tagline 'Together we save more'.

## Our functions

HSV works in partnership with Victoria's public health services to understand their requirements. We meet these needs by procuring and supplying 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) (the Act), we administer a number of compliance-related functions, including working with health services to assist them with meeting their compliance and probity obligations.

As well as providing an end-to-end health supply chain for Victoria's public health services, HSV has a function under the Act to extend access to our collective agreements to health or related services which have been assessed as 'eligible services' under the Act.

HSV's three core business functions – Supply Chain Surety, Procurement and Logistics – are reinforced by 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 customers

HSV provides procurement services to Victoria's mandated public hospitals (schedule 1 of the Act) and health services (schedule 5 of the Act) as well as entities that have qualified as eligible service customers.

In 2022, HSV onboarded seven health services as end-to-end supply chain customers, who began ordering products from us. We're now finalising the necessary system infrastructure to support a wider rollout of our operations at scale to Victoria's public health sector.

# End-to-end supply chain

## Our policies

HSV's Procurement Policies (HSV PPs) 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 *Modern Slavery Act (2018)* (Cth) continued to be a focus for us in 2022-23. 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*
- 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 locations

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

HSV operates several distribution centres (DCs):

- HSV's main DC is a large warehouse with offices and a boardroom located at Derrimut in Melbourne's west.
- HSV also directly operates warehouses at Tullamarine and Dandenong and manages contracts for DC services at a further 10 third-party logistics provider sites.



## Supply Chain Surety

HSV's Supply Chain Surety function was established in 2021 when the COVID-19 pandemic highlighted the need for a more consolidated approach to supply chain risk management.

The pandemic, along with natural disasters and geopolitical unrest, had a significant impact on the global supply chain and this disruption is expected to continue into 2024.

In 2022-23 our focus has been on establishing and building the Supply Chain Surety team, developing and implementing an operating framework, working collaboratively with state and federal government, and building our market research and intelligence capability. We have also made significant progress on developing a Critical Supplies Register to identify and manage critical medical and pharmaceutical supplies.

The team has worked to monitor, understand and manage supply security, provide insights into the root causes of supply issues and, where appropriate, facilitate and coordinate mitigation actions.

We work closely with the Department of Health, Safer Care Victoria, suppliers, clinical specialists and federal agencies such as the Australian Government Department of Health and Aged Care and the Therapeutic Goods Administration.

Our relationships with Victoria's clinicians and health services staff provide us with access to essential clinical expertise, enabling us to deliver more informed, deliverable and sustainable outcomes.

In 2022-23 we built on key stakeholder relationships to deliver achievements that include:

- developing a Critical Supplies Register (CSR) to identify risks in key product categories and recommend risk mitigation strategies
- managing supply chain risks such as the tenecteplase and contrast IV fluid shortages
- allocating supplies of tenecteplase and its clinical alternate, alteplase, to health services during the ongoing tenecteplase shortage
- growing our capacity to prevent and support incidents with a team of nine dedicated specialists with end-to-end supply chain understanding and broad industry expertise
- collaborating with internal business partners with expertise in international freight, logistics and data analysis
- deepening the team's understanding of the health supply chain by conducting site visits with suppliers and customers.

**The Critical Supplies Register (CSR) initiative involved 66 clinicians across 13 health services – 7 clinical workstreams are now in place.**



### Collaboration vital in development of Critical Supplies Register

The Critical Supplies Register (CSR), a proactive health sector initiative to identify and manage supply chain risks for critical products, has involved collaboration with 66 clinicians across 13 health services since October 2022.

The project began with a cardiovascular pilot before continuing with a further six workstreams – pharmacy, critical care, dialysis, operating theatres, emergency/acute wards and radiation oncology.

The breadth and range of products supplied into Victoria's public health system is large and complex, so the HSV Supply Chain Surety team split the project into workstreams and identified priorities based on clinicians' advice.

The CSR cardiovascular pilot was completed in December and recommendations have been circulated to health services. Of the 4,395 products included in the pilot, 359 were identified as critical, meaning that patients may be at risk if these items were unavailable.

Recommendations from the pilot include developing an early warning reporting dashboard with suppliers, a review of stock holdings for critical products by health

services and a requirement for suppliers to increase their onshore stock holdings.

Almost 80 per cent of the products will be covered by early warning reporting by suppliers. Where this is not possible, a minimum of four weeks of local stock holding is recommended. In certain cases, suppliers may be required to increase onshore stock holdings to mitigate the risk. For 24 products that have been identified as critical and high risk, it's recommended that HSV implement a central stock management system involving engagement with health services and suppliers.

With all seven clinical workstreams of the CSR now complete, supplier consultations will continue to be a key focus for HSV in the coming months.

We will consult with health service procurement and supply leads before developing implementation plans later in 2023 and share information with organisations such as the Therapeutic Goods Administration. This is an opportunity for other jurisdictions to benefit from HSV's work and improve supply at a national level.

### Procurement

HSV has continued its consultative approach to procurement planning in 2022-23 through our Procurement Activity Plan (PAP). The PAP provides health services and suppliers with visibility of our 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 2022-23, HSV completed 59 procurement activities, assisted health services with 20 equipment buy activities, and directly negotiated pricing for two IT categories, delivering a \$27.4 million net cost reduction. We entered into 423 new agreements across 19 categories.

A key focus in 2022-23 has been the sourcing of medical imaging, radiotherapy and pathology equipment. Hospital expenditure for medical equipment increased from \$30.0 million in 2021-22 to \$50.4 million in 2022-23 with a further \$35 million in progress. The total financial benefit of these activities was \$10.3 million in 2022-23, which is a significant achievement.

The HSV Procurement team plays an important role in helping to manage sector-wide issues such as product recalls and supplier service shortfalls. In 2022-23 HSV, along with health services and the Department of Health, played a major role in issues that include clinical waste management, non-emergency patient transport and medical locum services.

To support the growth of HSV's supply chain function, the Clinical Product Advisor (CPA) team has been adding subject matter expertise to support the PAP program of work and our growing logistics service. HSV CPAs provide subject matter expertise and clinical guidance and work closely with all areas of the organisation on clinical requirements, demand and supply planning, and identifying alternative products to mitigate supply risks.

Our CPAs have worked with the platform provider to improve the user experience for an online product recall service that supports health services with the communication and management of therapeutic goods recalls. Improvements have also been made to incorporate changes to the Uniform Recall Procedure for Therapeutic Goods (URPTG).

### Working together for workstations on wheels

A mobile workstation product demonstration day at our Lonsdale Street office in September 2022 was the first in-person demonstration to be hosted by HSV since the start of the pandemic.

A total of 15 suppliers and 19 health service representatives attended the event.

These demonstrations allow health service representatives to evaluate products and components for infection control, occupational health and safety, IT infrastructure compatibility and other important considerations.

Mobile workstations, often referred to as 'workstations on wheels', are used by clinicians to record patient information at the bedside and are easy to manoeuvre in healthcare settings.

Each workstation has up to 16 components, including trolleys, computers, monitors, thermal printers, barcode scanners and software, and each health service can customise different configurations of these elements.

Suppliers who responded to HSV's Invitation to Supply (ITS) Mobile Workstations and Associated Equipment were invited to participate in the demonstration day, which included user testing and safety education on effective use and storage of the workstations.

Products were assessed for inclusion in HSV's statewide panel, with the reference group determining product functionality and suitability for the health service work environment.

## Logistics

HSV Logistics continued to establish itself as a core function of the organisation in 2022-23, delivering significant initiatives including the transition of the State Supply Chain from Monash Health, and scoping, design and vendor recommendation for the provision of a suitable future state warehouse management system, which is key to our future expansion.

### Distribution Centre (DC)

HSV's Derrimut Distribution Centre (DC) has experienced significant growth and change since its establishment in December 2021.

The successful implementation of the hybrid Warehouse Management System (WMS) has propelled our distribution centre operations to new heights of efficiency and effectiveness. Our hybrid WMS has delivered significant improvements across key areas, resulting in enhanced operational performance and customer satisfaction of 71 per cent in the 2023 Customer Survey.

The DC team's efforts led to a substantial improvement in our inventory record accuracy, which rose from 72.8 per cent in June 2022 to 96 per cent 12 months later. This indicates our customers are receiving the right orders and our team is consistently storing and reconciling inventory correctly.

This achievement can be attributed to improvements in inventory tracking and real-time data synchronisation, and accurate demand forecasting. As a result, we experienced fewer stockouts and inventory discrepancies, and a marked improvement in the overall efficiency of our operations.

Our commitment to delivering exceptional customer service is backed by improved order fulfilment rates in 2022-23. Through a program of continuous improvement, we have lifted our order fulfilment rate – a measure of how often the customer gets what they want when they want it – from 96.7 per cent to an outstanding 98.7 per cent in June 2023.

Our customers now receive at least 98 out of every 100 items they have ordered. These improvements highlight our ability to process and deliver customer orders accurately and on time, securing our position as a trusted logistics partner.

Our focused efforts on improving productivity within the DC yielded exceptional outcomes, resulting in a 78 per cent increase in our productivity rate by 30 June 2023. This improvement can be attributed to more streamlined workflows, employee training programs, and technology upgrades throughout our operations.

We have invested heavily in competency-based training for our DC team members to ensure that our work is carried out with a safety-first approach.

HSV will continue to grow and improve our logistics network and deliver more positive results throughout the coming financial year.

### Warehouse management system

A review of the existing warehouse management system (WMS) confirmed it would not allow us to scale operations in alignment with our projected growth. We conducted a detailed scoping of several hundred functional and technical requirements to create a business requirements document, validated by an independent expert who specialises in WMS analysis and design.

A detailed procurement process followed, targeting large and well-known tier one WMS vendors to identify the preferred system and vendor. The process involved functional and technical teams as well as detailed vendor demonstrations and engagement to understand available offerings.

The implementation of a more robust WMS will enable HSV to expand and manage a greater volume and breadth of inventory more efficiently. With the State Supply Chain implemented, HSV now manages \$840 million of inventory on behalf of the Department of Health. It's crucial that we have the appropriate measures in place to prepare for future growth and ensure that operations run smoothly.

Following Board approval, the project team will engage with the vendor on planning and design, with project implementation expected to take around 14 months. A new robust and fully functional system in 2024-25 will have far more capacity to support our continued growth.



## State Supply Chain

HSV assumed responsibility for managing the existing State Supply Chain – encompassing 790 product lines, including the Victorian Pharmaceutical Reserve – on 5 June 2023. Since HSV's establishment, we have worked closely with Monash Health to contract identified items and assist in managing demand profiles and purchasing arrangements. HSV now has responsibility for demand and supply management, procurement, storage, inventory management, distribution and customer service.

HSV's Supply Chain team, which comprises Surety, Procurement and Logistics along with support functions, worked together with Monash Health, external advisors, and the Department of Health to transition the existing service with minimal disruption to customer supply.

The nine-month project involved the design and build of customer ordering systems and an extensive process of design workshops to safeguard service levels. The SSC now provides essential products to more than 70 health services and eligible organisations across the state.

In June 2023, HSV's distribution centres – including the new Dandenong facility acquired as part of the transition and 11 third party logistics providers – successfully fulfilled 650 customer orders and delivered almost 39,000 cartons to 59 health services.

The transition of the State Supply Chain is a key milestone for our organisation and a positive step towards the creation of a sustainable, efficient supply chain for the Victorian public health sector.

# Customer engagement

HSV's Customer Engagement team aims to help HSV provide excellent customer service and enhance the customer experience. Eight customer relationship managers support metropolitan and regional public health services with procurement processes and capabilities. 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.

The Customer Engagement team ensures health service needs are understood and communicated to multiple stakeholders, helping all parties to work together to deliver solutions.

In 2022-23, the team provided training for 231 staff across 47 health services on a range of topics, including compliance, contract management and modern slavery.

The team conducted 297 face-to-face meetings across 52 health services in 2022-23, an increase of 54 per cent compared with 2021-22.

Some of the ways the Customer Engagement team brought value to health services in 2022-23 included:

- supporting a collaborative temperature monitoring system tender for Barwon South West, and a uniform tender across Loddon Mallee and Gippsland, providing 20 health services with access to an open tender and reducing duplication of effort
- assisting the procurement of medical equipment, chillers, radiology services, external medical imaging services and pathology services for several health services
- conducting the 2023 HSV Customer Satisfaction survey, gathering feedback from 292 health service staff with an overall customer satisfaction score of 75 per cent
- supporting nine state-wide and two metropolitan information sessions on HSV Purchasing Policies

- hosted two Procurement Activity Plan (PAP) sector briefings
- facilitating an average 27 per cent cost saving per new contract for eligible services, including a 71 per cent annual cost reduction for a key category for one of our customers
- re-establishing face-to-face executive relationship meetings with metropolitan and regional health services, with 10 completed by June 30, 2023
- coordinating Certificate IV in Procurement and Contracting, with 26 students completing the course by 30 June 2023
- establishing two new working groups in Gippsland (a Jaggaer procurement platform user group) and the Grampians (a catering working group) to strengthen relationships and promote collaboration between health services
- assisting the Royal Children's Hospital and the Royal Melbourne Hospital with pharmacy wholesale procurement activity
- supporting Peter MacCallum Cancer Centre with Oracle FMIS implementation
- working with the Royal Children's Hospital on ward catalogue development and Coupa procurement system integration
- holding 25 contract transition meetings with health services across six contracts to assist them in achieving the best value and quality outcomes
- supporting facilitation of the community of learning sessions for the *Modern Slavery Act 2018* (Cth)
- supporting the Department of Health in transitioning Logistics Services Unit customers to HSV's Derrimut Distribution Centre to ensure the ongoing provision of PPE where required.



## HSV provides seamless access to online learning

Forty-five per cent of Victoria's health services have signed up to access HSV's online learning modules since the launch of its learning management system (LMS) integration tool in October 2022.

The new system provides seamless access to HSV's courses without needing to sign into HSV's internal learning platform, ECHO. Instead, users can access and manage completion of online programs directly through the health service's own learning management system.

The tool was developed in response to feedback from health services who asked for a simpler way to access and manage HSV's learning modules.

Courses that have been offered to date include Probity, Integrity and Ethics courses – tailored to executives, procurement professionals or clinical staff – Contract Management, Modern Slavery Awareness and HSV Purchasing Policies.

While 31 health services have signed up since its

launch in October, that number is expected to increase in 2023-24 as HSV's Customer Engagement team continues to discuss the benefits with health services.

These benefits include:

- integration with the health service's LMS
- control over which employees are assigned the training
- full access to employees' training progress and completion status
- immediate access to updates to existing modules and any other training released by HSV.

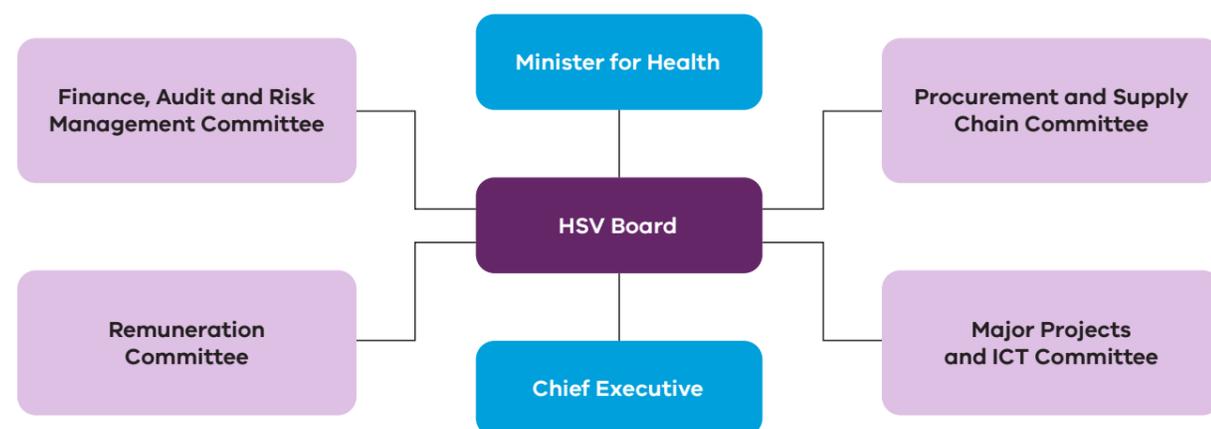
The tool enables health services to log training as complete, automatically updating staff records and delivering additional value to health services as well as meeting the requirements under the *Health Services Act 1988* (Vic).

The new tool works with a health service's existing LMS. If a health service doesn't operate an LMS they can continue to access online learning through HSV's ECHO system.

# Governance

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

The Hon Mary-Anne Thomas MP, Minister for Health.



## 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 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 Young is a Chartered Accountant with over 30 years' experience in professional service firms (legal, accounting, consulting). In her current role with Russell Kennedy and in recent roles as COO/CFO for leading law firms Herbert Smith Freehills and Minter Ellison, her portfolio has included responsibility for Finance, Information Technology, People and Development, Business Development, Strategy and Transformation.

Ms Young is a member of the Institute of Chartered Accountants, Governance Institute and the Australian Institute of Company Directors. She has previous board experience with NFP boards and committees including NIDA, The Song Company and Playworks. She 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*

Professor Christine Kilpatrick has been Chief Executive of the Royal Melbourne Hospital since 2017. Previous appointments include Chief Executive, the Royal Children's Hospital, Chief Medical Officer, Melbourne Health and Executive Director, the Royal Melbourne Hospital. Prior to these appointments, Professor Christine was a neurologist, specialising in epilepsy.

Professor Kilpatrick is a member of several boards, including the Walter and Eliza Hall Institute of Medical Research (WEHI), The Florey Institute of Neuroscience and Mental Health, HealthShare Victoria and the Victorian Comprehensive Cancer Centre (VCCC) Alliance.

Professor Kilpatrick was awarded a Centenary Medal in 2003, was included in the Victorian Honour Roll of Women in 2014 and in 2017 was a recipient of the Distinguished Fellow's Award, Royal Australasian College of Medical Administrators. In 2018 she was named in the top 50 Public Sector Women and in 2019 was appointed an Officer of the Order of Australia.

### Ms Felicity Topp

*Board Member – Independent*

Felicity Topp is the Chief Executive of Peninsula Health.

Felicity is an experienced healthcare executive with 35 years' experience working in public health. Prior to joining Peninsula Health, she was Deputy Chief Executive at the Peter MacCallum Cancer Centre. She has also held executive roles at Barwon Health and the Royal Melbourne Hospital. Felicity has a Master of Public Health, Bachelor of Nursing, and postgraduate qualifications in intensive care nursing and health counselling. Felicity is a Fellow of the Fairfax Ethical Leadership Centre and a graduate of the Australian Institute of Company Directors.

## Craig Fraser

Board Member – South West Healthcare

Craig has been the Chief Executive of South West Healthcare since 2017. His role includes oversight of a regional logistics and distribution model based in Warrnambool.

Craig has more than 25 years' experience as an executive and senior manager in the Victorian public health sector, having worked in metropolitan teaching hospitals prior to moving into rural and regional health. Prior to these appointments, he was a prosthetist orthotist working clinically for many years while also holding management roles.

He is committed to continually improving the health of rural Victorians and reducing the health disparities that exist. He is dedicated to enhancing care, access, client and patient safety, and patients' overall experience by delivering care closer to home.

## Ms Margaret Grigg

Board Member – Independent

Margaret was appointed as Forensicare's CEO in August 2019. Margaret is an experienced mental health professional with extensive experience in senior leadership roles. Previously, she has worked as the Deputy Chief Executive of Mind Australia, and the Vice President of the Kyneton District Health Service Board. She has recently been appointed as a Director to the Mind Australia Board and Colac Area Health. She has also worked for the Victorian Department of Health and Human Services as a senior executive for many years and was the Executive Director of Health Services Policy and Commissioning.

## 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.

## Jacinda de Witts

Board Member – Department of Health

Jacinda is the Deputy Secretary of the Regulatory, Risk, Integrity and Legal Division and the General Counsel at the Department of Health.

Jacinda has more than 25 years' experience practising law and has held various Board and Committee roles, including Director of the Royal Children's Hospital Board and the Cancer Council of Victoria Board. Prior to joining the department in early 2017 as General Counsel and Chief Legal Officer, Jacinda was a founding principal at Hive Legal, managing a large and expanding health, commercial and government practice. Prior to that, Jacinda was a Partner at Minter Ellison where she led a team providing extensive advice to government and health clients on statutory interpretation, regulatory, technology, commercial and corporate matters.

## 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.

Previously, he has been the Foundation Chair of Better Care Victoria, and the Director of Surgery and Head of Urology at Western Health. In addition to these activities, he has 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 ASX listed companies, Cleanaway Waste Management Ltd and Cogstate Ltd, and not for profit healthcare provider, 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.

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

## Board attendance 2022-23

There were six HSV Board meetings held between 1 July 2022 and 30 June 2023.

### HSV Board meeting attendance July 2022 to June 2023

Board member	Meetings eligible to attend	Meetings attended
L Wallace (Chair)	6	6
M Grigg	6	5
C Fraser	6	5
E Keane	6	6
C Kilpatrick	6	6
K O'Sullivan	6	6
I Player	6	6
A Stripp	6	4
F Topp	6	6
D Travis	6	4
J Young	6	6
J De Witts	6	5

Christine Kilpatrick, Andrew Stripp and Douglas Travis's tenure on HSV's Board finished on 30 June 2023. 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 2022-23.

### 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 Team (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) concluded her term in November 2022, Sally Freeman (Independent member), Paul Urquhart (CFO Royal Melbourne Hospital), Rachelle 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), Catherine Carrigan from October 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), George Cozaris (CIO Royal Melbourne Hospital), Andrew Saunders (Independent member)

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 2022-23

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

The *Health Services Act 1988* (Vic) allows that after 1 October of each financial year, the Minister for Health makes a SoP that is provided to health services. HSV's SoP on the overarching strategic priorities advised by the Minister for Health has been as follows:

Strategic priorities	Outcome
1. Embedding COVID-19 functions: Continue to lead or contribute to supply chain issues impacting health services as they arise through the HSV Supply Chain Surety team. Maintain and embed the co-ordination, procurement and supply chain surety functions associated	<b>Achieved</b>
2. Climate change commitments: Contribute to enhancing health system resilience by improving environmental sustainability that will contribute to committed emissions reduction targets.	<b>In progress</b>
3. Transitioning of the State Supply Chain to HSV.	<b>Achieved</b> The State Supply Chain successfully transitioned from Monash Health to HSV effective 5 June 2023.
4. Engage with the DH and the Department of Government Services on a recommendation as to the approach for Whole of Victorian Government (WoVG) PPE.	<b>Achieved</b>
5. Onboarding of health services to supply chain operations and supporting the financial stability of the Victorian health system through the development and implementation of remodelled procurement and supply chain savings initiatives.	<b>Achieved and ongoing</b>
6. Supporting Aboriginal Cultural Safety.	<b>In progress</b> 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.
7. Improve workforce wellbeing of HSV employees.	<b>In progress</b> HSV's BeSafe safety strategy includes wellbeing as an important component, incorporating a range of safety programs and human resource initiatives. They include the HSV BeSafe Committee, risk management framework, a psychosocial safety 'Speak Up' program, a Health and Wellbeing Committee (HAWC), diversity and workplace respect training, a safety leadership capability uplift and Employee Assistance Program access.

## Reporting against the Statement of Priorities – Part B

### Strong governance, leadership and culture

Key performance measure	Target	Outcome
<b>Organisational culture</b>		
1. People Matter Survey – percentage of employees with an overall positive response to safety culture survey questions	60%	62%

### Effective financial management

Key performance measure	Target	Outcome
2. Operating result (\$m) surplus	\$0.0	\$0.05
3. Generate sector wide benefits (\$m) in 2022-23 of	\$159.7	\$202.3
4. Generate new cumulative sector wide benefits (\$m) from 2020-21 of:		
2022-23	\$345.6	\$505
2023-24	\$561.4	
2024-25	\$838.5	
5. Average number of days to pay trade creditors	60 days	34 days
6. Average number of days to receive client debtors	60 days	28 days
7. Maintain an adjusted current asset ratio greater than target	1.5	1.8
8. Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June	Variance ≤ \$250,000	Achieved

### Effective operational management

Key performance measure	Target	Outcome
9. Complete the transition of the State Supply Chain from Monash Health to HSV	By 30 June 2023	Complete
10. Facilitate the onboarding of one regional health service to HSV's state-wide procurement and logistics model, and	By 30 June 2023	In progress
11. Establish necessary processes to onboard two metro health services to HSV's state-wide procurement and logistics model		
12. Advance development of the Surety function's Critical Supplies Register to identify and agree critical products for inclusion with a view to mitigation in subsequent periods	By 30 June 2023	Clinical advisory groups 100 per cent complete by end Jun 23
13. Number of surety incidents or near misses managed by the Surety team	Reported through the Supply Chain Surety Taskforce	131

# Risk management

## Reconciliation

### Reconciliation of net result from transactions to the statement of priorities operating result

	2023	2022	2021	2020	2019
	\$000	\$000	\$000	\$000	\$000
Net operating result*	46	5,439	3,490	(153)	(888)
<b>Capital and specific items</b>					
Capital purpose income	0	0	9,700	0	0
Other economic flows	(150)	399	108	(19)	(67)
Assets received free of charge	0	0	1,096	0	0
Impairment of non-financial assets	102	1,318	(23)	0	0
Net gain/(loss) on financial instruments	511	(867)	0	0	0
Depreciation and amortisation	(2,299)	(1,978)	(1,048)	(469)	(632)
<b>Net result from transactions</b>	<b>(1,790)</b>	<b>4,311</b>	<b>13,323</b>	<b>(641)</b>	<b>(1,587)</b>

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

## Future direction

As an organisation that has experienced rapid growth in an uncertain environment, HSV conducts a regular review of its key initiatives, goals and deliverables.

In 2022-23 HSV has continued to evolve as a major provider of supply chain services to Victoria's public health sector.

Detailed strategic plans have been developed for 2023-24 and beyond, setting out key initiatives, goals and deliverables.

These plans further the progress HSV has already made in establishing our foundational supply chain operations of surety, procurement and logistics.

HSV plans to grow, develop and expand our operations included the transition of the State Supply Chain operation to HSV management in 2022-23, increased procurement activity and contract management and surety activity to reduce the likelihood and impact of supply shortages.

Implementation of these plans in the next 12 months will further cement HSV's position as an agent of change, partnering with Victorian public health to deliver value.

Our collaborative work with health services, suppliers, clinicians and government stakeholders will continue in 2023-24.

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 HSV 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 with significant tools and information available to all employees to understand, mitigate and manage risks and to explore risk opportunities
- Continual improvement – through an annual review of 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 continues to provide specific advice to Victoria's health services 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 significant tools and templates to assist health services in assessing risks during procurement processes to help maintain probity, accountability and transparency.

HSV's leadership is committed to promoting a workplace where appropriate levels of authority, responsibility, transparency 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  
5 September 2023

## 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  
5 September 2023

## 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  
5 September 2023

## 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  
5 September 2023

# 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 HSV or supplied to HSV by an external organisation or individual and may include any paper or other material on which there is writing or a mark, figure or symbol, electronically stored information, a map, a plan, a drawing, or a photograph, or any article from which sounds, images or writing are capable of being produced.

The FOI Act allows HSV to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: documents affecting national security, defence or international relations, Cabinet documents, documents affecting law enforcement and protection of public safety, documents to which secrecy provisions of enactment apply, documents subject to legal professional privilege, documents containing material obtained in confidence, Parliamentary Budget Office documents, the disclosure of which would be in contempt of Parliament or contempt of court, documents disclosing trade secrets or commercially valuable information, and electoral rolls and related documents.

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 HSV has made, they have the right to seek an

independent 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 \$31.80 (which may be waived in certain circumstances).

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

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

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

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 sections 8 to 8E of the FOI Act.

During 2022-23, 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 three DC facilities at:

- 2-6 Sperry Road, Tullamarine, Victoria 3043 from the Department of Health
- 18 Foxley Court, Derrimut, Victoria 3026 from Primewest Funds Ltd as trustee of the Primewest Industrial Income Trust No. 2
- 8-12 Ordish Road, Dandenong South, Victoria 3175 from 8 Grange Properties Pty Ltd as trustee for Supernova Fund Pty Ltd as trustee for AM and EM Stella Benefit Fund.

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 1993*, Building Regulations 2018 (Vic) and the National Construction Code.

## Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* (Vic) (the PID Act) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The 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 the HSV Public Interest Disclosure Coordinator under the Public Interest Disclosure Procedure:

General Counsel  
HealthShare Victoria  
Level 34, 2 Lonsdale Street  
Melbourne Vic 3000  
Phone: 03 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](http://www.ibac.vic.gov.au)

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

## Statistics

There were no public interest disclosures referred to entities able to receive public interest disclosures under the PID Act in 2022-23.

## 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 requirements of the Competitive Neutrality Policy in 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 procurement activities, we apply relevant competitive neutrality principles to costings and pricing requirements.

## Local Jobs First and Social Procurement

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 such as gender equality, diversity and inclusion and family violence support.

HSV's 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 has both direct and indirect benefits.

All agreements entered into during 2022-23 were panel arrangements, non-contestable 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.

## Gender Equality Act 2020

HSV supports the gender equality principles outlined in the *Gender Equality Act 2020 (Vic)* (the GE Act) 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 GE Act required HSV to develop a Gender Equality Action Plan outlining how we 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.

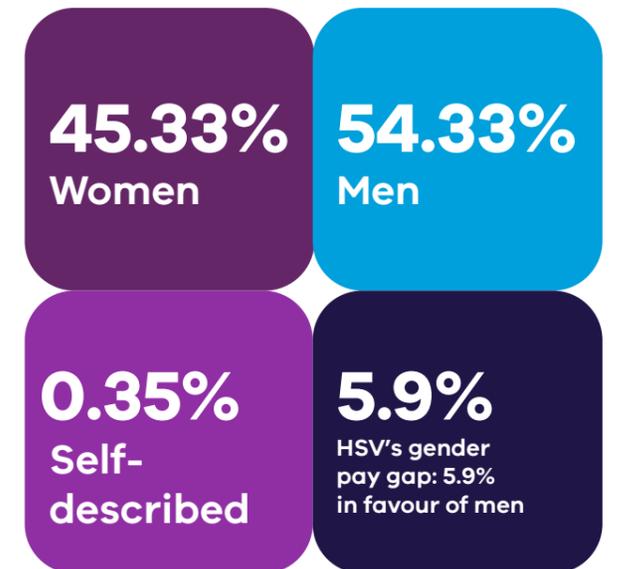
### HSV. Supporting equality in everything we do.

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's gender data as at 30 June 2023

HSV's overall gender composition: 45.33% women, 54.33% men, 0.35% self-described genders

HSV's gender pay gap: 5.9% in favour of men



### Compliance with DataVic Access Policy

HSV did not have any data sets that needed to be made available on the DataVic website in 2022-23. Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format.

# Annual compliance statement

## HSV's purchasing policies and compliance framework

In January 2023, HSV introduced five new HSV Purchasing Policies (HSV PPs), to replace the previous Health Purchasing Policies and guide health services on best-practice procurement, offering a principles-based approach to implementing probity strategy into internal procurement practices. The HSV PPs contain the following elements:

- HSV PP1: Governance
- HSV PP2: Strategic analysis
- HSV PP3: Market approach
- HSV PP4: Contract management and asset disposal
- HSV PP5: Collective purchasing and supply chain

## HSV's Compliance Framework

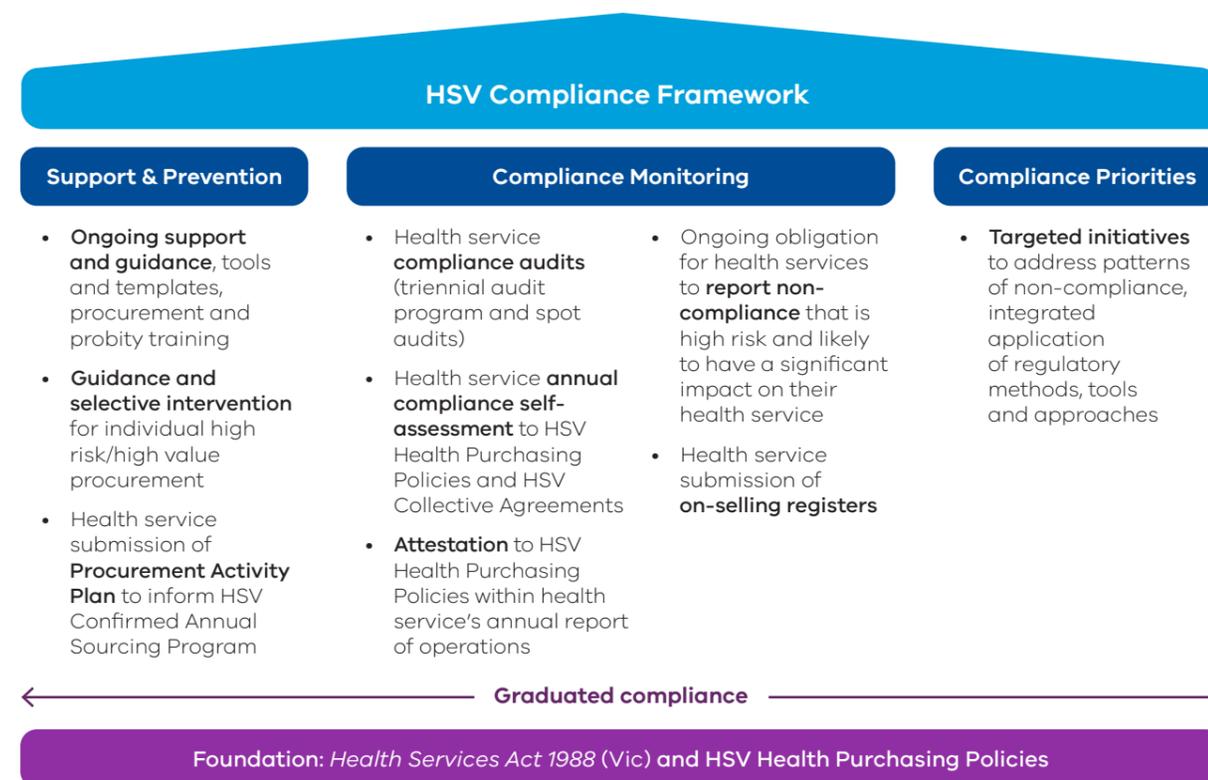
The HSV Compliance Framework is designed to support health services to understand and achieve compliance to the HSV PPs. Our approach to compliance reflects our legislative functions, organisational values and strategic priorities. We administer these functions by;

- monitoring health service compliance and reporting
- ensuring probity is maintained in procurement activities
- implementing and reviewing policies and practices to promote best value and probity
- providing advice and training.

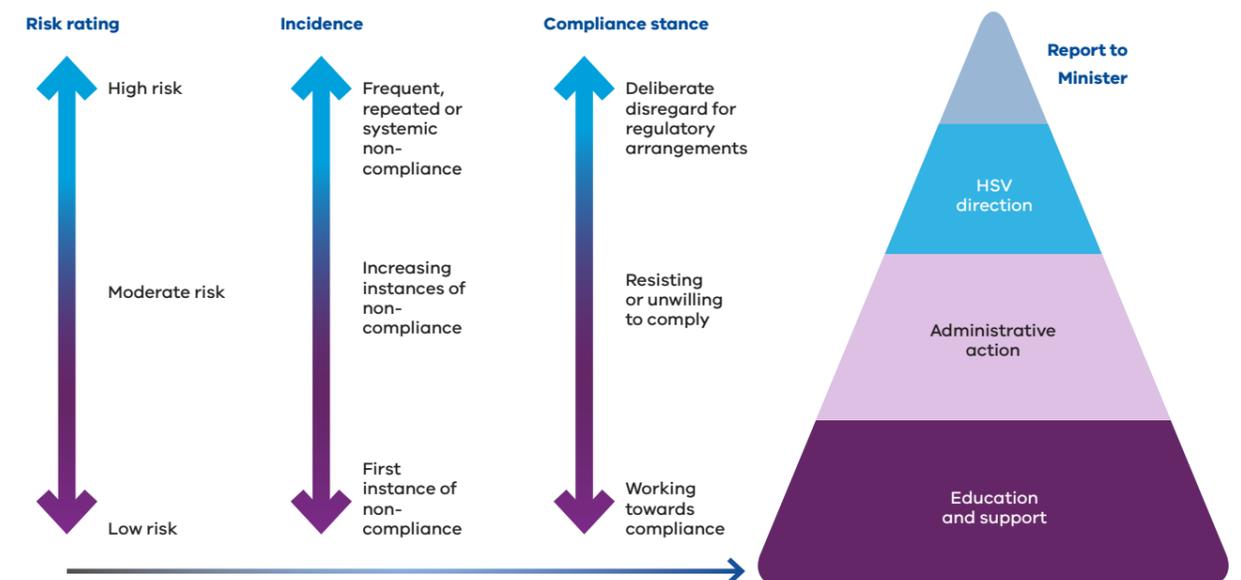
## HSV's graduated compliance

HSV's graduated compliance approach promotes tailored and measured responses to compliance issues. Our graduated compliance approach has continued to demonstrate several benefits for health services, including:

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



## Graduated compliance model



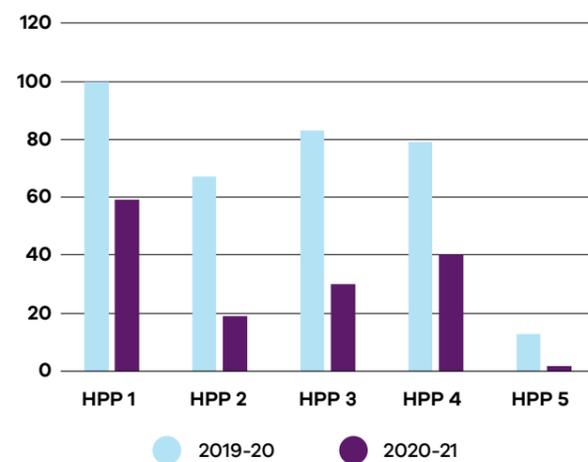
## Compliance outcomes 2021-22

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 2021-22. 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.

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 the previous purchasing policies (or Health Purchasing Policies (HPPs)) and/or the current HSV PPs annually, depending on when they are scheduled.

Compared with 2018-19, health service audit results for this cohort of health services reported a lower level of non-compliance to the HPPs in 2021-22. This reflects health services' overall success in adopting and implementing the HPPs across their procurement functions and their improved focus on compliance since the previous audit in 2018-19.

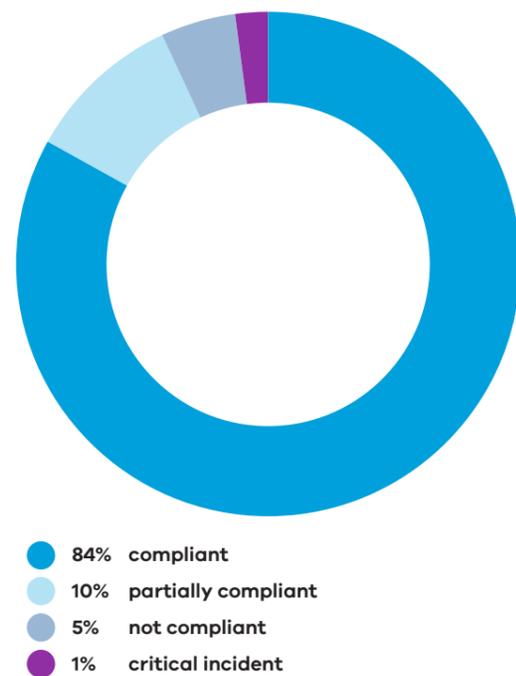
HPP non-compliance areas by policy



## Compliance outcomes 2022-23

HSV's annual self-assessment is a key component to HSV's Compliance Framework. HSV's 2022-23 annual self-assessment audit program was aligned to the new HSV Purchasing Policies. The annual self-assessments involve all mandated health services completing an audit to HSV PPs each year.

The table below represents health services' self-assessment to the HSV PPs, where 84 per cent were compliant, 10 per cent were partially compliant, 5 per cent were not compliant and 1 per cent was a critical incident.



## HSV probity training

HSV has 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 PPs
- 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 2022-23, 247 health service employees undertook probity training across 40 health services:

- Probity, Integrity and Ethics for Board and Executives: 55
- Probity, Integrity and Ethics for Clinical, Operational and Non-Procurement Employees: 94
- Probity, Integrity and Ethics for Procurement Professionals: 98.

Note: 105 of the above training courses were completed by health services via their Learning Management Systems (LMS) using HSV's LMS integration tool.

## Modern slavery risk mitigation

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

For the 2022-23 reporting period, 30 Victorian public health services meet the criteria of a 'reporting entity' under the *Modern Slavery Act 2018* (Cth). 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 2022-23, HSV continued to provide leadership and guidance on reducing modern slavery risk in health service supply chains, in line with our advisory and consultancy function under the *Health Services Act 1988* (Vic). Health services rely on HSV to support their modern slavery obligations and we have developed a comprehensive program of works to assist.

Adopting a risk-based approach to combating modern slavery in health service supply chains, our achievements in 2022-23 include:

- assessing 216 suppliers within our collective purchasing agreements and providing health services with modern slavery risk assessment reports

- engaging very-high, high and medium risk suppliers, and providing tools and resources including training modules 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 for health services on a diverse range of topics
- providing health services with substantial modern slavery tools and resources, including the Modern Slavery Statement Information Template, with a particular focus on demonstrating progress in reporting
- releasing the HSV Position Statement on how we will progress our approach to modern slavery risk in support of health services
- developing a modern slavery risk mitigation program (MSRMP) of work, which includes a consolidated approach to how HSV can assist the health sector in reducing duplication of effort. The MSRMP is publicly available and has an established working group including health service representatives. Two of the eight components have been delivered, with the remaining items to be completed in 2023-24
- informing health services about key developments relating to the *Modern Slavery Act 2018* (Cth).

## Clinical waste direction

As an outcome of disruption to services relating to the disposal of clinical waste, the Minister for Health pursuant to section 134L(1) of the *Health Services Act 1988* issued HSV a direction to undertake direct negotiations with appropriate clinical waste service providers. The direction was issued in recognition that HSV would need to deviate from its standard procurement process to enter into short-term agreements to ensure continuation of clinical waste services.

# Sustainability

HSV reports on the environmental performance of our operations, following the guidance provided in FRD 24 Reporting of Environmental Data by Government Entities. We collect data on the material environmental impacts under our operational control, including facility energy consumption, waste generation and disposal methods, and fleet vehicle usage. We also track and report on 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 our 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 sustainable procurement report.

## Environmental reporting

### Organisational boundary for the purpose of environmental reporting

The organisational site list includes the office space at Casselden and the Distribution Centre (DC) at Derrimut, and from 5 June 2023 HSV commenced operational control of an additional DC at Ordish Road, Dandenong.

Vehicle fleets operated by HSV include fleet vehicles (pool cars) and a fleet of delivery trucks operating out of Derrimut DC. Other product deliveries are performed by third-party logistics providers (3PLs) and so are not included within the organisational boundary for this reporting.

Electricity, water, and waste management services at Casselden are supplied under HSV's occupancy arrangement and so reportable quantity data is not available. Data for Casselden have not been included as the associated quantitative impacts are not material (estimated at <1% of total greenhouse gas emissions).

Direct operational environmental impacts have increased significantly due to an expansion of operations and an increase in supply chain activities.

A rolling six-year history of environmental data is reported. Where possible, the data reported have been aligned with the 2022-23 financial year. In cases where environmental data could not be obtained for the financial year, the period from 1 April 2022-30 March 2023 has been used.

### Greenhouse gas emissions

Operational greenhouse gas emissions are reported for:

- Scope 1 – Direct emissions, resulting from fuel combustion in HSV vehicles
- Scope 2 – Energy indirect emissions, caused by electricity consumption in the DC
- Scope 3 – Other indirect emissions, estimated for corporate air travel, and waste disposal from the DC.

## Greenhouse gas emissions

Greenhouse gas emissions (tonnes CO <sub>2</sub> -e)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Scope 1 – Direct emissions from vehicle fuels	34.61	33.42	30.88	5.00	14.21	109.15
Scope 2 – Indirect emissions from electricity	no data	no data	no data	39.17	215.30	351.65
Scope 3 – Indirect emissions from commercial air travel and waste disposal	2.06	4.19	3.19	0	23.97	85.95
<b>Total reportable emissions</b>	<b>36.66</b>	<b>37.61</b>	<b>34.07</b>	<b>44.17</b>	<b>253.48</b>	<b>546.75</b>

Emissions factors for vehicle fuels and grid electricity are taken from sources such as the National Greenhouse Accounts Factors Tables 2022.

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 reported by the travel management provider, CTM.

Scope 3 emissions due to waste disposal have been estimated starting from 2022-23 for the Distribution Centre.

## Facility energy use

### Casselden

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

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

Casselden features energy-efficient lifts, upgraded controls and air conditioning, CO<sub>2</sub> monitoring and high-efficiency fluorescent lighting. The electricity used by the building is

carbon-neutral certified and is sourced by 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 tracked for reporting since HSV took occupancy. The forklifts are electric powered, so there is no other fuel used for DC operations aside from electricity and the vehicle fleet. There is no onsite generation of electricity at this facility.

## Facility energy

Indicator	Unit	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total electricity used	MWh	no data	no data	no data	43,047	253,295	413,707
Total electricity offsets	MWh	0	0	0	0	0	0

Facility electricity is measured for HSV DC sites covering the period for which HSV held financial control. Electricity usage for the Casselden office space is not measured and estimates have not been included.

## Transportation

HSV's Casselden 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 bicycle storage.

As of 30 June 2023, HSV has a fleet comprising eight vehicles, for which it monitors fuel card usage and odometer readings. All vehicles are internal combustion engine (ICE) vehicles, there are no battery electric vehicles (BEV) or plug-in hybrid electric vehicles (PHEV) in the fleet.

Fleet vehicle usage has increased in 2022-23 but remains below pre-COVID levels as the majority of meetings with health services are now held virtually.

### Passenger vehicles

Indicator	Unit	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Vehicles in use	count	9	9	9	9	7	8
Energy used	MJ	496,130	510,401	357,483	96,897	51,099	120,122
Greenhouse gas emissions	tonnes CO <sub>2</sub> -e	33.61	34.51	24.17	6.55	3.46	8.12
Average vehicle emissions intensity measure	g CO <sub>2</sub> -e per km	185	180	170	192	175	161

The Derrimut DC has six goods vehicles used for local product distribution. HSV took over payment of the fuel cards from the Royal Melbourne Hospital in May 2022.

### Goods vehicles

Indicator	Unit	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Number of vehicles	count					6	8
Energy used (diesel)	MJ					152,680	1,434,896
Greenhouse gas emissions	tonnes CO <sub>2</sub> -e					10.75	101.03

Fuel data for the distribution vehicle fleet commenced in May 2022 as a result of the establishment of the HSV supply chain. Total distance travelled was not tracked for the entire reporting period, so an emissions intensity metric for the goods vehicles is not presented.

### Commercial air flights

Indicator	Unit	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Distance by air	km	38,348	44,471	33,754	0	12,693	34,247
Greenhouse gas emissions	tonnes CO <sub>2</sub> -e	2.06	4.19	3.19	0	1.99	5.47

## 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. An estimate of 2022-23 waste quantity was 134 tonnes using volumetric conversion factors for bins/skips collected, of which an estimated 54 per cent was sent for recycling and the remainder 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 and not tracked.

## Other operational items

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

HSV purchases primarily high recycled-content office paper, reducing impacts on the environment and supporting a circular economy.

## Sustainable procurement report

HSV continues to pursue social and sustainable procurement outcomes in line with Victoria's SPF and our goal to drive greater value for our health service customers 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:

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

Our strategy also prioritises efforts to achieve outcomes associated with the following SPF objectives in specific categories where outcomes against the following objectives are identified as achievable:

- sustainable Victorian social enterprise and Aboriginal business sectors
- environmentally sustainable outputs
- climate change policy objectives.

Individual social procurement plans are now being prepared prior to tendering for all procurement projects with a value under contract greater than \$20 million.

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 continuously improved to enable effective and efficient handling of supply chain information for use in SPF benefits measurement and reporting.

## Highlights

In 2022-23 we received social procurement commitment offers from successful respondents to tenders, including commitments to:

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

### Supporting safe and fair workplaces

All suppliers to HSV must be aligned with the Victorian Supplier Code of Conduct as a minimum standard requirement.

In 2022-23 we commenced the roll-out of the new Fair Jobs Code, strengthening support for fair workplace practices by promoting secure employment and fair labour standards, ensuring compliance with employment, workplace and industrial laws.

Supporting safe and fair workplaces	Measure
Suppliers having signed an acknowledgement of the Supplier Code of Conduct	Mandatory requirement for contracting on HSV Supply Agreements

### Women's safety and equality

In 2022-23, we received a total of 42 new social procurement commitments to put a family and domestic violence policy in place, and 59 commitments to put a gender equality strategy in place.

Policies improving women's safety and equality	Measure
Family and domestic violence policy, assessed against benchmark	Suppliers: 133 Proportion: 63 per cent (up from 58 per cent)
Gender equality policy or strategy, assessed against benchmark	Suppliers: 126 Proportion: 57 per cent (up from 50 per cent)

### Supporting the social enterprise business sector

Social benefit suppliers are defined as any of the following: Australian Disability Enterprises, Victorian Aboriginal-owned businesses, or Victorian-based social enterprises.

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 Property Services employs Victorians who are living with disability, including mental illness.

Social enterprise and Aboriginal business activities	Measure
Direct purchasing from social benefit suppliers	Purchasing from Victorian Aboriginal businesses Number engaged: 1 Total spend: \$144,575
	Purchasing from Victorian social enterprises Number engaged: 3 Total spend: \$169,450
Indirect procurement from social benefit suppliers through HSV contracts*	Victorian Aboriginal businesses Number awarded onto contract: 0
	Victorian social enterprises Number awarded onto contract: 1 Health service spend: \$77,580
	Mainstream supplier commitments to using social benefit suppliers Reporting against commitments made by five suppliers, totalling \$18,000 of purchasing

\*Expenditure figures provided of indirect expenditure are for the 2021-22 period (a lagging indicator), while direct expenditure is based on the 2022-23 period.

We have received 15 new social procurement commitments from suppliers towards purchasing a percentage of their requirements from social benefit suppliers.

### Inclusive employment

During 2022-23, HSV received 24 new social procurement commitments towards inclusive employment.

We reviewed 10 suppliers who had previously made a commitment to provide employment or training outcomes for disadvantaged Victorian cohorts. Around 50 per cent of these suppliers reported quantifiable outcomes for 2022-23, positively benefiting 25 disadvantaged people through training or employment.

### Environmental sustainability indicators from the supply chain

We track indicators of environmentally sustainable business practices used by tenderers and contractors in their operations or sourcing and include this as part of our standard evaluation methods. These include environmental policies that go beyond the mandatory compliance as well as legislation, environmental management systems and environmental impact reduction targets.

In addition, tenderers are invited to offer more environmentally sustainable products or services.

### Sustainable procurement outcomes

SPF objective	SPF outcomes	Measure
Environmentally sustainable business practices	Adoption of environmentally sustainable business practices by suppliers	Scorecard (percentage of suppliers assessed): <ul style="list-style-type: none"> <li>Environmental policy (78 per cent)</li> <li>Environmental management system (63 per cent)</li> <li>Sustainability targets (47 per cent)</li> <li>Sustainability reporting (35 per cent)</li> <li>Product stewardship involvement (18 per cent)</li> </ul>
Environmentally sustainable outputs	Project-specific requirements to use sustainable resources and to manage waste and pollution	Environmentally preferable product or service offers are included within multiple contracts, in particular catering supplies and workplace supplies. Not all benefits are verified.

### Scorecard (percentage of suppliers assessed):



# Management and organisation

## HSV's Executive Leadership Team



### Neil Rodaway

*BSc (Hons), FCA, FGIA CGI*

#### Chief Executive

Neil has led HealthShare Victoria as Chief Executive since its formation in January 2021. With 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 (FCA) and Chartered Company Secretary (FCG/FCIS), Neil's experience building and leading businesses, developing strong and focused teams and delivering commercial customer-centric solutions is complemented by a strong financial, commercial and governance expertise.

Prior to joining HSV, Neil's experience has been in the public practice, private health, mining, transport and industrial sectors.

He has been Managing Director of two listed entities, Vision Group Holdings (healthcare) and Prime Trust (property), and in addition to his 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.

Neil values the opportunity to share his experience to help support and improve the public health sector.



### 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 (Chief Operating Officer)

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.



### John Delinaoum

*B.Bus (Acc), FCPA, GAICD, Grad Dip (Marketing), Grad Cert (Health System)*

#### Executive Director Finance, Risk and Governance (Chief Financial Officer)

John commenced at HSV in March 2015 and leads the Finance, Risk, Policy and Compliance, Legal, Governance and Value Delivery functions at HSV. With extensive experience in the health sector, John started his career in the commercial property investment sector and has held senior finance leadership roles within public, private and aged care services.

Prior to joining HSV, 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 professionals providing value through education, research and networking activities across Australia.



### **Hugh McKerrow**

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

#### **Executive Director Transformation (Chief Strategic Development Officer)**

Hugh joined HSV as Executive Director Transformation in November 2021, after having worked with the business in a consultative capacity from February 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 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.



### **Mel Nolet**

*MHR Mgmt, Member Australian HR Institute, Graduate Certificate Ergonomics, Safety and Health, Member Australian Institute of Health and Safety*

#### **Director People, Culture and Safety (Chief People and Safety Officer)**

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

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, where she also acted in senior executive and operational roles as Acting Chief Executive Officer and General Manager.

Across her career, Mel has a consistent record of working closely with stakeholders to drive growth and change. Mel's collaborative approach, strong commercial acumen and focus on the importance of values-led leadership and capability building in complex and challenging environments help to foster safe and high-performing cultures.

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



### **Raph Even-Chaim**

*MMgt (InfoTech), MBA, MAICD*

#### **Director Information Technology (Chief Information Officer)**

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 also served for nine years as a board member of Neighbourhood Watch Victoria, where he provided advice on informational technology and governance.



### **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 clinicians to understand patient needs and collaborating with industry, state and federal organisations to help improve and secure supply chains for clinical supplies and medicines, statewide and nationally.

Over her career, Kate has led high-performing multidisciplinary teams to deliver supply and demand planning, global stock allocation and supply chain optimisation and risk mitigation to support supply chain continuity. Kate has a keen interest in implementing network change and new operating models and developing effective program governance and risk frameworks.



**Alfred Matthews**

MBA, GAICD, Grad Cert HRM

**Director Customer Engagement**

Alfred joined HSV in 2016, leading the Indirect Products and Services team as Head of Sourcing before establishing HSV's Customer Engagement team in his current role.

With a decade of healthcare expertise from Monash Health and prior roles in prominent customer service entities, Alfred brings a deep understanding and affinity with customer service, stakeholder engagement and strategic procurement. His proven track record includes pioneering solutions to enhance service quality and spearheading procurement initiatives at both organisational and state levels.



**Armin Odobasic**

BTport and Log (App Eco)

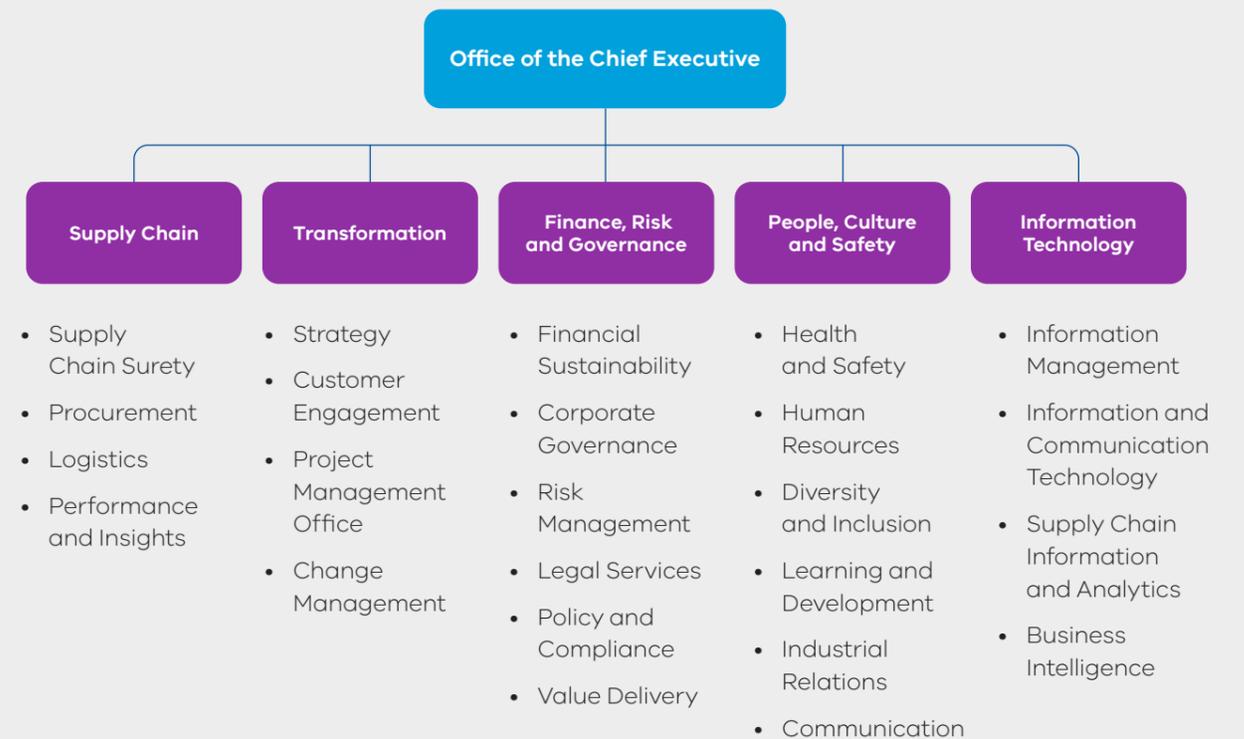
**Director Logistics**

Armin joined HSV in April 2022 to oversee logistics operations. With nearly two decades of experience in logistics and warehousing, he brings extensive knowledge and experience in fast-moving consumer goods (FMCG) environments, predominantly in the retail and grocery sectors.

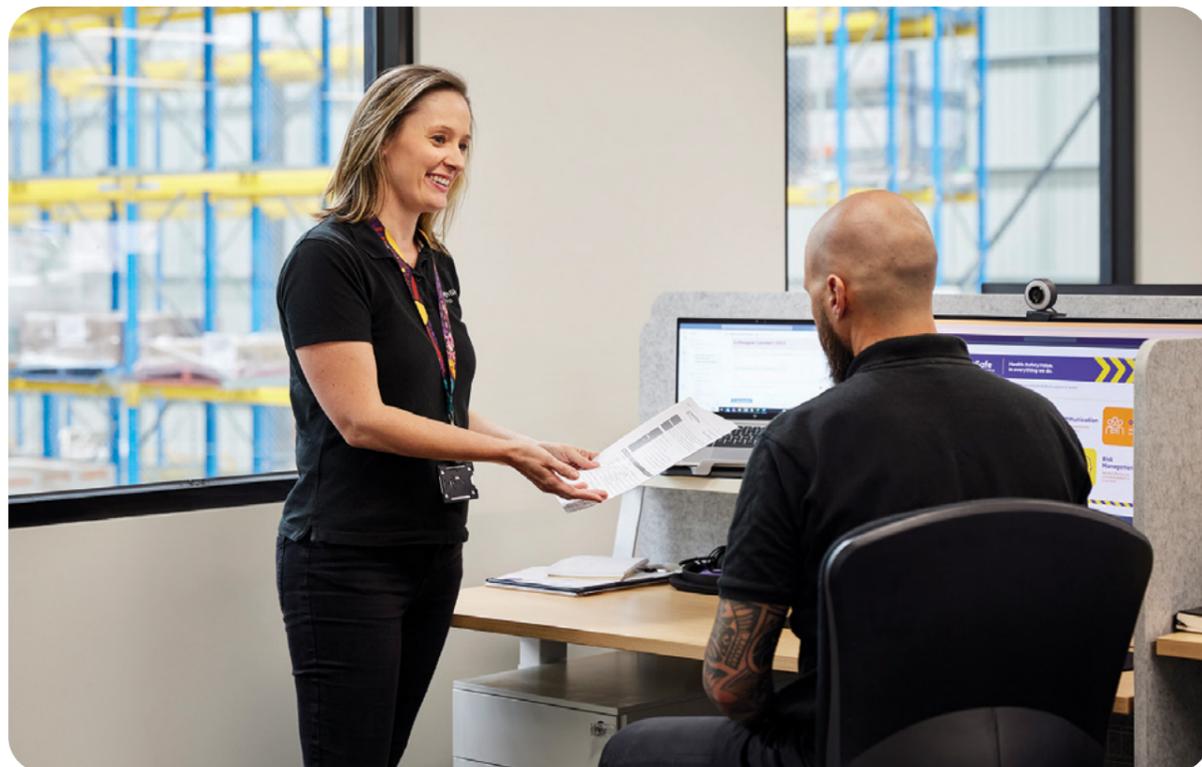
Before joining HSV, Armin was the Australasian Warehouse Manager at Workwear Group, where he managed large-scale warehouse and transport operations in a fast-moving retail setting. Prior to this, Armin held senior management positions at TIC Group and Toll Holdings, where he played a key role in successfully implementing and operating automated order fulfilment systems.

**Organisational structure**

The following chart shows HSV's organisational structure at the end of 2022-23, comprising the following functional divisions: Office of the Chief Executive; Supply Chain; Transformation; Finance, Risk and Governance; People, Culture and Safety; and Information Technology.



# 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 128 people to work with HSV in 2022-23. This was undertaken in a recognised challenging recruitment market, where it was important to attract and retain talent to continuously improve our business.

HSV aims to be a great place to work – we are a service organisation that puts our people first. Our purpose, to partner with Victoria's public health sector to support better patient outcomes, offers opportunities for our people to grow, while they work to make a difference for health services.

Our vision of 'Health.Safety.Value in everything we do', together with our values and principles (see pages 6 and 7) supports a culture that fosters safety and wellbeing as well as career

opportunities and development. We offer attractive conditions, including flexible working arrangements, salary packaging and generous leave provisions like 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. The People, Culture and Safety team plays an integral role in HSV's roadmap activities by supporting and influencing all our operations, including service delivery.

A key focus is to develop a positive culture and improve our people's health and wellbeing. For example, in 2022-23 we held a series of employee discussions on how we put HSV's Values into action, to help us bring them to life and better understand the behaviours and actions that support them.

## Safety in everything we do

Throughout HSV's transformation from a procurement services organisation to an end-to-end supply chain with a mix of operational and professional team members working across multiple locations, we have maintained our focus on occupational health and safety (OHS). Over time, we have continued to embed OHS as a fundamental priority, using levers for change to improve our safety maturity.

Ensuring our people and those involved with HSV are physically and psychologically safe is simply the right thing to do. Maintaining a safe working environment means our people can provide critical medical supplies to health services to help improve the lives of patients and their families.

## HSV safety strategy: BeSafe

HSV's safety strategy, BeSafe, continues to provide the strategic direction for managing OHS at HSV.

The strategy was developed following an extensive consultation process involving team members and all levels of leadership, and 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 people leaders lead by example and clearly communicate expectations and reinforce positive safety conversations. Team members 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 BeSafe Committee, risk management framework, the psychosocial safety 'Speak Up' program, Health and Wellbeing Committee (HAWC), diversity and workplace respect training, safety leadership capability uplift, Employee Assistance Program and ergonomic assessments.

In 2022-23, we expanded our OHS consultative structure to include BeSafe Health and Safety Committees and a network of elected health and safety representatives. These committees meet regularly and work together to exchange information and ideas and ensure effective consultation and understanding of HSV's safety and risk management policies and procedures.



## Safety at HSV's Derrimut DC

Safety is paramount at our distribution centres (DCs), which operate in complex health and safety environments involving heavy vehicles, forklifts and other manual handling equipment. Alongside the introduction of additional stock volumes, equipment and operating practices, we have maintained a safe workplace and engaged effectively with team members to ensure understanding and continuous education on safe work practices.

Through partnering with the Head of Work Health and Safety and the broader People, Culture and Safety team, the DC teams have established safe work practices to support operational requirements. Activities in 2022-23 included:

- encouraging proactive reporting, and 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 sub-committee structure to better suit changing work environments
- 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 a primary focus on safety.

## OHS reporting

Following the introduction of the Resolver Risk Management platform in January 2022, we have focused on encouraging reporting of OHS hazards and incidents. This has resulted in an

increase in the total number of hazard reports, from 23 in 2021-22 to 247 in 2022-23. Hazard reports as a proportion of all reported events increased from 38 per cent of total reports in 2021-22 to 62 per cent in 2022-23. Hazards are a lead indicator, and this is a positive indicator of a proactive risk management culture which helps to reduce risk and prevent workplace injuries and illnesses.

### HSV OHS summary 2022-23

OHS matter	2022-23	2021-22	2020-21
The number of reported hazards/incidents for the year per 100 FTE	117.5	24.60	0
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	0.35	0.85	0
The average cost per WorkCover claim for the year	\$763	\$7,164	0

One WorkCover claim was made in 2022-23, compared to two claims in 2021-22. The 2022-23 claim remains open while expenses are reconciled, however the employee has received a full clearance to return to work. Total incurred claim costs to date are \$763.

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

Occupational violence statistic	21-22 update	22-23 update
WorkCover accepted claims with an occupational violence cause per 100 FTE	Nil	Nil
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	Nil	Nil
Number of occupational violence incidents reported	2	2
Number of occupational violence incidents reported per 100 FTE	0.85	0.70
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	Nil	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:** number of accepted Workcover claims that were lodged in 2022-23.

**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 2022-23, we recorded a 35 per cent increase in employee headcount compared to 2021-22.

### HSV's workforce composition for the last full pay period in June 2023

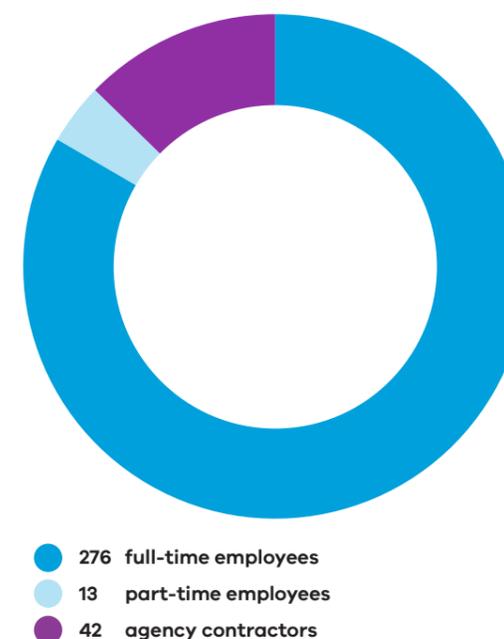
	FY average 2021-22	FY average 2022-23	June 22	June 23	June 22	June 23
	Full-time equivalent		Full-time equivalent		Headcount	
Full-time	172.3	237.9	193.0	272.3	193.0	276.0
Part-time	7.8	8.2	9.0	7.6	12.0	13.0
<b>Total number of payroll employees</b>	<b>180.2</b>	<b>246.1</b>	<b>202.0</b>	<b>279.8</b>	<b>205.0</b>	<b>289.0</b>
Agency/casual	22.9	27.4	33.7	29.6	39.0	42.0
<b>Total</b>	<b>203.0</b>	<b>273.5</b>	<b>235.7</b>	<b>309.5</b>	<b>244.0</b>	<b>331.0</b>

### HSV's gender and age data

	All employees		Ongoing			Fixed-term		Gender		
	Headcount	FTE	Full-time	Part-time	FTE	Headcount	FTE	Woman	Man	Self-identified
<b>Gender</b>										
Woman	131.0	122.5	107.0	10.0	109.1	14.0	13.3			
Man	157.0	156.4	134.0	2.0	135.3	21.0	21.0			
Self-described	1.0	1.0	1.0	0.0	1.0	0.0	0.0			
<b>Total*</b>	<b>289.0</b>	<b>279.8</b>	<b>242.0</b>	<b>12.0</b>	<b>245.5</b>	<b>35.0</b>	<b>34.4</b>			
<b>Age</b>										
15-24	1.0	1.0	1.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0
25-34	61.0	60.0	53.0	1.0	53.7	7.0	6.4	24.0	37.0	0.0
35-44	106.0	100.1	90.0	6.0	89.0	10.0	11.1	53.0	53.0	0.0
45-54	70.0	67.8	55.0	3.0	56.9	12.0	10.9	38.0	31.0	1.0
55-64	40.0	40.9	32.0	2.0	34.9	6.0	6.0	12.0	28.0	0.0
65+	11.0	10.1	11.0	0.0	10.1	0.0	0.0	3.0	8.0	0.0
<b>Total*</b>	<b>289.0</b>	<b>279.8</b>	<b>242.0</b>	<b>12.0</b>	<b>245.5</b>	<b>35.0</b>	<b>34.4</b>	<b>131.0</b>	<b>157.0</b>	<b>1.0</b>

\* does not include agency or casual employees

### HSV workforce composition at 30 June 2023



### HSV recruitment

HSV's growth in 2022-23 has been underpinned by an extensive workforce planning and recruitment program. In an unprecedented period of growth, 128 new people joined the organisation, comprising 83 people in new roles and 45 people filling existing roles.

As part of our work to establish an end-to-end supply chain for Victoria's public health sector, the function with the highest net growth in employee numbers was our supply chain.

HSV's Supply Chain Surety function, established in 2021, expanded to a team of 12 in 2022-23 to embed its role in coordinating and managing supply chain risk and issues for Victoria's public health sector. As well as developing and implementing an operating framework and working collaboratively with state and federal governments, the Supply Chain Surety team made significant progress in developing a Critical Supplies Register to identify and manage critical medical and pharmaceutical supplies.

An increase in Procurement team numbers has supported the Procurement Activity Plan (PAP) program of work, including 59 procurement activities and 20 equipment buy activities. HSV continues to refine its Procurement leadership

roles and also added additional category management roles to support continued capability growth in category and contract management. The Clinical Product Advisor (CPA) team also expanded its subject matter expertise to work closely with all areas of the organisation on clinical requirements, demand and supply planning, and in identifying alternative products to mitigate supply risk.

Growth in our Logistics team has supported the transition of the State Supply Chain from Monash Health to HSV in June 2023 and an expansion of our supply chain and logistics services. New positions recruited during 2022-23 included the Head of Supply and Demand Planning, Supply Chain Contracts and Commercial Manager, General Manager International Freight, Distribution Centre Manager and Customer Operations Manager.

The Finance, Risk and Governance team added seven new team members, including a new General Manager Finance and several new management roles supporting the Finance team's reorganisation into three workstreams: Financial Processing, Financial Planning and Analysis, and Corporate Finance. The Finance team changes reflect a substantial increase in financial activity across reporting, analysis and other transactions as HSV's business functions have grown.

External recruitment consultants have been engaged in areas either where 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 our employees' career progression within HSV has resulted in a number of internal promotions and secondments.

HSV launched a new Employee Value Proposition (EVP) in 2022-23 following an extensive cross-functional consultation involving employees and other stakeholders. The EVP describes key tangible and intangible benefits for our people, such as a shared purpose, career opportunities, physical workplace and organisational culture, and salary and employee benefits. It supports our talent acquisition strategy by helping to attract and engage the right candidates and improve employee retention – two key deliverables in HSV's People, Culture and Safety strategic roadmap.

## Diversity and inclusion and employee wellbeing

Diverse workplaces that reflect the wider 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 Australian and 29 per cent reported they speak a language other than English with family or community (22 per cent preferred not to say). One per cent of current employees reported identifying as Aboriginal or Torres Strait Islander.

Working with the Health and Wellbeing Committee (HAWC), HSV supports 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 at HSV. Along with HAWC, HSV's leadership, OHS Committee and Communication team have worked together 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 a 'one HSV' culture by including DC employees in HAWC activities such as Australia's Biggest Morning Tea, and other celebration and recognition events.

## First Nations cultural safety

We have promoted First Nations cultural safety at HSV by recognising NAIDOC and National Reconciliation weeks, and promoting local and online events that recognise the contribution Aboriginal people and communities make to Victorian life and how this continues to enrich our society.

HSV acknowledges the Traditional Owners of the land at the beginning of team meetings, formal events, forums and functions, and builds cultural awareness with employees by regularly communicating topics relating to First Nations history, culture, art and music via our intranet.

## Team building and safety leadership training

In alignment with HSV's BeSafe strategy, we have commenced two training programs – HSV's safety leadership training program and team building and fostering psychological safety. The half-day team building program covers how to build a positive safety culture, identifying communication and behavioural preferences to better understand yourself and others, adjusting our communication styles to meet the needs of others and build a more cohesive team, and the four stages of psychological safety.

Our people leaders play a pivotal role in building HSV's safety culture, and they have participated in HSV's safety leadership program covering safety legislation, building a positive safety culture, and identifying and addressing physical and psychological safety matters. These training programs will continue to be rolled out to the organisation in 2023-24.



## Attracting and retaining the best talent for HSV

As a growing organisation, it's vital that HSV attracts and retains the best talent. According to the Australian Bureau of Statistics, two-thirds of Australian organisations with more than 200 employees had difficulty finding suitable candidates in the year to June 2022, due to a lack of suitably qualified candidates.

In 2022-23, an important initiative for the People Culture and Safety (PCS) team was the development of an Employee Value Proposition (EVP) to define the values and benefits that make HSV an attractive place to work.

Organisations that have an EVP are reported to have increased employee engagement, better organisational outcomes and an increase in positive word of mouth recommendations.

To deliver these benefits and help us achieve our goals, an effective EVP helps to retain and engage our current workforce, bring teams together from different workforces and sites, enhance the employee experience and highlight our psychosocial and physical safety focus.

We surveyed more than 50 HSV employees across seven functions for this project and the responses were mapped across the themes of wellbeing, experience, shared purpose and personal growth.

Competitive remuneration, flexible working conditions and working in a growing, transformative organisation were also named as key benefits by participants.

An EVP statement 'work with us and together we can make a difference' was developed to reflect the benefits of working at HSV, including the opportunity to make a difference for health services and their patients.

Activities currently underway and planned for the coming year include programs to develop leadership capability, a talent management framework, and assessing our workplace to measure current and desired organisational culture.

We have also undertaken a review of our formal employee recognition program and created a dedicated Teams channel for our people leaders to help them share information, ensuring our employees have a positive and consistent experience across the organisation.

## Work with us and together we can make a difference!



We make a meaningful difference for hospitals and contribute to something bigger



We're growing with lots of opportunities to be part of an exciting transformation



We work with great people and have opportunities to work on interesting projects



Our leaders care for and help us grow so we emerge from HSV better than when we joined



We can work at our best in flexible and adaptable ways that suit us



Our leaders listen to and challenge us, and our achievements are valued and recognised



We have competitive remuneration and salary packaging, and generous leave benefits



We work in an inclusive respectful and safe space where we can be ourselves



We have a welcoming workplace with modern technology – our city office is close to public transport, cafes and shops, and our DCs are convenient to main roads

# Disclosure of consultancies

In 2022-23, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2022-23 in relation to these consultancies was \$1.45 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 2022-23 (ex GST)	Future Expenditure
<b>Four PL Pty Ltd</b>	To establish a framework for a future state Warehouse Management System (WMS) to support the large-scale supply chain required to support the public health sector.	July 2022	October 2022	\$87,325	\$87,325	\$0
<b>Synogize</b>	To migrate Qlik Sense data models and transfer to Power BI by designing and developing a virtual data mart to accommodate required data structures.	July 2022	November 2022	\$85,450	\$85,450	\$0
<b>Kyocera Document Solutions Australia Pty Ltd</b>	To implement an optical character recognition scanning solution to remove manual data entry of accounts payable supplier invoices and transpose data directly into the Oracle finance system.	July 2022	February 2023	\$98,000	\$98,000	\$0
<b>Amplify Procurement Pty Ltd</b>	To develop an operating model to best support the Surety strategy by delivering a performance reporting framework dashboard and other visual aids.	July 2022	June 2023	\$387,235	\$387,235	\$0
<b>Deloitte</b>	To enhance Oracle functionality by developing customisations to support reporting and streamline functionality for stakeholders including health services, suppliers, and HSV's finance, DC and logistic requirements.	July 2022	June 2023	\$237,915	\$237,915	\$0

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2022-23 (ex GST)	Future Expenditure
<b>KPMG</b>	To assist HSV with development of a long-term vision for the three core supply chain business platforms of surety, procurement and logistics.	October 2022	November 2022	\$173,486	\$173,486	\$0
<b>Portland Group Pty Ltd</b>	To develop a detailed due diligence report on State Supply Chain operations including customer service, finance and technology to support the transfer of management to HSV.	October 2022	December 2022	\$288,750	\$288,750	\$0
<b>KPMG</b>	To undertake an assurance review of the proposed framework for the Warehouse Management System (WMS) to support procurement planning and tender-related documentation.	February 2023	June 2023	\$39,000	\$39,000	\$0
<b>KPMG</b>	To support the iteration of HSV's Project Management and Change Management 'playbook' to enable consistent delivery and approach across HSV. Playbook incorporates a 'how to' guide, including practical tools, templates and approaches.	June 2023	June 2023	\$54,531	\$54,531	\$0

In 2022-23, HSV engaged 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 \$13,697.

# Summary of financial results

## Information and Communication Technology (ICT) expenditure

Consistent with FRD 22H, 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 2022-23 is \$11.58 million (excluding GST), with details shown in the following table.

Business-as-usual (BAU) ICT	Non-business-as-usual expenditure (non-BAU) ICT expenditure		
	Total = operational expenditure and capital expenditure (ex GST)	Total operational expenditure (ex GST)	Total capital expenditure (ex GST)
Total (ex GST)	\$9.38 million	\$1.62 million	\$0.58 million

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.

	2023 \$000	2022 \$000	2021 \$000	2020 \$000	2019 \$000
<b>Operating result*</b>	46	5,439	3,490	(153)	(888)
Total revenue	165,579	133,094	42,565	18,977	16,207
Total expenses	167,832	129,633	29,327	19,599	17,727
<b>Net result from transactions</b>	(2,253)	3,461	13,238	(622)	(1,520)
Total other economic flows	463	850	85	(19)	(67)
<b>Net result</b>	<b>(1,790)</b>	<b>4,311</b>	<b>13,323</b>	<b>(641)</b>	<b>(1,587)</b>
Total assets	50,230	47,791	32,569	9,882	5,111
Total liabilities	32,952	28,723	17,812	8,447	3,035
<b>Net assets / Total equity</b>	<b>17,278</b>	<b>19,068</b>	<b>14,757</b>	<b>1,435</b>	<b>2,076</b>

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

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

2022-23 was another period of significant growth as it represented the maturing of the supply chain operations for HealthShare Victoria (HSV).

With the impact of the pandemic receding, Victoria's public health services were able to move from emergency demand management and undertake more elective surgery activity compared to previous years. This resulted in additional revenue from our logistics function of \$24 million, or a 26 per cent increase on the previous year. The benefits of lower pricing that HSV achieves are passed directly on 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 (DH) also increased by \$9 million (22 per cent) to support investment in the supply chain efficiencies and support services. As noted earlier, the surety function has stepped up to ensure critical patient care and services can continue in the event of product shortages, logistics is operating at a 98 per cent order fill rate and procurement delivered

\$202.3 million of benefits. To deliver these benefits we needed to increase resources. Our staff headcount increased from 244 in June 2022 to 331 as at June 2023.

The maturing end-to-end supply chain will benefit health services and support better patient outcomes, primarily through increased visibility of data, demand and supply management leading to more consistent stock, availability and a larger volume of orders to maximise purchasing power.

The financial performance of HSV during the 2022-23 financial year is a break-even operating result, largely due to the timing of the DH funding and the lead time required to implement and deliver the strategic initiatives with \$4.8m of deferred revenue. The net deficit of \$1.8m 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 with a current asset ratio of 1.5 and there is adequate cash in the operating account to support HSV's going concern requirements.

HSV's performance against its Statement of Priorities and strategic objectives has been reported earlier in the Annual Report.

# Disclosure index

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

Legislation	Requirement	Page Reference
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
FRD 22	Manner of establishment and the relevant Ministers	6, 16
FRD 22	Purpose, functions, powers and duties	6-7
FRD 22	Nature and range of services provided	6-7
FRD 22	Activities, programs and achievements for the reporting period	1-5, 20
FRD 22	Significant changes in key initiatives and expectations for the future	22, 57
<b>Management and structure</b>		
FRD 22	Organisational structure	45
FRD 22	Workforce data/employment and conduct principles	50
FRD 22	Occupational health and safety	47-49
<b>Financial information</b>		
FRD 22	Summary of the financial results for the year	57
FRD 22	Significant changes in financial position during the year	57
FRD 22	Operational and budgetary objectives and performance against objectives	20-22
FRD 22	Subsequent events	128
FRD 22	Details of consultancies under \$10,000	55
FRD 22	Details of consultancies over \$10,000	54-55
FRD 22	Disclosure of ICT expenditure	56
<b>Legislation</b>		
FRD 22	Application and operation of Freedom of Information Act 1982	26
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	27
FRD 22	Application and operation of Public Interest Disclosure Act 2012	27
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FRD 24	Other relevant reporting directives	28
<b>Other relevant reporting directives</b>		
FRD 25	Local Jobs First Act 2003 disclosures	25
SD 5.1.4	Financial Management Compliance attestation	25
SD 5.2.3	Declaration in report of operations	3
<b>Attestations</b>		
	Attestation on data integrity	25
	Attestation on managing conflicts of interest	25
	Attestation on integrity, fraud and corruption	25
<b>Other reporting requirements</b>		
	Reporting of outcomes from Statement of Priorities 2020-22	20
	Occupational violence reporting	28
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	Reporting of compliance with DataVic Access Policy	29

# Financial statements and accompanying notes for the year ended 30 June 2023

## 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 5.2 of the Standard Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive operating statement, Balance sheet, Statement of changes in equity, and Cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2023 and financial position of HealthShare Victoria at 30 June 2023.

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  
5 September 2023



**Mr Neil Rodaway**  
Chief Executive  
HealthShare Victoria  
5 September 2023



**Mr John Delinaoum**  
Chief Financial and  
Accounting Officer  
HealthShare Victoria  
5 September 2023



Victorian Auditor-General's Office

## 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 2023
- 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 2023 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

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

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.

Level 31 / 35 Collins Street, Melbourne Vic 3000  
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

**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.



Sanchu Chummar  
as delegate for the Auditor-General of Victoria

MELBOURNE  
15 September 2023

# Comprehensive operating statement

## For the financial year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>Revenue and income from transactions</b>			
Operating activities	2.1	165,002,568	133,056,825
Non-operating activities	2.1	576,787	37,590
<b>Total revenue and income from transactions</b>		<b>165,579,355</b>	<b>133,094,415</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1	(33,878,868)	(23,890,259)
Non salary labour costs	3.1	(8,681,040)	(7,179,526)
Supplies and consumables	3.1	(108,233,658)	(85,154,259)
Finance costs	3.1	(57,057)	(63,767)
Other operating expenses	3.1	(14,682,986)	(11,367,824)
Depreciation and amortisation	3.1	(2,299,042)	(1,978,228)
<b>Total expenses from transactions</b>		<b>(167,832,651)</b>	<b>(129,633,863)</b>
<b>Net result from transactions - Net operating balance</b>		<b>(2,253,296)</b>	<b>3,460,552</b>
<b>Other economic flows included in net result</b>			
Net gain on non-financial assets	3.2	102,223	1,317,765
Net gain/(loss) on financial instruments	3.2	510,978	(867,373)
Other gain/(loss) from other economic flows	3.2	(149,813)	399,648
<b>Total other economic flows included in net result</b>		<b>463,388</b>	<b>850,040</b>
<b>NET RESULT FOR THE YEAR</b>		<b>(1,789,908)</b>	<b>4,310,592</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>(1,789,908)</b>	<b>4,310,592</b>

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

# Balance sheet

As at 30 June 2023

	Note	2023 \$	2022 \$
<b>Current assets</b>			
Cash and cash equivalents	6.2	24,401,101	19,714,757
Receivables	5.1	7,112,096	11,286,063
Inventories	4.6	7,696,633	5,444,794
Prepayments		1,197,238	904,556
<b>Total current assets</b>		<b>40,407,068</b>	<b>37,350,170</b>
<b>Non-current assets</b>			
Receivables	5.1	1,986,486	1,836,663
Property, plant and equipment	4.2	3,415,196	3,308,026
Right-of-use assets	4.3	4,311,478	5,075,567
Intangible assets	4.4	109,964	220,289
<b>Total non-current assets</b>		<b>9,823,124</b>	<b>10,440,545</b>
<b>TOTAL ASSETS</b>		<b>50,230,192</b>	<b>47,790,715</b>
<b>Current liabilities</b>			
Payables	5.2	16,149,293	14,307,918
Contract liabilities	5.3	4,800,000	3,000,000
Borrowings	6.1	1,649,101	1,555,998
Employee benefits	3.3	6,220,773	5,387,280
<b>Total current liabilities</b>		<b>28,819,167</b>	<b>24,251,196</b>
<b>Non-current liabilities</b>			
Borrowings	6.1	2,664,596	3,423,238
Employee benefits	3.3	1,208,079	801,824
Other provisions	5.3	260,167	246,366
<b>Total non-current liabilities</b>		<b>4,132,842</b>	<b>4,471,428</b>
<b>TOTAL LIABILITIES</b>		<b>32,952,009</b>	<b>28,722,624</b>
<b>NET ASSETS</b>		<b>17,278,183</b>	<b>19,068,091</b>
<b>EQUITY</b>			
Contributed capital	SCE	31,570	31,570
Accumulated surplus	SCE	17,246,613	19,036,521
<b>TOTAL EQUITY</b>		<b>17,278,183</b>	<b>19,068,091</b>

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

# Statement of changes in equity

For the financial year ended 30 June 2023

	Note	Contributed Capital \$	Accumulated Surplus/(Deficit) \$	Total \$
<b>Balance at 30 June 2021</b>		<b>31,570</b>	<b>14,725,929</b>	<b>14,757,499</b>
Net result for the year		-	4,310,592	4,310,592
<b>Balance at 30 June 2022</b>		<b>31,570</b>	<b>19,036,521</b>	<b>19,068,091</b>
Net result for the year		-	(1,789,908)	(1,789,908)
<b>Balance at 30 June 2023</b>		<b>31,570</b>	<b>17,246,613</b>	<b>17,278,183</b>

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

# Cash flow statement

For the financial year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Operating grants from Government		50,447,108	43,644,373
Interest received		576,787	37,590
GST received from ATO		1,232,454	1,537,614
Sale of goods		114,679,414	15,117,585
Supply chain service fees		5,644,968	5,357,619
<b>Total receipts</b>		<b>172,580,731</b>	<b>65,694,781</b>
<b>Payments</b>			
Employee expenses paid		(41,003,540)	(29,549,224)
Payments for supplies and consumables		(124,632,126)	(27,950,858)
Cash outflow for leases		(36,864)	(35,965)
<b>Total payments</b>		<b>(165,672,530)</b>	<b>(57,536,047)</b>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>8.1</b>	<b>6,908,201</b>	<b>8,158,734</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(762,439)	(862,244)
Purchase of intangible assets		-	(63,432)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(762,439)</b>	<b>(925,676)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(1,459,418)	(1,513,878)
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(1,459,418)</b>	<b>(1,513,878)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>4,686,344</b>	<b>5,719,180</b>
Cash and cash equivalents at beginning of financial year		19,714,757	13,995,577
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>6.2</b>	<b>24,401,101</b>	<b>19,714,757</b>

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

# Notes to and forming part of the financial statements

## Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for HealthShare Victoria for the financial year ended 30 June 2023.

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 AAS 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 HSV on 5 September 2023.

### (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.

# Notes to and forming part of the 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.

## (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 2023, and the comparative information presented in these financial statements for the year ended 30 June 2022. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

The financial statements are prepared on a going concern basis.

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

The financial statements, except for cash flow information, have been prepared using the accrual basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected financial assets and financial liabilities. 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 5.3)
- 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 3.3 Employee benefits in the balance sheet).

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

### Goods and services tax (GST)

Income, expenses, assets and liabilities 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) Abbreviations and terminology used in the financial statements

Title	Reference
Australian Accounting Standards Board	AASB
Australian Accounting Standards, which include Interpretations	AASs
Department of Health	DH
Department of Treasury and Finance	DTF
Financial Management Act 1994	FMA
Financial Reporting Direction	FRD
Standing Direction	SD
Victorian Auditor General's Office	VAGO
HealthShare Victoria	HSV

## (e) Equity

### Contributed capital

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

# Notes to and forming part of the financial statements

## (f) Comparatives

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

## (g) Impact of COVID-19 pandemic

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

HSV was not materially impacted by COVID-19 in the financial year ended 30 June 2023.

## Note 2: Funding delivery of our services

HSV 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 judgement when reviewing the terms and conditions of funding agreements to determine whether they contain sufficiently specific and enforceable performance obligations. If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring HSV to recognise revenue as or when the health service transfers promised goods or services to the beneficiaries. If this criteria is not met, funding is recognised immediately in the net result from operations.
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.

## Note 2.1: Revenue and income from transactions

	Note	2023 \$	2022 \$
<b>Operating activities</b>			
<b>Revenue from contracts with customers</b>			
Commercial activities		114,512,582	90,673,590
<b>Total revenue from contracts with customers</b>	<b>2.1(a)</b>	<b>114,512,582</b>	<b>90,673,590</b>
<b>Other sources of income</b>			
Government grants (State) – operating		49,289,103	39,975,373
Indirect contributions by Department of Health			
– Insurance		42,000	35,004
– Office lease		1,009,060	993,756
– Long service leave		149,823	1,379,102
<b>Total other sources of income</b>		<b>50,489,986</b>	<b>42,383,235</b>
<b>Total revenue and income from operating activities</b>		<b>165,002,568</b>	<b>133,056,825</b>
<b>Non-operating activities</b>			
<b>Other sources of income</b>			
Interest income		576,787	37,590
<b>Total other sources of income</b>		<b>576,787</b>	<b>37,590</b>
<b>Total income from non-operating activities</b>		<b>576,787</b>	<b>37,590</b>
<b>Total revenue and income from transactions</b>		<b>165,579,355</b>	<b>133,094,415</b>

# Notes to and forming part of the financial statements

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

	2023 \$	2022 \$
HSV disaggregates revenue by the timing of revenue recognition.		
<b>Goods and services transferred to customers:</b>		
At a point in time	114,512,582	90,673,590
<b>Total revenue from contracts with customers</b>	<b>114,512,582</b>	<b>90,673,590</b>

## 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 a point in time or over time as and 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 *Financial Instruments*, AASB 16 *Leases*, AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*)
- recognises related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities from a contract with a customer), and

recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount in accordance with AASB 1058 *Income of Not-for-Profit Entities*.

### 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 *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, are 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 Department of Health purchases non-medical indemnity insurance for HSV which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions.
- 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.

# Notes to and forming part of the financial statements

## Note 3: The cost of delivering services

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

### Structure:

- 3.1 Expenses from transactions
- 3.2 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 judgement when classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if HSV does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category.</p> <p>Employee benefit liabilities are classified as a non-current liability if HSV has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.</p>
Measuring employee benefit liabilities	<p>HSV applies significant judgement when measuring its employee benefit liabilities.</p> <p>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 an inflation rate of 4.350%, reflecting the future wage and salary levels, durations of service and employee departures, which are used to determine the estimated value of long service leave that will be taken in the future, for employees who have not yet reached the vesting period. The estimated rates are between 4.080% and 4.368% and discounting at the rate of 4.063%, as determined with 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>

## Note 3.1: Expenses from transactions

	2023 \$	2022 \$
<b>Employee expenses</b>		
Salaries and wages	28,584,186	20,283,480
Superannuation	3,311,183	2,203,557
Workcover	87,199	100,577
Payroll tax	1,896,300	1,302,645
<b>Total employee expenses</b>	<b>33,878,868</b>	<b>23,890,259</b>
<b>Non salary labour costs</b>		
Agency costs	3,824,602	3,259,735
Long service leave provision	876,563	937,051
Annual leave provision	2,652,796	2,037,288
Accrued days off provision	1,327,079	945,452
<b>Total non salary labour costs</b>	<b>8,681,040</b>	<b>7,179,526</b>
<b>Supplies and consumables</b>		
Medical and surgical supplies	108,233,658	85,154,259
<b>Total supplies and consumables</b>	<b>108,233,658</b>	<b>85,154,259</b>
<b>Finance costs</b>		
Interest on lease liabilities	57,057	63,767
<b>Total finance costs</b>	<b>57,057</b>	<b>63,767</b>

# Notes to and forming part of the financial statements

## Note 3.1: Expenses from transactions

	2023 \$	2022 \$
<b>Other operating expenses</b>		
Advertising	74,006	56,869
Software licence and support	4,120,403	2,647,807
Insurance	69,675	62,679
Legal fees	596,474	440,148
Outgoings	1,322,373	738,089
Printing and stationery	615,694	218,083
Subscriptions	115,909	70,611
Rent	1,309,503	1,231,505
Recruitment	1,631,100	712,026
Security	168,396	54,084
Consultant and professional fees	1,686,915	3,886,961
Telecommunication costs	126,750	122,166
Vehicle and travel costs	307,113	181,753
Staff development and seminars	668,047	265,212
Audit fees - VAGO	39,700	38,600
Audit fees - internal audit	97,688	56,075
Expenses related to short-term leases	297,411	140,038
State Supply Chain third party logistics costs	1,104,656	-
Other	331,173	445,118
<b>Total other operating expenses</b>	<b>14,682,986</b>	<b>11,367,824</b>
<b>Total operating expenses</b>	<b>165,533,609</b>	<b>127,655,635</b>
Depreciation and amortisation (note 4.5)	2,299,042	1,978,228
<b>Total depreciation and amortisation</b>	<b>2,299,042</b>	<b>1,978,228</b>
<b>Total non-operating expenses</b>	<b>2,299,042</b>	<b>1,978,228</b>
<b>Total expenses from transactions</b>	<b>167,832,651</b>	<b>129,633,863</b>

## 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.

# Notes to and forming part of the financial statements

## Note 3.2: Other economic flows

	2023 \$	2022 \$
Loss on disposal of property, plant and equipment (including intangible assets)	(24,518)	-
Other gains/(losses) from other economic flows	126,741	1,317,765
<b>Total net gain/(loss) on non-financial assets</b>	<b>102,223</b>	<b>1,317,765</b>
Allowance for impairment losses of contractual receivables	510,978	(867,373)
<b>Total net gain/(loss) on financial instruments</b>	<b>510,978</b>	<b>(867,373)</b>
Net gain/(loss) arising from revaluation of long service liability	(149,813)	399,648
<b>Total other gains/(losses) from other economic flows</b>	<b>(149,813)</b>	<b>399,648</b>
<b>Total gains/(losses) from other economic flows</b>	<b>463,388</b>	<b>850,040</b>

### How we recognise other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other 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 AASB 9 *Financial Instruments* 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'.

## Note 3.3: Employee benefits in the balance sheet

	2023 \$	2022 \$
<b>Current employee benefits and related on-costs</b>		
Annual leave		
- Unconditional and expected to be settled within 12 months <sup>(i)</sup>	1,979,351	1,890,015
- Unconditional and expected to be settled after 12 months <sup>(ii)</sup>	367,088	302,615
	<b>2,346,439</b>	<b>2,192,630</b>
Long service leave		
- Unconditional and expected to be settled within 12 months <sup>(i)</sup>	47,742	115,300
- Unconditional and expected to be settled after 12 months <sup>(ii)</sup>	2,426,571	2,253,601
	<b>2,474,313</b>	<b>2,368,901</b>
Accrued days off		
- Unconditional and expected to be settled within 12 months <sup>(i)</sup>	574,260	398,326
	<b>574,260</b>	<b>398,326</b>
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value) <sup>(i)</sup>	336,862	230,754
- Unconditional and expected to be settled after 12 months (present value) <sup>(ii)</sup>	488,899	196,669
	<b>825,761</b>	<b>427,423</b>
<b>Total current employee benefits and related on-costs</b>	<b>6,220,773</b>	<b>5,387,280</b>
<b>Non-current employee benefits and related on-costs</b>		
Conditional long service leave	1,026,208	745,552
Provisions related to employee benefit on-costs	181,871	56,272
<b>Total non-current employee benefits and related on-costs</b>	<b>1,208,079</b>	<b>801,824</b>
<b>Total employee benefits and related on-costs</b>	<b>7,428,852</b>	<b>6,189,104</b>

(i) The amounts disclosed are nominal amounts.

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

# Notes to and forming part of the financial statements

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

	2023 \$	2022 \$
<b>Current employee benefits and related on-costs</b>		
Unconditional accrued days off	574,260	398,326
Unconditional annual leave entitlements	2,736,093	2,444,783
Unconditional long service leave entitlements	2,910,420	2,544,171
<b>Total current employee benefits and related on-costs</b>	<b>6,220,773</b>	<b>5,387,280</b>
<b>Non-current employee benefits and related on-costs</b>		
Conditional long service leave entitlements	1,208,079	801,824
<b>Total non-current employee benefits and related on-costs</b>	<b>1,208,079</b>	<b>801,824</b>
<b>Total employee benefits and related on-costs</b>	<b>7,428,852</b>	<b>6,189,104</b>
<b>Attributable to:</b>		
Employee benefits	6,421,220	5,705,409
Provision for related on-costs	1,007,632	483,695
<b>Total employee benefits and related on-costs</b>	<b>7,428,852</b>	<b>6,189,104</b>

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

	2023 \$	2022 \$
<b>Carrying amount at start of year</b>	<b>483,695</b>	<b>662,825</b>
Additional provisions recognised	502,094	(120,861)
Net gain/(loss) arising from revaluation of long service liability	21,843	(58,269)
<b>Carrying amount at end of year</b>	<b>1,007,632</b>	<b>483,695</b>

### 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.

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 HSV does not have an unconditional right to defer settlement of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:

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

# 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 HSV does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

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

Conditional LSL is 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.

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

### 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

	2023 \$	2022 \$
<b>Total payments towards defined contribution plans</b>	<b>3,311,183</b>	<b>2,203,557</b>

HSV has an unpaid superannuation liability as at 30 June 2023 of \$281,105 (2022: \$196,521).

### 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 2023 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 10.5% of gross salaries. Contributions made by HSV are in accordance with employer obligations and exclude salary sacrifice arrangements to the major employee superannuation funds are as reported.

### Defined contribution superannuation plans

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

# Notes to and forming part of the financial statements

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

HSV controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to HSV to be utilised for delivery of those outputs.

### Structure:

- 4.1 Investments and other financial assets
- 4.2 Property, plant and equipment
- 4.3 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>

## Key judgements and estimates

Identifying indicators of impairment

## Description

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.

HSV considers a range of information when performing its assessment, including considering:

- if an asset's value has declined more than expected based on normal use
- if a significant change has occurred 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.

When an impairment trigger exists, HSV applies significant judgement and estimate to determine the recoverable amount of the asset.

## 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 3.7.2 - 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 assets 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

	2023 \$	2022 \$
Property, plant and equipment at fair value	4,408,368	4,032,642
Less accumulated depreciation	(1,576,391)	(1,227,841)
<b>Total plant and equipment at fair value</b>	<b>2,831,977</b>	<b>2,804,801</b>
Computer equipment at fair value	940,856	802,898
Less accumulated depreciation	(383,253)	(324,584)
<b>Total computer equipment at fair value</b>	<b>557,603</b>	<b>478,314</b>
Furniture and fittings at fair value	158,731	147,613
Less accumulated depreciation	(133,115)	(122,702)
<b>Total furniture and fittings at fair value</b>	<b>25,616</b>	<b>24,911</b>
<b>Total plant, equipment, furniture and fittings at fair value</b>	<b>3,415,196</b>	<b>3,308,026</b>
<b>Total property, plant and equipment</b>	<b>3,415,196</b>	<b>3,308,026</b>

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

Note	Plant and equipment \$	Computer equipment \$	Furniture and fittings \$	Total \$
<b>Balance at 1 July 2021</b>	<b>2,613,886</b>	<b>213,254</b>	<b>34,875</b>	<b>2,862,015</b>
Additions	476,646	379,029	6,570	862,245
Disposals	-	-	-	-
Depreciation	4.5 (285,731)	(113,969)	(16,534)	(416,234)
<b>Balance at 30 June 2022</b>	<b>4.2(a) 2,804,801</b>	<b>478,314</b>	<b>24,911</b>	<b>3,308,026</b>
Additions	386,652	364,669	11,118	762,439
Disposals	(7,804)	(16,714)	-	(24,518)
Depreciation	4.5 (351,672)	(268,666)	(10,413)	(630,751)
<b>Balance at 30 June 2023</b>	<b>4.2(a) 2,831,977</b>	<b>557,603</b>	<b>25,616</b>	<b>3,415,196</b>

### 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.

# 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.

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

## Note 4.3: Right-of-use assets

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

	2023 \$	2022 \$
Right-of-use building, plant and equipment at fair value	7,638,934	6,886,186
Less accumulated depreciation	(3,499,064)	(1,966,713)
<b>Total right-of-use building, plant and equipment at fair value</b>	<b>4,139,870</b>	<b>4,919,473</b>
Right-of-use vehicles at fair value	284,606	243,475
Less accumulated depreciation	(112,998)	(87,381)
<b>Total right-of-use vehicles at fair value</b>	<b>171,608</b>	<b>156,094</b>
<b>Total right-of-use building, plant, equipment and vehicles at fair value</b>	<b>4,311,478</b>	<b>5,075,567</b>
<b>Total right-of-use assets</b>	<b>4,311,478</b>	<b>5,075,567</b>

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

	Note	Right-of-use plant and equipment \$	Right-of-use vehicles \$	Total \$
<b>Balance at 1 July 2021</b>		<b>5,668,455</b>	<b>161,083</b>	<b>5,829,538</b>
Additions		599,493	31,881	631,374
Disposals		-	-	-
Depreciation	4.5	(1,348,475)	(36,870)	(1,385,345)
<b>Balance at 30 June 2022</b>	4.3(a)	<b>4,919,473</b>	<b>156,094</b>	<b>5,075,567</b>
Additions		752,748	41,131	793,880
Disposals		-	-	-
Depreciation	4.5	(1,532,351)	(25,617)	(1,557,968)
<b>Balance at 30 June 2023</b>	4.3(a)	<b>4,139,870</b>	<b>171,608</b>	<b>4,311,478</b>

# 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.

Type of asset leased	Lease term
Leased buildings	5 Years
Leased plant and equipment	1-5 Years

### 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.

Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

Further information regarding fair value measurement is disclosed in Note 7.4.

## Note 4.4: Intangible assets

### Note 4.4(a): Gross carrying amount and accumulated amortisation

	2022 \$	2021 \$
Software	2,281,322	2,380,135
Less accumulated amortisation	(2,171,358)	(2,159,846)
<b>Total software</b>	<b>109,964</b>	<b>220,289</b>
<b>Total intangible assets</b>	<b>109,964</b>	<b>220,289</b>

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

	Note	Software \$	Total \$
<b>Balance at 1 July 2021</b>		<b>333,506</b>	<b>333,506</b>
Additions		63,432	63,432
Disposals		-	-
Amortisation	4.5	(176,649)	(176,649)
<b>Balance at 30 June 2022</b>	4.4(a)	<b>220,289</b>	<b>220,289</b>
Additions		-	-
Disposals		-	-
Amortisation	4.5	(110,325)	(110,325)
<b>Balance at 30 June 2023</b>	4.4(a)	<b>109,964</b>	<b>109,964</b>

# 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.

### 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 HSV.

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

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

Expenditure on research activities is recognised as an expense in the period in 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

	2023 \$	2022 \$
<b>Depreciation</b>		
<b>Property, plant and equipment</b>		
Plant and equipment	351,672	285,731
Computer equipment	268,666	113,969
Furniture and fittings	10,413	16,534
<b>Total depreciation - property, plant and equipment</b>	<b>630,751</b>	<b>416,234</b>
<b>Right-of-use assets</b>		
Right-of-use building, plant and equipment	1,532,351	1,348,475
Right-of-use vehicles	25,617	36,870
<b>Total depreciation - right-of-use assets</b>	<b>1,557,968</b>	<b>1,385,345</b>
<b>Total depreciation</b>	<b>2,188,719</b>	<b>1,801,579</b>
<b>Amortisation</b>		
Software	110,323	176,649
<b>Total amortisation</b>	<b>110,323</b>	<b>176,649</b>
<b>Total depreciation and amortisation</b>	<b>2,299,042</b>	<b>1,978,228</b>

# 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 and amortisation charges are based.

	2023	2022
Computer hardware	2-3 years	2.5 years
Furniture and fittings	3-7 years	5 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	2-3 years	1-3 years
Intangible assets	3-5 years	3-5 years

## Note 4.6: Inventories

	2023 \$	2022 \$
Medical and surgical consumables at cost	7,696,633	5,444,794
<b>Total inventories</b>	<b>7,696,633</b>	<b>5,444,794</b>

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 in property, plant and equipment for the year ended 30 June 2023.

# 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
- 5.2 Payables
- 5.3 Contract liabilities

## 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	2023 \$	2022 \$
<b>Current receivables and contract assets</b>			
<b>Contractual</b>			
Inter hospital debtors		6,341,655	11,248,454
Allowance for impairment losses	5.1(a)	(356,395)	(867,373)
Amounts receivable from Government		641,976	904,982
<b>Total contractual receivables</b>		<b>6,627,236</b>	<b>11,286,063</b>
<b>Statutory</b>			
Net GST receivable		484,860	-
<b>Total statutory receivables</b>		<b>484,860</b>	<b>-</b>
<b>Total current receivables and contract assets</b>		<b>7,112,096</b>	<b>11,286,063</b>
<b>Non-current receivables and contract assets</b>			
<b>Contractual</b>			
Long service leave - Department of Health		1,528,925	1,379,102
Amounts receivable from Government		457,561	457,561
<b>Total contractual receivables</b>		<b>1,986,486</b>	<b>1,836,663</b>
<b>Total non-current receivables</b>		<b>1,986,486</b>	<b>1,836,663</b>
<b>Total receivables</b>		<b>9,098,582</b>	<b>13,122,726</b>
<i>(i) Financial assets classified as receivables (Note 7.1(a))</i>			
Total receivables		9,098,582	13,122,726
<b>Total financial assets classified as receivables</b>	7.1(a)	<b>9,098,582</b>	<b>13,122,726</b>

# Notes to and forming part of the financial statements

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

	2023 \$	2022 \$
Balance at the beginning of the year	(867,373)	-
Decrease/(Increase) in allowance	510,978	(867,373)
<b>Balance at the end of the year</b>	<b>(356,395)</b>	<b>(867,373)</b>

### 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 *Financial Instruments* for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

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.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

### Impairment losses of contractual receivables

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

## Note 5.2: Payables

	Note	2023 \$	2022 \$
<b>Current payables</b>			
<b>Contractual</b>			
Trade creditors		10,815,799	3,177,461
Accrued expenses		3,998,697	9,673,796
Accrued salaries and wages		1,065,427	656,284
<b>Total contractual payables</b>		<b>15,879,923</b>	<b>13,507,541</b>
<b>Statutory</b>			
Net GST payable		-	609,694
Payroll tax		203,326	146,036
Fringe benefits tax		66,044	44,647
<b>Total statutory payables</b>		<b>269,370</b>	<b>800,377</b>
<b>Total current payables</b>		<b>16,149,293</b>	<b>14,307,918</b>
<b>Total payables</b>		<b>16,149,293</b>	<b>14,307,918</b>
<i>(i) Financial liabilities classified as payables and contract liabilities (Note 71(a))</i>			
Total payables		15,879,923	13,507,541
<b>Total contractual payables</b>	71(a)	<b>15,879,923</b>	<b>13,507,541</b>

# Notes to and forming part of the financial statements

## Note 5.2: Payables (continued)

### How we recognise payables

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** includes 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 5.3: Contract liabilities

	2023 \$	2022 \$
<b>Opening balance of contract liabilities</b>	3,000,000	-
Add: Payments received for performance obligations not completed during the period	1,800,000	3,000,000
<b>Total contract liabilities</b>	<b>4,800,000</b>	<b>3,000,000</b>
<b>Represented by:</b>		
- Current contract liabilities	4,800,000	3,000,000
	<b>4,800,000</b>	<b>3,000,000</b>

### 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 the delayed transition of the State Supply Chain to HSV.

## Note 5.4: Other provisions

	2023 \$	2022 \$
<b>Non-current other provisions</b>		
Make-good provision	260,167	246,366
<b>Total non-current other provisions</b>	<b>260,167</b>	<b>246,366</b>
<b>Total other provisions</b>	<b>260,167</b>	<b>246,366</b>
<b>Balance at the beginning of the year</b>	<b>246,366</b>	-
Additional provisions recognised	13,801	246,366
<b>Total other provisions</b>	<b>260,167</b>	<b>246,366</b>

### 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 HSV during its operations, along with other information related to financing activities of the HSV.

This section includes disclosures of balances that are financial instruments (such as cash balances). Note: 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"> <li>– has the right-to-use an identified asset</li> <li>– has the right to obtain substantially all economic benefits from the use of the leased asset and</li> <li>– can decide how and for what purpose the asset is used throughout the lease.</li> </ul>
Determining if a lease meets the short-term or low value asset lease exemption	<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. For leased land and buildings, HSV estimates the incremental borrowing rate to be 0.99%.</p> <p>For leased plant, equipment, furniture, fittings and vehicles, the implicit interest rate is between 0.98% and 4.8%.</p>

Assessing the lease term	<p>The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if HSV is reasonably certain to exercise such options.</p> <p>HSV determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:</p> <ul style="list-style-type: none"> <li>– if there are significant penalties to terminate (or not extend), HSV is typically reasonably certain to extend (or not terminate) the lease.</li> <li>– if any leasehold improvements are expected to have a significant remaining value, HSV is typically reasonably certain to extend (or not terminate) the lease.</li> <li>– HSV considers historical lease durations and the costs and business disruption to replace such leased assets.</li> </ul>
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## Note 6.1: Borrowings

	Note	2023 \$	2022 \$
<b>Current borrowings</b>			
Lease liability <sup>(i)</sup>	6.1(a)	1,649,101	1,555,998
<b>Total current borrowings</b>		<b>1,649,101</b>	<b>1,555,998</b>
<b>Non-current borrowings</b>			
Lease liability <sup>(i)</sup>	6.1(a)	2,664,596	3,423,238
<b>Total non-current borrowings</b>		<b>2,664,596</b>	<b>3,423,238</b>
<b>Total borrowings</b>		<b>4,313,697</b>	<b>4,979,236</b>

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

## Maturity analysis of borrowings

Please refer to Note 7.2 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:

	2023 \$	2022 \$
Total undiscounted lease liabilities	4,403,186	5,068,412
Less unexpired finance expenses	(89,489)	(89,176)
<b>Net lease liabilities</b>	<b>4,313,697</b>	<b>4,979,236</b>

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

	2023 \$	2022 \$
Not longer than one year	1,695,848	1,492,241
Longer than one year but not longer than five years	2,707,338	3,576,171
Longer than five years	-	-
<b>Minimum future lease liability</b>	<b>4,403,186</b>	<b>5,068,412</b>
Less unexpired finance expenses	(89,489)	(89,176)
<b>Present value of lease liability</b>	<b>4,313,697</b>	<b>4,979,236</b>
<b>Represented by:</b>		
- Current liabilities	1,649,101	1,555,998
- Non-current liabilities	2,664,596	3,423,238
	<b>4,313,697</b>	<b>4,979,236</b>

## 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 buildings	5 years
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	Pallet trucks, photocopiers / printers
Short-term lease payments	Leases with a term less than 12 months	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 in the substance of fixed payments.

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

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

HSV holds lease arrangements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives. These are commonly referred to as concessionary lease arrangements.

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.

## Note 6.2: Cash and cash equivalents

	Note	2023 \$	2022 \$
Cash at bank		24,401,101	19,714,757
<b>Total cash and cash equivalents</b>	71(a)	<b>24,401,101</b>	<b>19,714,757</b>

### How we recognise cash and cash equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and in banks.

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).

## Note 6.3: Commitments for expenditure

	2023 \$	2022 \$
<b>Operating expenditure commitments</b>		
Less than one year	2,317,140	1,166,790
Longer than one year but not longer than five years	1,958,218	436,611
Five years or more	-	-
<b>Total operating expenditure commitments</b>	<b>4,275,358</b>	<b>1,603,401</b>
<b>Non-cancellable short-term and low value lease commitments</b>		
Less than one year	824,958	51,198
Longer than one year but not longer than five years	8,294	19,822
Five years or more	-	-
<b>Total non-cancellable short-term and low value lease commitments</b>	<b>833,252</b>	<b>71,020</b>
<b>Total commitments for expenditure (inclusive of GST)</b>	<b>5,108,610</b>	<b>1,674,421</b>
Less GST recoverable from Australian Tax Office	(460,329)	(145,826)
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>4,648,281</b>	<b>1,528,595</b>

# Notes to and forming part of the financial statements

## Note 6.3 Commitments for expenditure (continued)

### 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 has not been recognised. HSV has no contractual arrangement to support the reporting of the lease liability and commitment which is recognised by the Department of Health.

## Note 7: Risks, contingencies and valuation judgements

HSV is exposed to risk from its activities and outside factors. It is required to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for HSV is related mainly to fair value determination.

### Structure

7.1 Financial instruments

7.2 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> <p>Level 1, HSV does not categorise any fair values within this level.                      Level 2, HSV does not categorise any fair values within this level.                      Level 3, where inputs are unobservable. HSV categorises plant, equipment, furniture, fittings, vehicles, right-of-use buildings and right-of-use plant, equipment in this level.</p>

# Notes to and forming part of the financial statements

## 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 HSV's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

### Note 7.1(a): Categorisation of financial instruments

	Note	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
<b>30 June 2023</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	6.2	24,401,101	-	24,401,101
Receivables	5.1	8,613,722	-	8,613,722
<b>Total financial assets</b>		<b>33,014,823</b>	<b>-</b>	<b>33,014,823</b>
<b>Financial liabilities</b>				
Payables	5.2	-	15,879,923	15,879,923
Borrowings	6.1	-	4,313,697	4,313,697
<b>Total financial liabilities<sup>(i)</sup></b>		<b>-</b>	<b>20,193,620</b>	<b>20,193,620</b>
<b>30 June 2022</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	6.2	19,714,757	-	19,714,757
Receivables	5.1	13,122,726	-	13,122,726
<b>Total financial assets</b>		<b>32,837,483</b>	<b>-</b>	<b>32,837,483</b>
<b>Financial liabilities</b>				
Payables	5.2	-	13,507,541	13,507,541
Borrowings	6.1	-	4,979,236	4,979,236
<b>Total financial liabilities<sup>(i)</sup></b>		<b>-</b>	<b>18,486,777</b>	<b>18,486,777</b>

(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 *Revenue from Contract with Customers* para 63.

### Financial assets at amortised cost

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

- the assets are held by 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.

HSV recognises the following assets in this category:

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

### 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.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that HSV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debtors that are more than 60 days overdue, and changes in debtor credit ratings.

There has been no material change to HSV's credit risk profile in 2022-23.

### Impairment of financial assets under AASB 9 - Financial instruments

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

Equity instruments are not subject to impairment under AASB 9 *Financial Instruments*. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9 *Financial Instruments*. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 *Financial Instruments*, the identified impairment loss was immaterial.

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

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

### Contractual receivables at amortised cost

HSV applies AASB 9 *Financial Instruments* simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. 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 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
<b>30 June 2023</b>							
<b>Expected loss rate</b>	5.1	5%	10%	10%	10%	33%	
Gross carrying amount of contractual receivables		6,162,660	316,702	4,374	9,981	45,473	6,539,190
<b>Loss allowance</b>		<b>308,133</b>	<b>31,670</b>	<b>437</b>	<b>998</b>	<b>15,156</b>	<b>356,395</b>
<b>30 June 2022</b>							
<b>Expected loss rate</b>		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
<b>Loss allowance</b>		<b>347,971</b>	<b>285,657</b>	<b>229,511</b>	<b>4,234</b>	<b>-</b>	<b>867,373</b>

### 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 *Financial Instruments* 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 \$
<b>30 June 2023</b>							
<b>Financial liabilities at amortised cost</b>							
Payables	5.2	15,879,923	15,879,923	15,879,923	-	-	-
Borrowings	6.1	4,313,697	4,403,186	141,321	282,641	1,271,886	2,707,338
<b>Total financial liabilities</b>		<b>20,193,620</b>	<b>20,283,109</b>	<b>16,021,244</b>	<b>282,641</b>	<b>1,271,886</b>	<b>2,707,338</b>
<b>30 June 2022</b>							
<b>Financial liabilities at amortised cost</b>							
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
<b>Total financial liabilities</b>		<b>18,486,777</b>	<b>18,575,953</b>	<b>13,628,096</b>	<b>269,121</b>	<b>1,102,565</b>	<b>3,576,171</b>

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

## Note 7.3: Contingent assets and contingent liabilities

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

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. At balance date, the Board are 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
- Lease liabilities
- 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 30 June 2023 \$	Fair value measurement at end of reporting period using:		
			Level 1 <sup>(i)</sup> \$	Level 2 <sup>(i)</sup> \$	Level 3 <sup>(i)</sup> \$
Plant and equipment	4.2(a)	2,831,977			2,831,977
Computer equipment	4.2(a)	557,603			557,603
Furniture and fittings	4.2(a)	25,616			25,616
<b>Total plant, equipment, furniture and fittings at fair value</b>		<b>3,415,196</b>	-	-	<b>3,415,196</b>
Right-of-use building, plant and equipment	4.3(a)	4,139,870			4,139,870
Right-of-use vehicles	4.3(a)	171,608			171,608
<b>Total right-of-use assets at fair value</b>		<b>4,311,478</b>	-	-	<b>4,311,478</b>
<b>Total non-financial physical assets at fair value</b>		<b>7,726,674</b>	-	-	<b>7,726,674</b>

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

	Note	Carrying amount 30 June 2022 \$	Fair value measurement at end of reporting period using:		
			Level 1 <sup>(i)</sup> \$	Level 2 <sup>(i)</sup> \$	Level 3 <sup>(i)</sup> \$
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
<b>Total plant, equipment, furniture and fittings at fair value</b>		<b>3,308,026</b>	-	-	<b>3,308,026</b>
Right-of-use building, plant and equipment	4.3(a)	4,919,473			4,919,473
Right-of-use vehicles	4.3(a)	156,094			156,094
<b>Total right-of-use assets at fair value</b>		<b>5,075,567</b>	-	-	<b>5,075,567</b>
<b>Total non-financial physical assets at fair value</b>		<b>8,383,593</b>	-	-	<b>8,383,593</b>

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

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

The fair value measurement of non-financial physical assets 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*, 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 (current replacement cost).

## Furniture, fittings, plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2023.

# 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 \$
<b>Balance at 1 July 2021</b>		<b>2,613,886</b>	<b>213,254</b>	<b>34,875</b>	<b>5,668,455</b>	<b>161,083</b>
Additions/(Disposals)		476,646	379,029	6,570	599,493	31,881
Assets provided free of charge		-	-	-	-	-
Net transfers between classes		-	-	-	-	-
Gains/(Losses) recognised in net result						
- Depreciation and amortisation		(285,731)	(113,969)	(16,534)	(1,348,475)	(36,870)
- Impairment loss		-	-	-	-	-
Items recognised in other comprehensive income						
- Revaluation		-	-	-	-	-
<b>Balance at 30 June 2022</b>	7.4(a)	<b>2,804,801</b>	<b>478,314</b>	<b>24,911</b>	<b>4,919,473</b>	<b>156,094</b>
Additions/(Disposals)		378,848	347,955	11,118	752,748	41,131
Assets provided free of charge		-	-	-	-	-
Net transfers between classes		-	-	-	-	-
Gains/(Losses) recognised in net result						
- Depreciation and amortisation		(351,672)	(268,666)	(10,413)	(1,532,351)	(25,617)
- Impairment loss		-	-	-	-	-
Items recognised in other comprehensive income						
- Revaluation		-	-	-	-	-
<b>Balance at 30 June 2023</b>	7.4(a)	<b>2,831,977</b>	<b>557,603</b>	<b>25,616</b>	<b>4,139,870</b>	<b>171,608</b>

(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	2023 \$	2022 \$
<b>Net result for the year</b>		<b>(1,789,908)</b>	<b>4,310,592</b>
<b>Non-cash movements</b>			
Depreciation and amortisation of non-current assets	4.5	2,299,042	1,978,228
Loss allowance for receivables	3.2	(510,978)	867,373
(Gain)/Loss arising from revaluation of long service liability	3.2	149,813	(399,648)
(Gain) on non-financial assets	3.2	(126,741)	(1,317,765)
<b>Movements in assets and liabilities</b>			
(Increase)/Decrease in receivables		4,535,122	(11,443,697)
(Increase)/Decrease in inventories		(2,125,098)	2,116,381
(Increase) in prepayments		(292,682)	(145,697)
Increase in payables and contract liabilities		3,665,896	10,632,778
Increase in employee benefits		1,089,935	1,313,823
Increase in other provisions		13,800	246,366
<b>Net cash inflow from/(used in) operating activities</b>		<b>6,908,201</b>	<b>8,158,734</b>

## Note 8.2: Operating segments

HSV'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.

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

	Period
<b>Responsible Ministers</b>	
<b>The Honourable Mary-Anne Thomas MP:</b>	
Minister for Health	1 Jul 2022 to 30 June 2023
Minister for Health Infrastructure	5 Dec 2022 to 30 June 2023
Minister for Medical Research	5 Dec 2022 to 30 June 2023
Former Minister for Ambulance Services	1 Jul 2022 to 5 Dec 2022
<b>The Honourable Gabrielle Williams MP:</b>	
Minister for Mental Health	1 Jul 2022 to 30 June 2023
Minister for Ambulance Services	5 Dec 2022 to 30 June 2023
<b>The Honourable Lizzy Blandthorn MP:</b>	
Minister for Disability, Ageing and Carers	5 Dec 2022 to 30 June 2023
<b>The Honourable Colin Brooks MP:</b>	
Former Minister for Disability, Ageing and Carers	1 Jul 2022 to 5 Dec 2022
<b>Governing Board</b>	
Mr Lance Wallace (Board Chair)	1 July 2022 to 30 June 2023
Ms Kate O'Sullivan	1 July 2022 to 30 June 2023
Ms Eileen Keane	1 July 2022 to 30 June 2023
Ms Janet Young	1 July 2022 to 30 June 2023
Mr Andrew Strip	1 July 2022 to 30 June 2023
Professor Christine Kilpatrick	1 July 2022 to 30 June 2023
Mr Craig Fraser	1 July 2022 to 30 June 2023
Mr Douglas Travis	1 July 2022 to 30 June 2023
Ms Felicity Topp	1 July 2022 to 30 June 2023
Ms Ingrid Player	1 July 2022 to 30 June 2023
Ms Margaret Grigg	1 July 2022 to 30 June 2023
Ms Jacinda de Witts	1 July 2022 to 30 June 2023
<b>Accountable Officer</b>	
<b>Mr Neil Rodaway</b>	1 July 2022 to 30 June 2023

# 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	2023 no.	2022 no.
Nil	8	8
\$20,000 - \$29,999	2	2
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	0	1
\$70,000 - \$79,999	1	0
\$430,000 - \$439,999	1	0
\$470,000 - \$479,999	0	1
<b>Total numbers</b>	<b>13</b>	<b>13</b>
<b>Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:</b>	<b>600,239</b>	<b>612,529</b>

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 States' Annual 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

(including key management personnel disclosed in Note 8.5)

	Total remuneration	
	2023 \$	2022 \$
Short-term employee benefits	2,904,667	1,925,426
Post-employment benefits	272,862	194,463
Other long-term benefits	79,717	133,154
Termination benefits	121,957	143,217
<b>Total remuneration <sup>(i)</sup></b>	<b>3,379,203</b>	<b>2,396,260</b>
Total number of executives	15	14
Total annualised employee equivalent <sup>(ii)</sup>	13.0	9.0

(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, directly or indirectly.

### 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)	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 Douglas Travis	Board member
Ms Felicity Topp	Board member
Ms Ingrid Player	Board member
Ms Margaret Grigg	Board member
Ms Jacinda de Witts	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 States' Annual Financial Report.

Compensation	2023 \$	2022 \$
Short term employee benefits <sup>(i)</sup>	555,907	573,905
Post-employment benefits	38,975	36,441
Other long-term benefits	5,357	2,183
Termination benefits	-	-
<b>Total<sup>(ii)</sup></b>	<b>600,239</b>	<b>612,529</b>

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

(ii) KMPs are also reported in Note 8.4 Remuneration of executives.

### Significant transactions with government-related entities

HSV received funding from the Department of Health of \$49,289,103 (2022: \$39,975,373) and indirect contributions of \$1,200,823 (2022: \$2,407,862).

Revenue received from related party transactions from health agencies has been recognised (\$114,512,582) as at 30 June 2023 (2022: \$90,673,590) 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 2023 (2022: none).

There were no related party transactions required to be disclosed for the HSV Board of Directors and Chief Executive in 2023 (2022: Nil).

# Notes to and forming part of the financial statements

## Note 8.6: Remuneration of auditors

	2023 \$	2022 \$
<b>Victorian Auditor-General's Office</b>		
- Audit of financial statements	39,700	38,600
<b>Total remuneration of auditors</b>	<b>39,700</b>	<b>38,600</b>

## Note 8.7: Ex-gratia expenses

HSV has made no ex-gratia payment in the 2023 Financial year..

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

There are no events occurring after the balance sheet date.

## 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 believe the Department of Health will continue to provide funding support to HSV.

## Note 8.10: 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 HSV and their potential impact when adopted in future periods is outlined below:

Standard	Adoption date	Impact
AASB 17: <i>Insurance Contracts</i>	Reporting periods beginning on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Reporting periods beginning on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2022-5: <i>Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</i>	Reporting periods beginning on or after 1 January 2024.	Adoption of this standard is not expected to have a material impact.
AASB 2022-6: <i>Amendments to Australian Accounting Standards – Non-Current Liabilities with Covenants</i>	Reporting periods beginning on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2022-8: <i>Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments</i>	Reporting periods beginning on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2022-9: <i>Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector</i>	Reporting periods beginning on or after 1 January 2026.	Adoption of this standard is not expected to have a material impact.
AASB 2022-10: <i>Amendments to Australian Accounting standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i>	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to HSV in future periods.

# Notes to and forming part of the financial statements

## Note 8.11: 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.

### 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.

# Notes to and forming part of the financial statements

## Note 8.11: Glossary of terms and style conventions (continued)

### Financial statements

A complete set of financial statements comprises:

- (a) balance sheet as at the end of the period;
- (b) comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- (g) a statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101 *Presentation of Financial Statements*.

### Grants and other transfers

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

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

### General government sector

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

### Intangible produced assets

Refer to produced assets in this glossary.

### Intangible non-produced assets

Refer to non-produced 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 by 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.

# Notes to and forming part of the financial statements

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

### Net result

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

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

### Non-financial assets

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

### Non-produced assets

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

### Non-profit institution

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

### Payables

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

### Produced assets

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

### Receivables

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

### Sales of goods and services

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

### Supplies and services

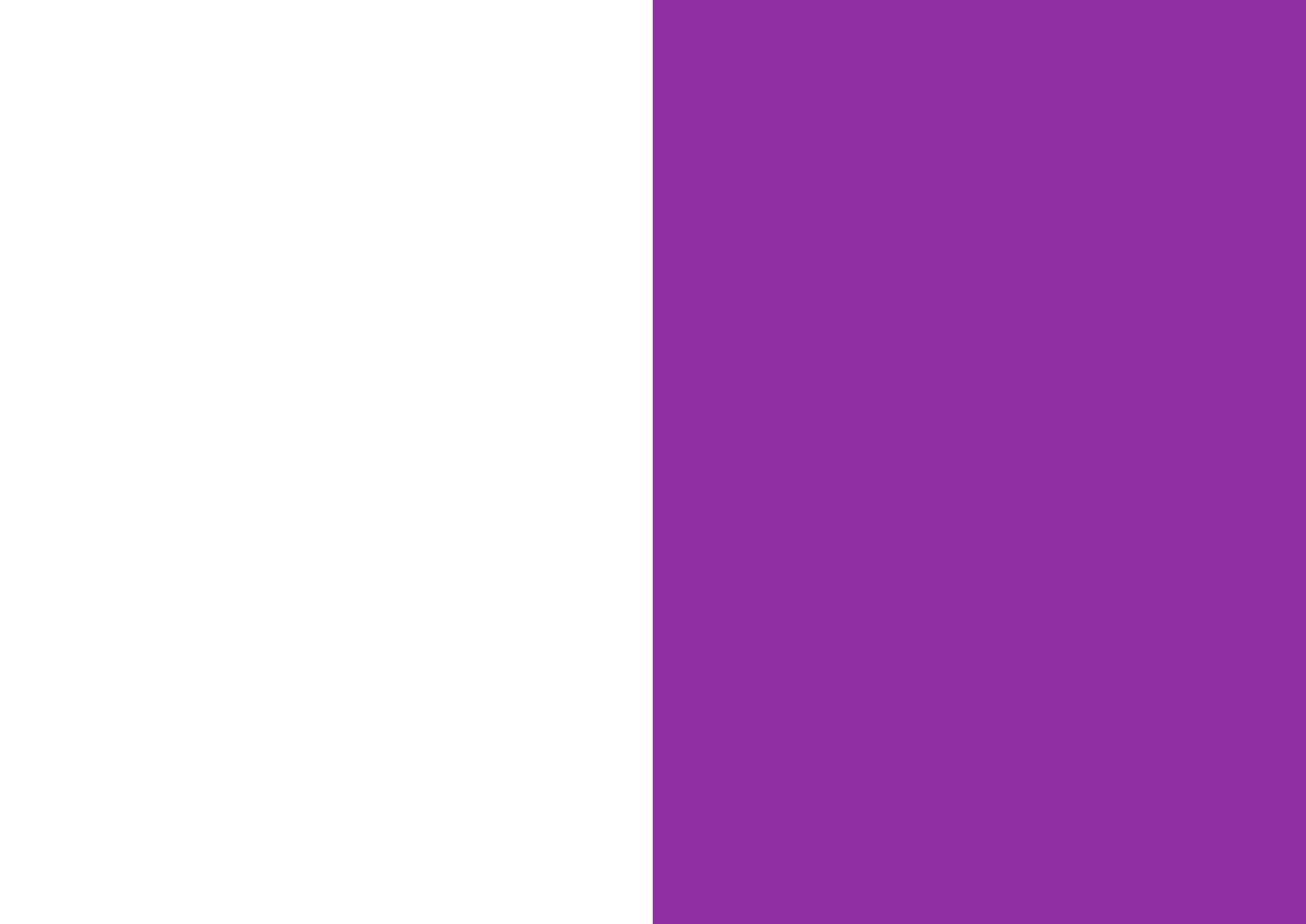
Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of HSV.

### Style conventions

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

The notation used in the tables is as follows:

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





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