



Together we save more

Annual Report 2023–24

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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.

ABN 28 087 208 309

Operations report

HSV in 2023-24:

The year in review

Report from HSV's Board Chair and Chief Executive

HealthShare Victoria (HSV) has continued to transform and grow throughout 2023-24. As worldwide supply chains continue to evolve post-pandemic and with ongoing global supply route challenges, HSV has delivered the sector's best cost reduction result in recent years, continuing to outperform against underlying cost indices. This year we strengthened ties with our health service customers, suppliers and government stakeholders, working together to deliver targeted savings for the health sector.

Throughout the year, we have expanded our supply chain operations and focused on building a more consultative approach to procurement planning, with a series of workshops and symposiums involving health service representatives.

We have continued to reinforce our relationships with key stakeholders including health services, Victoria's Department of Health, Safer Care Victoria and suppliers, as well as Commonwealth bodies such as the Therapeutic Goods Administration (TGA). Working closely with our interstate counterparts is also helping us to meet our goals and ensure supply chain sustainability for Victoria's public health sector.

In December 2023 the Department of Health announced that HSV would work with Monash Health to integrate its logistics function as part of a broader consolidation of health purchasing and logistics activity across the state. This important project has been a major priority in the 2023-24 financial year and will continue into next year.

Notable achievements and undertakings in 2023-24 include:

- Preparing for the Monash Health logistics consolidation, with the conversion and fit-out of the former State Supply Chain (SSC) distribution centre (DC) nearing completion and recruitment for key operational roles underway. A whole-of-state network operational model has been agreed.
- Reconfiguring the Dandenong South DC to provide capacity for 4,600 pallets, bringing the total space of our DCs to more than 32,000 square metres, equivalent to 1.4 Melbourne Cricket Ground (MCG) ovals.
- Improving the reliability of critical medical supplies by establishing the Critical Supplies Register (CSR) – a health sector initiative to proactively identify and manage supply chain risks for critical products. In a constrained financial environment the team has focused on working with suppliers to develop early warning systems for critical products and ensure reporting systems are robust.
- Working with the sector to address ongoing shortages of key medicines and medical consumables including IV paracetamol and benzathine benzylpenicillin (Bicillin), and securing supplies of central venous catheters, intra-aortic balloon pump consumables and corporeal membrane oxygenation (ECMO) consumables.
- Conducting 55 customer site visits to regional health centres including Albury Wodonga Health, South West Healthcare and Latrobe Regional Health, and to metropolitan sites including the Royal Melbourne Hospital, Peter MacCallum Cancer Centre, Austin Health, the Royal Children's Hospital and Eastern Health. These visits improve customers' and HSV's understanding of the challenges and opportunities, enabling us to work together to prioritise our work program effectively for the sector and health services to understand how to maximise the benefits delivered by our services..
- Deepening our consultation with and involvement of health services through a series of workshops on our sector-wide Procurement Activity Plan (PAP), which is updated twice each year with health service input. Involving health services in the development of the PAP has led to greater saving outcomes for the sector.
- Recording the highest-ever outbound volume at our Derrimut DC in May 2024. Almost 95,000 order lines were fulfilled in 2023-24, and we maintained a 99.7 per cent delivery in full on time (DIFOT) score; maintaining customer satisfaction, improving cost efficiency and increasing productivity by 15 per cent.
- Hosting HSV's inaugural Clinical Product Advisors (CPAs) symposium, with more than 30 health service representatives from across Victoria in attendance. The event, which will

be held annually, has been established by HSV as a professional development forum to discuss issues, trends and clinical developments, and to network and build relationships in the sector. The event features technical presentations that help CPAs to enhance their professional development and learn about new products and clinical trends to support enhanced patient care, including outside their field of interest.

- Holding the first of two Pharmaceutical Procurement Strategy workshops, which was attended by 30 procurement leads from across Victoria. They provided valuable input and advice to help shape HSV's pharmaceutical products and IV fluids procurement strategy over the next five years.
- Negotiating \$56.7 million of equipment investment coordinated by HSV's Equipment Sourcing team on behalf of health services – an increase of 6.5 per cent since 2023. A further \$37.0 million worth of equipment sourcing projects are currently in progress and due for completion in 2025.
- Finalising the design and implementation of a more robust Warehouse Management System (WMS), following a detailed requirements and procurement scoping activity. The new WMS is due to be rolled out in 2024-25 and will enable HSV to continue to expand and manage a greater volume of inventory more accurately and efficiently.

Our business-as-usual procurement activities continued to provide measurable savings for Victoria's public health services, delivering \$217.5 million in total benefits in 2023-24 and \$29.1 million 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:

- Establishing two new supplier panels – a statewide agreement for Heating, Ventilation and Air Conditioning and Associated Services, and a new Building Services Trades Metro Agreement that offers health services access to a panel of more than 70 suppliers for maintenance and project work.
- Attracting 110,000 users to one of our IT contracts, offering payroll and HR system solutions, in 2023-24 – double the number initially projected.
- Negotiating a new agreement for virtualisation software platform used extensively by health services to achieve a material cost reduction on the previous state contract.
- Conducting a second regional uniform tender for the Loddon Mallee region, reaping significant benefits for participating health services, including improved value and reduced duplication of effort.
- Entering into 451 new agreements across 34 procurement categories.
- Completing 65 procurement activities and assisting with 28 health service equipment sourcing activities for 17 health services, delivering a total \$29.1 million net cost reduction.



Our Customer Engagement team provided training for 196 health sector employees across 44 individual health services and conducted 481 face-to-face meetings with 73 health services – a 62 per cent increase on the previous year. The team also facilitated 55 site visits for our procurement, data analysis and logistics teams, further deepening HSV's understanding of our health service customers' challenges and requirements and supporting them to extract the greatest value from HSV services.

\$217.5 million in total benefits in 2023-24 and \$29.1 million in net cost reduction. We currently have \$1.4 billion in value under contract.

HSV's supporting functions – namely Finance, Risk and Governance; 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. This included:

- A new Master Services Agreement (MSA) to further protect the interests of health services through more efficient and effective contract management and negotiation opportunities for procurement.
- Continued support for health services that must comply with modern slavery legislation and the release of a new supplier risk assessment tool to help health services identify high-risk suppliers, generating positive feedback from health services. We provided ongoing leadership and guidance on reducing modern slavery risk, delivering 10 Modern Slavery Community of Learning sessions for health services and engaging with 170 medium- to high-risk suppliers to provide training modules and resources and assist in their modern slavery risk management approach.
- We supported more health services to access online training courses in 2023-24. HSV's learning management system (LMS) is being used by 47 health services this year, a significant increase on the 10 health services in 2022-23. The LMS features a content controller allowing health services to access and control HSV course content scheduling, as well as target specific users and report on HSV-mandated compliance training. In 2023-24, HSV published six courses with multiple learning modules for health service employees, resulting in 393 course completions for a total of 2,341 to date.
- We enhanced the Health Service Spend Data Analytics (HeSSDA) reporting application, migrating reporting to a new more integrated platform. This capability improvement means HeSSDA is now published monthly rather than quarterly, giving health services improved ability to interrogate their spend data, supporting reporting compliance and providing HSV with valuable data to assist in evaluating procurement opportunities.
- We launched a 'We Value People' employee recognition program, one of 10 initiatives underpinning our employee retention and attraction framework. The program supports a positive workplace culture by embedding recognition into the everyday employee experience. The program has received a positive response, with more than 140 employees recognised on our peer recognition boards since its introduction in March 2024.

In a tight fiscal environment, HSV's funding was reduced in the 2023-24 and 2024-25 financial years. As a result, we conducted a review of our organisational resourcing, which resulted in 26 roles being discontinued. We actively managed this change to minimise the direct impact on individuals and requirement for redundancies whilst rebalancing the organisation structure, ensuring existing operational capability was not directly impacted.

In other people matters, our office-based team relocated to 50 Lonsdale Street in June 2024 as part of the Department of Health initiative to consolidate all health departments and agencies at one location and reduce expenditure.

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, The Hon Mary-Anne Thomas, together with the Department of Health and other government and health sector agencies and stakeholders.

Our continued strengthening of partnerships with Victoria's public health services and our 661 suppliers in 2023-24 reflects the importance of their ongoing contribution to our achievements.

We express our sincere appreciation to all our health service customers, whose support in working closely with us has been crucial 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 is invaluable.

Our gratitude also goes 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 2023-24. On behalf of all HSV, we acknowledge outgoing Board Chair Lance Wallace and members Ms Felicity Topp and Ms Ingrid Player whose tenures ended on 30 June 2024. We thank them for their service to our organisation and the Victorian health sector.

On 1 July 2024, we welcomed new Board Chair Professor Andrew Way and new independent Board members Professor Erwin Loh and Associate Professor Sue Kirska.

Finally, a big thank you to HSV's employees, who have continued to rise to the challenge of managing complex and diverse projects throughout a busy and challenging year. Thank you for your willingness to learn, adaptability, ability to anticipate potential outcomes, and all your efforts to achieve savings that help health services improve patient care.

This report recognises our efforts and successes as we've worked together to ensure health services have 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 2024.



A handwritten signature in black ink, reading "Andrew Way".

Professor Andrew Way
HSV Board Chair
30 August 2024



A handwritten signature in black ink, reading "N. Rodaway".

Neil Rodaway
HSV Chief Executive
30 August 2024

2023-24 at a glance

These are some of HSV's achievements and activities from a busy year that saw 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.

\$217.5m in total benefits delivered to the sector,
\$29.1m cost reduction
(\$5.6m above cost reduction target)

Customer satisfaction survey overall rating for HSV: **73%**



Supply chain risks investigated:
171



Reference group nominations:
485



People trained in contract management, compliance and modern slavery across 47 health services:
196



Medical equipment expenditure of **\$56.7m** across 17 health services, delivering benefits of more than **\$10.5m**



HSV entered into **451** new individual supplier agreements in 2023-24

'We Value People' employee program launched with 10 initiatives to help attract and retain top talent at HSV

Health services
see value in HSV
communication:
71%



Helpdesk
tickets received:
10,000+



71 procurement
categories covered
with a total value
under contract of
\$1.4 billion



Derrimut DC completed
5,490 deliveries which
consisted of: **17,671 pallets**
and **7,704 roll cages**

Products
involved in surety
risks: **1,276**

Health service
sourcing activities
completed for
FY2023-24:
28

HSV Updates newsletters
published with monthly
readership of more than
900 people: **11**



Benefits from collective
agreements delivered to the
sector, \$40.0m above target:
\$202.3m



59,835km travelled to
regional health services by
Customer Engagement team.
A 34 per cent increase on
2022-23



Number of
participants in
Modern Slavery
Community of
Learning sessions:
300

Customer
Engagement
contacts with HSV:
13,750



About HSV

HSV was established on 1 January 2021 as an independent, commercially oriented public sector 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 (the 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 transformational capability to support ongoing development and continuous improvement.

HSV also plays a critical role in ensuring Victoria's public health services have access to goods that may be in higher demand or difficult to access, including personal protective equipment (PPE), medical consumables, ICU equipment and the Victorian pharmaceutical reserve.

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



HealthShare Victoria

ember 2022



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

Our goals focus on being the trusted service partner for our public health service customers, delivering value, prioritising customer centricity and enhancing our capability to support sustainable, high-quality healthcare for all Victorians, while collaborating to address shared health system challenges.

As a customer-centric service organisation that also prioritises people development, we strive to provide dependable services to our public health service customers. Our goals and collaborative stakeholder focus are encapsulated 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 establishing collective agreements for medical consumables, pharmaceuticals and medical equipment, as well as the non-medical products and services they need via large-scale collective tenders.

Under section 131 of the *Health Services Act 1988* (Vic) (the Act), we administer several compliance-related functions, and we work with health services to assist them in 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 that have been assessed as 'eligible services' under the Act.

HSV's core business functions – Procurement and Logistics – are reinforced by our supporting functions. The Finance, Risk and Governance; Information Technology; and People, Culture and Safety operations 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), health services (Schedule 5 of the Act), as well as entities that have qualified as eligible service customers.

In 2023-24, we continued our program to consolidate health services as end-to-end supply chain customers able to order products from HSV. We have also completed the necessary system infrastructure to support the broader rollout of our operations at scale to Victoria's public health sector.

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 2023-24. 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:

- The Victorian Industry Participation Policy
- The Supplier Code of Conduct
- *Local Jobs First Act 2003* (Vic)
- Buying for Victoria
- The Social Procurement Framework
- *Gender Equality Act 2020* (Vic)
- Victorian Public Sector Commission People Matter Survey
- Code of Conduct for Victorian Public Sector Employees issued by the Victorian Public Sector Commission
- *Charter of Human Rights and Responsibilities Act 2006* (Vic)

Our locations

Our primary office is located at 50 Lonsdale Street in Melbourne. HSV also operates several distribution centres (DCs):

- HSV's main DC is a large warehouse with offices facilities at Derrimut in Melbourne's west
- Our smaller DC contains a warehouse with offices in Dandenong South
- HSV also manages third-party logistics providers as part of the SSC.

End-to-end supply chain

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





Supply Chain Surety

HSV's Surety function made significant strides in 2023-24 in improving the resilience and reliability of critical medical supplies. Our efforts have been focused on supporting our primary goal of mitigating risks associated with supply chain disruptions and supporting the healthcare sector's ability to provide continuous patient care.

A major achievement in 2023-24 was the development of mitigation plans for the Critical Supplies Register (CSR), which was designed to proactively identify and address potential shortages of essential medical supplies.

The CSR is a proactive approach to supply chain management and helps ensure healthcare providers are equipped to deliver exceptional care under all circumstances. In 2023-24, the CSR initiative involved 66 clinicians from across 13 health services, resulting in seven clinical workstreams being established.

On the supply side, we worked closely with suppliers and HSV's Procurement function to commence new procurement contracts featuring variations to ensure a steady and reliable supply of CSR products. These actions provide a foundation for greater certainty and stability in the supply chain, especially for high-demand items.

Addressing shortages of key medicines has been a crucial part of our work. We tackled significant supply challenges for medications such as IV paracetamol and benzathine benzylpenicillin (Bicillin). We coordinated efforts to manage these shortages effectively, ensuring that health services could continue to meet patient needs without interruption.

HSV also plays a vital role in supporting health services facing shortages of medical consumables, in addition to our work on key medicine lines. Our interventions included securing supplies of central venous catheters, intra-aortic balloon pump consumables and extra corporeal membrane oxygenation (ECMO) supplies. These efforts were critical in maintaining the operational capacity of health services during periods of high demand.

Collaboration remained a cornerstone of our strategy. We strengthened our relationships with key stakeholders, including the Therapeutic Goods Administration (TGA) medicines and devices shortage teams, Safer Care Victoria, the Department of Health, and interstate counterparts in state-based health departments. We were also instrumental in the equitable distribution of oral antivirals from the National Medicine Stockpile to both public and private hospitals in Victoria, ensuring fair access across the healthcare system.



Overcoming a critical shortage: How HSV secured IV paracetamol for Victoria's public health services

HSV acted as a central point of contact and coordination during an acute shortage of IV paracetamol by liaising with health services, clinicians, distributors, suppliers and other government agencies.

IV paracetamol is a critical medication in hospital settings, essential for post-operative pain management and fever control in various medical scenarios.

The main paracetamol supplier experienced an interruption to supply caused by an unforecast increase in global demand, which also affected alternative suppliers. Medicine supplies became sporadic, expensive and unreliable, posing significant risks to patient care and hospital operations. Health services faced the challenge of maintaining adequate pain management and fever control with severely limited stock, impacting patient outcomes and extending hospital stays.

HSV implemented a comprehensive approach to address the shortage, starting with a rapid stock assessment revealing only two to three weeks of remaining stock statewide before escalating the issue to the Department of Health and Safer Care Victoria.

A clinical working group was formed to develop conservation strategies and alternative treatment protocols. Urgent clinical guidelines were created and disseminated, prioritising use for critical cases. We maintained regular contact with suppliers for updates on new shipments.

A multi-pronged approach was adopted to balance immediate needs with long-term supply sustainability and to mitigate risks to patient care during the shortage. We implemented a centralised distribution system supported by a dynamic allocation model based on critical needs. Regular sector-wide communications were put in place, providing conservation guidelines and escalation points. HSV explored alternative supply options, working to address challenges around availability and cost, while also facilitating information sharing between clinicians to allow best practice to be shared to help manage the shortage.

The result was a 70 per cent reduction in the use of IV paracetamol. The changes in clinical practice also support future surety of supply, with patients most in need receiving this critical medication and the issue being managed in a timely and efficient way.

For HSV, the experience highlighted our deep understanding of supply chains, the importance of rapid communication, the value of evidence-based clinical guidance and the need for flexible allocation strategies. Over the longer term, the successful approach taken has also strengthened the sector's ability to respond to future supply challenges, ultimately improving patient care and operational efficiency.

Procurement

Recognising the importance of working together to save more, HSV has extended its consultative approach to procurement planning in 2023-24 with a series of workshops and symposiums attended by metropolitan and regional health services.

These workshops are intended to foster open dialogue, capture valuable insights from health services, discuss unidentified opportunities and enhance the overall effectiveness of HSV's procurement strategies.

HSV's first Clinical Product Advisor (CPA) symposium drew attendees from across Victoria to discuss issues, trends and clinical developments, and to network and build valuable relationships in the sector. The symposium also contributed to the ongoing professional development requirements for the clinician attendees.

In 2023-24 HSV held two Procurement Activity Plan (PAP) workshops and a pharmaceutical workshop. Through the PAP, HSV provides health services and suppliers with visibility of our planned activities over a rolling two-year period and is updated twice a year with health service input. Each PAP workshop is designed to brainstorm with the sector and build on HSV procurement stream updates, with a focus on sector-wide savings and improvements.

HSV supports health service productivity through the provision of an online helpdesk, resolving 2,369 health service queries in 2023-24. The Procurement function also worked with internal business partners, hosting information sessions about conflicts of interest, probity and using the Victorian Product Catalogue System (VPCS). This contributes to our focus on sharing knowledge and increasing health service understanding of HSV processes and tools.

The Procurement function has increased its overall engagement at health services to better understand operational environments. In 2023-24 HSV Procurement teams visited 55 health service sites across metropolitan and regional areas.

By focusing on enhancing supply chain surety, HSV's CPAs have identified suitable alternative products and improved product recall procedures. They have worked with health services to implement new recall location taxonomy that supports health services to send recall notices within their own organisations.

CPAs continue to work across HSV and with health services to realise savings more quickly. By establishing HSV-led product evaluation committees for new contracts, health service workloads have reduced without compromising health service input.

In 2023-24, HSV completed 65 procurement activities, and assisted with 28 equipment health service sourcing activities (HSSAs) across 17 different health services, delivering a \$29.1 million net cost reduction. We entered into 451 new agreements across 34 categories. HSV's value under contract of \$1.4 billion was subject to a weighted average indexation of 4.3 per cent, compared to HSV's cost reduction of 2.0 per cent. The outcome for Victoria's public health sector is a 6.3per cent net benefit, or \$89.7 million in value.

HSV is committed to supporting local jobs, shown in the establishment of two new supplier panels, namely a statewide panel agreement for Heating, Ventilation and Air Conditioning and Associated Services and a metropolitan panel agreement for Building Services – Trades. These panels were established by prioritising engagement with local providers and small-to-medium businesses, as well as statewide and national suppliers to provide flexibility to health services to meet their needs across these categories.

The IT procurement stream continues to interact with health services via an annual IT survey to identify current roadblocks and/or initiatives that would benefit from collaborative procurement events.

Working with the Department of Health's Health Technology Solutions (HTS) team, HSV created a Citrix Platform agreement covering all licensing requirements for the next five years. This means health services can acquire licensing directly from HTS rather than procure individually, reducing administrative overheads and achieving a better price point.



Clinical Product Advisor symposium

The role of Clinical Product Advisors, or CPAs, in the health sector has evolved at a rapid pace. Clinical product advisory is not just about products – the role now involves procurement, supply chain and logistics, analytics and commercial functions as well as change management and continuous improvement.

In November 2023, more than 30 CPAs representing health services from across Victoria gathered for HSV's inaugural CPA Symposium in Melbourne's CBD.

HSV established the symposium as an annual forum to discuss issues, trends and clinical developments, and to network and build relationships in the sector. The clinical product advisory service is a key part of the supply chain solution that HSV provides, helping to build understanding of the products, their uses and areas for improvement across the sector. Our mission to get the right product to the right place at the right time sits at the core of everything we do.

The symposium provides health service CPAs with a good opportunity for professional growth, knowledge sharing and networking. The program for the day includes topics on emerging product changes such as neural connectors and improved product recall practice, understanding the Special Access Scheme process provided by the TGA, and incorporating valuable feedback and ideas from the CPA community.

The technical presentations featured in the program contribute to CPAs' professional development, enabling them to learn about the latest products and trends, learn something new beyond their field of interest and enhance patient care outcomes. The CPA Symposium program supports participants' professional development with points that contribute to annual registration requirements.

For many CPAs who work independently or in small teams, the group is an important source of support and expertise. A range of health services attended including from Peter MacCallum Cancer Centre, Mercy Health, Peninsula Health and St Vincent's Hospital. Regional health services included South West Health Care, Barwon Health, Goulburn Valley and Albury Wodonga.

Logistics

HSV's Logistics function continued to solidify its role as a core function of the organisation during 2023-24. After assuming responsibility for the State Supply Chain at the end of 2022-23, we have successfully integrated and operated via our Derrimut DC over the past 12 months, dispatching 263,551 cartons across 8,047 customer orders to 82 individual delivery points around the state.

We have actively managed our inventory storage requirement to move from 11 third-party logistics providers to five facilities, significantly reducing operating costs. Following a detailed scoping of requirements and procurement activity, we have designed and are implementing a robust warehouse management system (WMS) due later in 2024-25, which will enable the Logistics function to continue to meet the Department of Health and sector need for an expanded solution able to manage a greater volume of inventory more accurately and efficiently.

Our DC teams across both the Derrimut and Dandenong South locations have adopted Lean Six Sigma methodologies as part of our program of continuous improvement. This program focuses on process optimisation, employee engagement and sustained operational excellence. We rolled out several new initiatives and process improvements throughout 2023-24.

An example of this is the reduction in time our DC employees spend looking for the tools required to do their job by ensuring items including tape guns, radio frequency scanners, portable printers and stationery, are sorted and set out in order. As 'everything has a home or a space where it belongs' we give our team the best opportunity to perform their role as safely, efficiently and accurately as possible.

A further initiative implemented – as a benefit of our interim hybrid WMS – is standardising delivery labels for all customer orders. This has streamlined the picking and packing process, reducing the time required to prepare orders for dispatch and improving overall workflow efficiency. Our standardised labels also minimise the risk of miscommunication around delivery points, creating operational benefits and improved workflow for customers, ultimately reducing the costs associated with warehouse operations, particularly labour.

Derrimut Distribution Centre

HSV's Derrimut DC continued to experience significant growth throughout 2023-24 while delivering on key initiatives. Building on the previous year, our focus on safety, efficiency and higher quality standards through continuous improvement is the foundation of our operation, contributing to customer satisfaction of 73 per cent in the 2024 HSV Customer Survey.

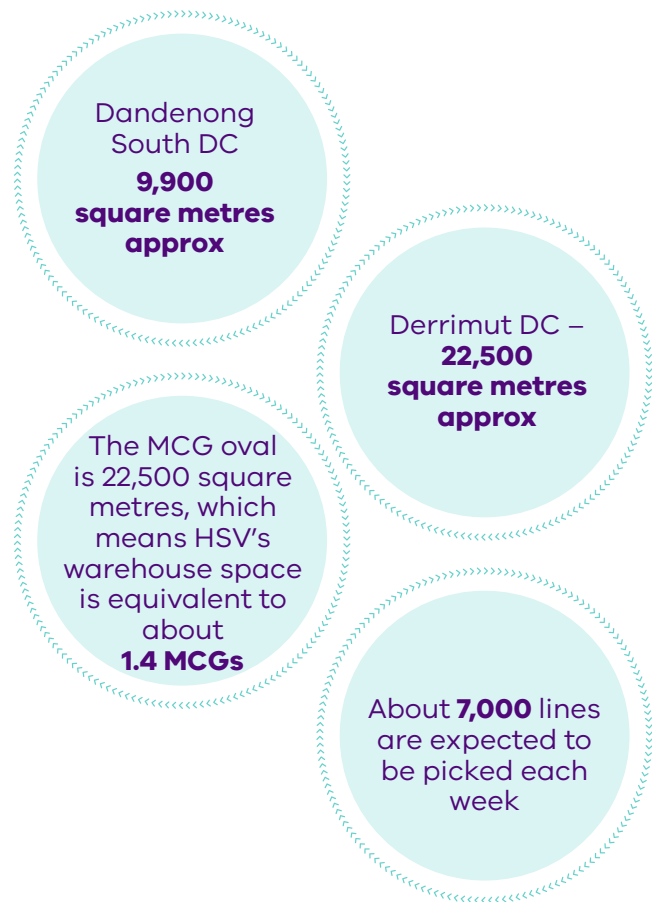
Our focus on system and process enhancements across the DC has delivered further improvements in our inventory record accuracy, which has continued to increase – up from 95.7 per cent in June 2023 to 99.1 per cent at the end of 2023-24. The DC team is diligently auditing and reconciling inventory to ensure accuracy and efficiency, ensuring unnecessary stock losses and write-offs are minimised and that our customers receive correct and accurate orders every time.

The increased inventory accuracy can be accredited to real-time data and improved visibility – further benefits of the interim hybrid WMS, continuous improvement and initiatives in inventory management processes, and accurate demand planning. This has resulted in a reduction in stockouts and improved operational efficiencies across the DC, and ultimately providing better service levels for our customers.

Through our program of continuous improvement, we have seen a further 19 per cent increase in our productivity over the past 12 months. This improvement can be attributed to the DC team's commitment to implementing more efficient workflows, providing additional employee training and embracing technology upgrades and enhancements.

In addition to increased inventory accuracy and productivity, Derrimut DC has seen further improvements in order fulfilment with the delivery in full on time (DIFOT) rate continuing to increase from 98.7 per cent in June 2023 to an impressive 99.7 per cent in June 2024. These improvements highlight our ability to process and deliver customer orders accurately and on time.

HSV Logistics remains committed to leveraging technology, optimising processes and enhancing team capabilities. Our significant investments in infrastructure and training will ensure we continue to meet and exceed customer expectations.



Dandenong South Distribution Centre

HSV commenced work to bring a second DC at Dandenong South online in 2024.

With pallet racking installed, the 9,900 square metre Dandenong South warehouse is just under half the size of our Derrimut DC, and provides capacity for 4,600 pallets. Additional racking was installed which increased warehouse capacity by 20 per cent. Other installations included safety barriers, floor line safety marking and material handling equipment charging bays.

The completion of an office fit-out, including workstations and wireless access points fitted throughout the warehouse, ensures appropriate access to computers, printers and radio frequency scanners – all of which support safety and efficient operations.

HSV's Dandenong South DC will initially provide services to Monash Health, Melbourne's largest health service, as part of a broader consolidation of health purchasing and logistics activity across the state. This project was a major priority for HSV in 2023-24 and we continue to work with all stakeholders to ensure a smooth integration.



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Customer engagement

HSV's Customer Engagement function aims to help HSV provide excellent customer service and works closely with our health services to enhance the customer experience across the health sector. Six 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.

HSV Customer Engagement ensures HSV and health service needs, issues, concerns, risks and opportunities are understood and communicated to multiple stakeholders, helping all parties to work collaboratively to deliver solutions.

In 2023-24, the team provided training for 196 staff across 44 health services on a range of topics, including Inductions to HSV for new employees, and programs covering the Victorian Product Catalogue, Probity and Jaggaer.

During the financial year, the team conducted 481 face-to-face meetings across 73 health services, an increase of 62 per cent on the previous year, and 912 video conference meetings with health service stakeholders. This intensive health service interaction helps us to enhance our understanding of individual needs and in working together, enable practical solutions to be found.

Ways in which the Customer Engagement team has brought value to health services in 2023-24 include:

- Supporting regional health services in the procurement space including four collective procurement opportunities covering Medical Imaging Services, Hover Mats, External Contracted Medical Imaging Services and Uniforms.
- Supporting seven individual procurement activities across six health services to procure medical equipment such as x-ray, mammography CT, MRI and fluoroscopy, and external medical imaging.
- Conducting the 2024 HSV Customer Satisfaction survey, gathering feedback from 256 health service staff with an overall customer satisfaction score of 73 per cent
- Supporting health service alignment with HSV's new purchasing policies.
- Hosting two Procurement Activity Plan sector briefings, including one face-to-face workshop.
- Facilitating annual cost savings of more than \$350,000 for eligible services accessing HSV collective agreements.
- Conducting 18 face-to-face executive relationship meetings with metropolitan and regional health services.
- Continuing the Certificate IV in Procurement and Contracting, with 42 students completing the course to 30 June 2024, while working with the training provider to establish an updated accredited Certificate IV to commence in early 2024-25.
- Conducting contract transition meetings with health services across four contracts to assist them in achieving best value and quality outcomes.
- Supporting the facilitation of community of learning sessions for the *Modern Slavery Act 2018* (Cth).
- Supporting health services in managing supplier performance for non-HSV collective agreements, including linen services for regional health services.



Loddon Mallee collaborative uniform tender extended to 11 health services

Eleven health services in the Loddon Mallee region are now able to benefit from a collaborative corporate uniform tender managed on their behalf by HSV.

Following the success of the initial corporate uniform tender in 2022, a further five health services requested to participate in a second tender in 2023-24 with a value of \$1 million over three years.

Health services participating in this second tender are Boort District Health, Rochester and Elmore District Health Service, Inglewood and Districts Health Service, Swan Hill District Health and Kerang District Health. The tender took nine months and increased the value under contract by 75 per cent. There has been an increase in demand from health services for uniforms, and particularly medical scrubs, since the pandemic.

By participating in the tender, regional health services are able to benefit from more competitive market rates, enhanced reporting and a simplified online ordering system. Health services also have a smaller, more manageable administrative involvement as part of running a tender.

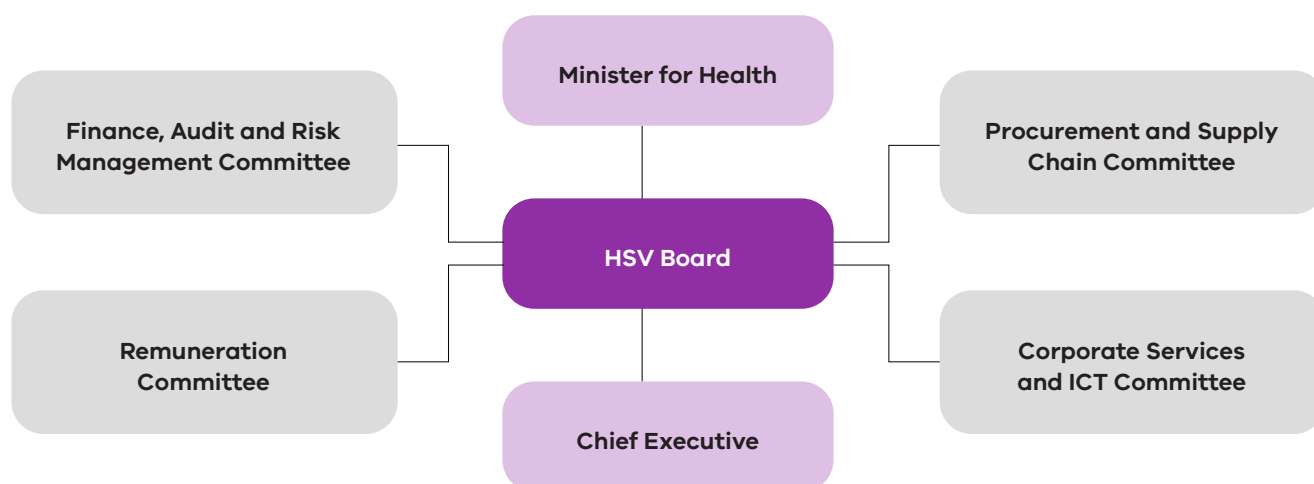
The tender reporting system also gives health services clear oversight of orders and spend and assists with compliance. Health services can easily see when staff allocations have been fulfilled and get a stylish, functional uniform that's customised to their requirements.

In addition to HSV's focus on getting the right product at the right time, ensuring suppliers are located in the right place is a key factor, which reflects the consideration of local jobs in assessing value under this agreement. The advantage of appointing locally based suppliers to the corporate uniform panel means that health services don't have to hold a large inventory of stock.

The commercial solution is a win for health services and the local community. One supplier with a staff of 60 has experienced a 12 per cent growth in business due to the regional tender, while another employing 15 people is able to provide more stable long-term employment due to the new contracts.

Governance

The responsible Minister for HealthShare Victoria is the Minister for Health, The Hon Mary-Anne Thomas MP.



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 (tenure concluded 30 June 2024)

Lance was appointed as Chair of the HSV Board in January 2021 until 30 June 2024.

Lance is a Certified Practising Accountant and has held several 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. He is a former Chair of the Department of Health and Human Services Accredited Purchasing unit, a former member of the Victorian Government Purchasing Board and a member of the Board of Eastern Health.

Professor Andrew Way

Chair, HSV Board and Chair, Major Projects and ICT Committee (commenced 1 July 2024)

Andrew has served as Chief Executive of Alfred Health since 2009 and will be stepping down from that position in 2025. Andrew led the development of Monash Partners, Victoria's first academic health science centre and was appointed Adjunct Clinical Professor in the School of Public Health and Preventative Medicine, Faculty of Medicine Nursing and Health Sciences at Monash University in 2015. Additionally, he holds several non-executive and advisory roles both in Australia and abroad.

Quality and safety in patient care, the development of academic medical organisations, patient flow and experience, and using IT as a clinical enabler are some of Andrew's key areas of professional interest.

Ms Eileen Keane

Chair, Procurement and Supply Chain Committee

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

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

Ms Janet Young

Board member and Chair, Finance, Audit and Risk Management Committee

Janet is a Chartered Accountant with more than 30 years' experience in professional service firms including legal, accounting and consulting. In her current role with Russell Kennedy Lawyers and in recent roles as COO/CFO for leading law firms Herbert Smith Freehills and Minter Ellison, Janet's portfolio has included responsibility for finance, information technology, people and development, business development, strategy and transformation.

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

Ms Felicity Topp

Board Member – Independent (tenure concluded 30 June 2024)

Felicity is the Chief Executive of Peninsula Health.

She 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.

Mr Craig Fraser

Board Member – South West Healthcare

Craig has been the Chief Executive of South West Healthcare since 2017, which includes a newly opened, purpose-built facility delivering a regional logistics and distribution service.

With more than 25 years' experience as an executive and senior manager in the Victorian public health sector, Craig worked in metropolitan teaching hospitals before moving into rural and regional health. Prior to these appointments, he was a prosthetist orthotist, honing his clinical skills for many years while concurrently holding management roles.

Dedicated to improving the health of rural Victorians and reducing the health disparities that exist, Craig strives to provide care closer to home whilst enhancing care, safety and optimising patient experience.

Ms Margaret Grigg

Board Member – Independent

Margaret was Chief Executive at Forensicare between 2019 and 2023. Margaret is an experienced mental health professional with extensive understanding of and performance in senior executive leadership roles.

Previously, her roles included Deputy Chief Executive of Mind Australia and Vice President of the Kyneton District Health Service Board. Margaret is a Director of Mind Australia and Colac Area Health.

Margaret has held further senior executive roles across the Victorian Department of Health and Human Services including as Executive Director of Health Services Policy and Commissioning.

Ms Kate O'Sullivan

Board Member – Department of Treasury and Finance

Kate is the Department of Treasury and Finance representative on the board. Kate is currently Deputy Secretary Infrastructure Division of the Victorian Department of Treasury and Finance.

Kate has 25 years' experience in public policy and procurement at both Commonwealth and State Government levels, having held a variety of key roles in the Victorian Department of Treasury and Finance and the Commonwealth Department of Finance and Administration. Kate brings significant experience to the HSV Board overseeing tender processes and ensuring compliance with procurement policies, together with a strong understanding of the commercial principles underpinning contract risk allocation and performance monitoring.

Ms Jacinda de Witts

Board member – Deputy Secretary, Regulatory, Risk, Integrity and Legal at the Department of Health

Jacinda has held various senior leadership roles at the Department of Health including Deputy Secretary of the Regulatory, Risk, Integrity and Legal Division and Public Health, Emergency Operations and Coordination Division. Jacinda has more than 25 years' experience practising law and has held various board and committee roles, including as Director of the Royal Children's Hospital Board and the Cancer Council of Victoria Board.

Prior to joining the Department of Health in early 2017 as General Counsel and Chief Legal Officer, Jacinda was a founding principal at Hive Legal and previously a partner at Minter Ellison.

Ms Ingrid Player

*Board Member – Independent
(tenure concluded 30 June 2024)*

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, Integral Diagnostics Ltd and not-for-profit healthcare provider Epworth Foundation.

During her executive career Ingrid held several senior roles with private healthcare provider Healthscope Ltd, including as 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.

Professor Erwin Loh

*Board member – Independent
(commenced 1 July 2024)*

Erwin is President Elect of the Royal Australasian College of Medical Administrators and National Director of Medical Services for Calvary Health Care. He was previously Chief Medical Officer at Goulburn Valley Health and Monash Health, and Group Chief Medical Officer at St Vincent's Health Australia.

Erwin has qualifications in medicine, law and management. He has adjunct professorial appointments at Monash University, The University of Melbourne and Macquarie University. He received the Distinguished Fellow Award from RACMA in 2017 for his commitment to governance, research and publication.

Associate Professor Sue Kirska

*Board member – Independent
(commenced 1 July 2024)*

Sue Kirska is the Director of Pharmacy at Monash Health. She is a member of the Board of the Australian Pharmacy Council, where she was the Chair for six years until May 2024. Sue holds an adjunct position at Monash University, as Chair of the Stakeholder Reference Group for the Vertically Integrated Master of Pharmacy degree.

Prior to joining Monash Health in 2015, Sue was Director of Pharmacy at the Peter MacCallum Cancer Centre.

Sue was President of the Society of Hospital Pharmacists of Australia (SHPA) from 2010 to 2012. In 2015, Sue was the recipient of the Fred J Boyd award and a Monash University Distinguished Alumna.

Board attendance 2023-24

The HSV Board met six times between 1 July 2023 and 30 June 2024.

HSV Board meeting attendance July 2023 to June 2024.

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

Lance Wallace, Felicity Topp and Ingrid Player ended their HSV Board tenure on 30 June 2024. 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 2023-24.

Remuneration Committee

Chair: Lance Wallace (HSV Board Chair)

Members: Eileen Keane (HSV Board member), Janet Young (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), John McKenna (Independent member), 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. It 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: Ingrid Player (HSV Board member), Margaret Grigg (HSV Board Member), Neil Sigamoney (Director Engineering and Corporate Service Monash Health), Marcus Kim (Director Procurement the Royal Melbourne Hospital), Andrew Trigg (COO, South West Healthcare), Catherine Carrigan (Independent Member).

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), Margaret Grigg (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 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
- 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 2023-24

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

The *Health Services Act 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. Excellence in procurement, purchasing and logistics services through the provision of improved statewide services. Comply with Victorian Government policies and guidelines where applicable.	Achieved and ongoing HSV effectively transitioned the State Supply Chain (SSC), including running down SSC PPE stock and supporting health services to purchase directly into own stock. HSV is on track to onboard Monash Health purchasing and logistic functions in 2024-25.
2. Ensuring financial sustainability by the implementation of remodelled procurement and supply chain savings initiatives. Support DH-led reforms that address financial sustainability, operational performance and system management.	Achieved HSV Surety funding ceased at the end of 2023-24. HSV undertook a resource rebalancing exercise to realise cost savings. The HSV office was relocated to 50 Lonsdale Street, Melbourne.
3. Improving equitable access to healthcare and wellbeing for Aboriginal and Torres Strait Islander people.	In progress HSV has progressed various initiatives as part of our work to implement the Aboriginal and Torres Strait Islander Cultural Safety Framework and has self-assessed to be in the 'emerging' phase.
4. A stronger workforce through leadership, health and safety, flexibility, and career development and agility. Prioritise the wellbeing of HealthShare Victoria employees.	In progress and ongoing HSV has leadership training for people leaders and provides opportunity for professional development and career progression. HSV rolled out the We Value People (WVP) program as our employee value proposition and undertook regular employee surveys to measure organisational culture
5. Support health services to be more resilient and adaptable to climate change	In progress and ongoing 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 health services.

Reporting against the Statement of Priorities – Part B

Strong governance, leadership and culture

Key performance measure	Target	Outcome
Organisational culture		
1. People Matter Survey – percentage of employees with an overall positive response to safety culture survey questions.	70 per cent	Deferred to 2024-25
2. Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework at HealthShare Victoria.	30 June 2024	In progress and ongoing
3. Establish mandatory HealthShare Victoria Aboriginal cultural safety training requirements, including for senior leadership and board.	30 June 2024	In progress and ongoing
4. HealthShare Victoria to develop a statement of its organisational sustainability strategy.	30 June 2024	Achieved

Effective financial management

Key performance measure	Target	Outcome
5. Operating result (\$m) surplus	\$0	\$0.0
6. Generate minimum gross savings (\$m) in FY24	\$25	\$29.1
7. Average number of days to pay trade creditors	30 days	25 days
8. Average number of days to receive HSV fee debtors	45 days	19 days
9. Maintain an adjusted current asset ratio greater than target	1.5	1.2
10. 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
11. Complete (or demonstrated progress towards) the onboarding Monash Health statewide purchasing and logistics model.		
a. Business due diligence completed:	30 June 2024	Achieved
b. Managing and operating logistics:	TBA, post due diligence	In progress
c. Monash logistics transferred to HSV facility:	Leads to complete	In progress
d. Onboarding completed:	Not applicable	In progress
12. Provide a draft timetable for the onboarding of all applicable health services to HSV's statewide purchasing and logistics model	30 June 2024	Achieved
13. Progress the disposal of expired and PPE to minimise warehousing requirements (winding down the State Supply Chain (SSC)) - to be completed by:	30 June 2026	Achieved
14. Provide SSC PPE inventory reconciliations (dollars and pallets) on a quarterly basis. Quarterly to:	30 June 2026	Achieved
15. Provide SSC Operational funding reconciliations on a quarterly basis. Quarterly to:	30 June 2026	Achieved
16. Required reporting aligned (and delivered) with Future Health Taskforce requirements.	TBA	Ongoing

Reconciliation

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

	2024 \$000	2023 \$000	2022 \$000	2021 \$000	2020 \$000
Net operating result*	22	46	5,439	(3,490)	(153)
Capital and specific items					
Capital purpose income	82	0	0	9,700	0
Other economic flows	73	(150)	399	108	(19)
Assets received free of charge	0	0	0	1,096	0
Impairment of non-financial assets	(85)	102	1,318	(23)	0
Net gain/(loss) on financial instruments	22	511	(867)	0	0
Depreciation and amortisation	(2,940)	(2,299)	(1,978)	(1,048)	(469)
Net result from transactions	(2,826)	(1,790)	4,311	13,323	(641)

* The result that HSV is monitored against in our Statement of Priorities.

Future direction

As the health sector shifts its focus from the pandemic, HSV continues to work with the Department of Health and our health service customers to realign pandemic services and increase our efforts to identify and deliver increased supply chain benefits.

In 2023-24 HSV evolved as a major provider of supply chain services to Victoria's public health sector, in line with our strategic direction to expand our logistics coverage across the state and continue delivering supply chain surety, procurement and logistics benefits.

Our detailed strategic plans provide roadmaps that guide our operational activity across the supply chain operations of surety, procurement and logistics together with our support functions.

HSV took direct control of the State Supply Chain operation in 2023-24 and is managing a planned exit from that approach. This activity supports the increased fiscal restraint in the sector, with HSV adjusting our profile to continue consolidating logistics to establish greater medical consumables understanding and spend control. Together with a refocus in our procurement activities to work more closely with health services, we continue to identify cost savings that can be delivered while retaining our surety focus of 'right product, right time, right place'.

Our work with health services, suppliers, clinicians and government stakeholders will continue with an ever-increasing focus on operational efficiency and supply change cost reduction.

Risk management

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

We achieve this by implementing HSV's POL115 Risk Management Policy, Risk Management Framework and associated procedures, which incorporate 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 aligned to the Australian/New Zealand Standard International Standards Organisation (ISO) 31000:2018 Risk Management – Principles and Guidelines and the Victorian Government Risk Management Framework (August 2020). Continually monitoring existing risks and assessing emerging risks has allowed HSV to make timely and effective decisions. In 2023-24, we completed the Victorian Managed Insurance Authority maturity benchmarking self-assessment for the first time, measuring our performance against other public sector organisations and seeking to understand our achievements in risk management. We attained a 92.5 per cent maturity performance score overall with our progress ranked as 'optimising'.

HSV will conduct this self-assessment annually to continue to demonstrate value and drive change using risk management tools and concepts.

Our approach to enterprise risk management improves our understanding of the effects of uncertainty on our objectives, and by doing so supports the creation and protection of financial and non-financial value for HSV. This is further enhanced by the development and implementation of an Environment, Social and Governance (ESG) Policy and Framework with a focus on using the United Nations Sustainability Goals as a basis for reporting. This has assisted HSV in its value-based leadership both internally and externally.

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 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.

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, and training sessions held for all HSV employees to uplift and improve risk management capability
- **Ownership** – encouraging employees to take ownership and accountability for risk management
- **Resourcing** – allocating sufficient resourcing for effective risk management with HSV's Risk Champions playing an integral role in managing risk mitigation plans.

Additional information available on request

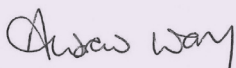
Details in respect of the items listed below have been retained by HSV and are available to the relevant Ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable):

- 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, Andrew Way, 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.



Professor Andrew Way
Board Chair and Responsible Officer
HealthShare Victoria
30 August 2024

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
30 August 2024

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 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
30 August 2024

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
30 August 2024

Compliance

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

Freedom of Information Act

The object of the *Freedom of Information Act 1982* (Vic) (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.

The FOI Act allows HSV to refuse access, either fully or partially, to certain documents or information.

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 freedom of information 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 \$32.70 (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 11, 50 Lonsdale Street
Melbourne Vic 3000

Alternatively, requests to HSV can be emailed to foi@healthsharevic.org.au. Telephone enquiries can be made to 03 9947 3700.

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

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

Freedom of information statistics

HSV complies with all sections of the FOI Act, including publication requirements specified in sections 8 to 8E of the FOI Act.

During 2023-24, HSV received four requests under the FOI Act.

There was one matter reviewed by the Office of the Victorian Information Commissioner. No appeals were made to the Victorian Civil and Administrative Tribunal.

Building Act

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

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

The *Public Interest Disclosures Act 2012* (Vic) (the PID Act) 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 PID 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.

HSV 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.

HSV will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. HSV 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 Disclosure Investigations Officer under the HSV Whistleblower Protection and Public Interest Disclosures Procedure:

HealthShare Victoria
Address: Level 11, 50 Lonsdale Street
Melbourne Vic 3000
Phone: 03 9947 3988
Email: jiayue.li@healthsharevic.org.au

Alternatively, disclosures can be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

Independent Broad-based Anti-corruption
Commission Victoria
Level 1, North Tower, 459 Collins Street,
Melbourne VIC 3000
Phone: 1300 735 135
Website: www.ibac.vic.gov.au

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

Statistics

There were no public interest disclosures referred to entities able to receive public interest disclosures by HSV under the PID Act in 2023-24.

National Competition Policy – reporting against competitive neutrality principles

Under the National Competition Policy, current legislation and future legislative proposals should not restrict competition, unless it is demonstrated that the benefits of the restriction to the community outweigh the costs, and only by restricting competition can legislation objectives be achieved.

HSV continues to comply with the Competitive Neutrality Policy Victoria. Competitive neutrality requires government businesses to ensure that, where services compete, or potentially compete, with the private sector, that it is done on a fair and equitable basis without distorting access to broader government resources. When conducting procurement activities, we apply relevant competitive neutrality principles to costings and pricing requirements.

Local Jobs First Act

HSV is committed to pursuing procurement outcomes that provide local industry with fair opportunity to compete against foreign suppliers. We ensure our weighted procurement criteria incorporates 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 to the community.

During 2023-24, we entered into 451 new agreements, across a total of 34 categories, including three greenfield categories. There were also 28 medical equipment group buys* completed. All categories were either panel arrangements, non-contestable or too low to trigger the threshold for application of the Local Jobs First (LJF) Policy, so no Local Industry Development Plans (LIDPs) were submitted. Regardless, we remain committed to achieving social outcomes that support local jobs, which is reflected in the weighted criteria for each procurement event.

*LJF requirements for these activities are the responsibility of the participating health service.

Gender Equality Act

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

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

The Act required HSV to develop a Gender Equality Action Plan outlining how we take positive action towards achieving workplace gender equality. This year we submitted a report to the Commissioner for Gender Equality in the Public Sector on our progress against the Gender Equality Action Plan. HSV is on track to delivering the 49 initiatives committed to in the Gender Equality Action Plan by 2025.

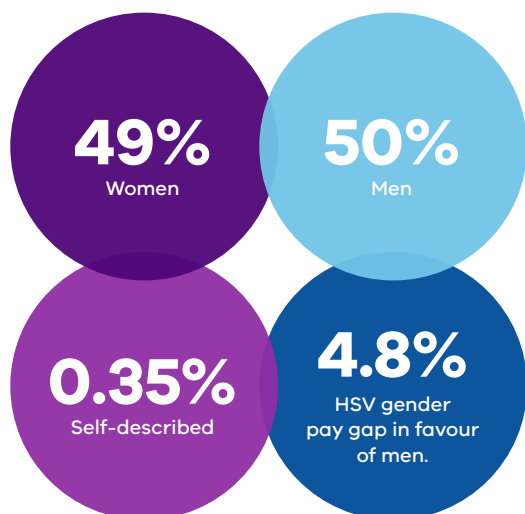
Compliance with DataVic Access Policy

HSV did not have any data sets that needed to be made available on the DataVic website in 2023–24. Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at www.data.vic.gov.au in electronic readable format.

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 of 30 June 2024 (rounded)



Annual compliance statement

HSV's purchasing policies and compliance framework

In January 2024, HSV fully implemented the five HSV Purchasing Policies (HSV PPs) that replaced the previous Health Purchasing Policies. The HSV PPs 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

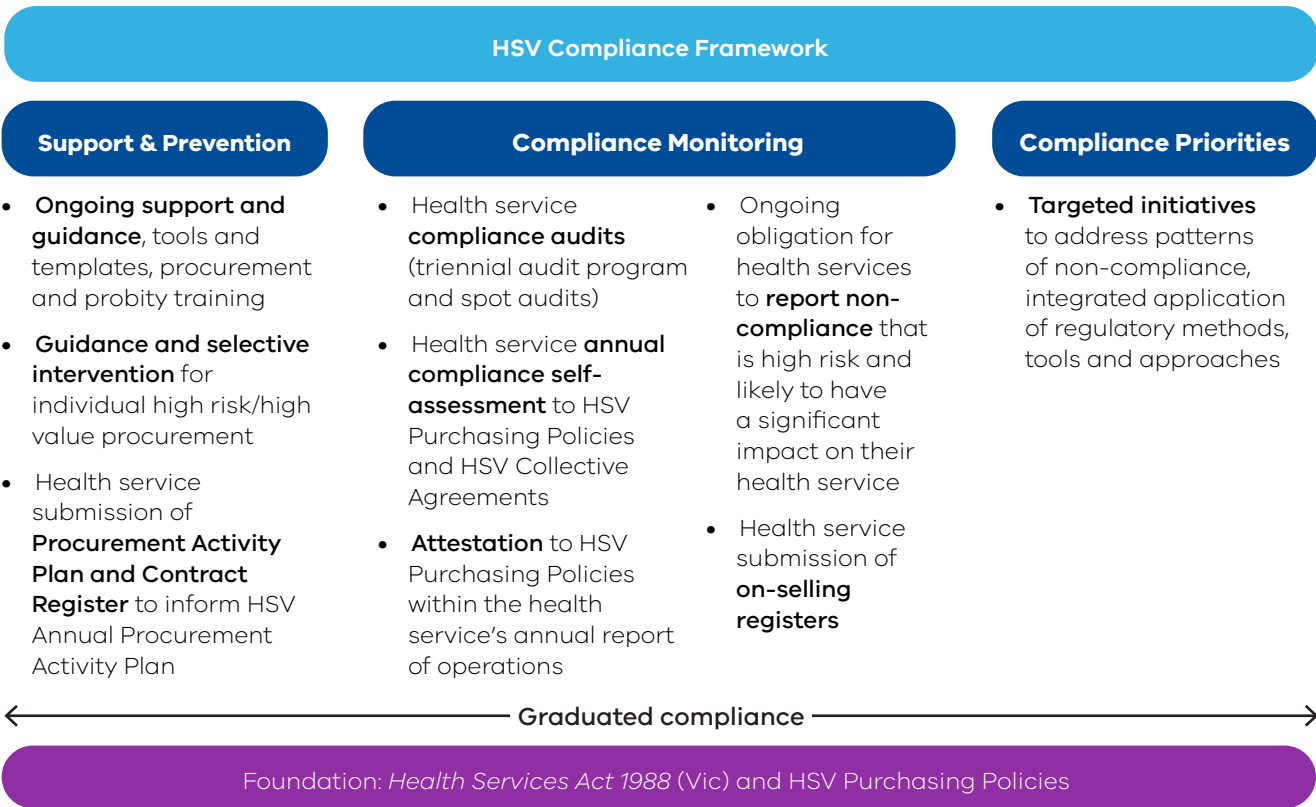
On 14 December 2023, HSV amended HSV PP1 Governance 2.2e) v) to clarify the procedure for health services when submitting contract registers to HSV. The amendment came into effect on 1 January 2024. HSV revoked the previous 2017 Health Purchasing Policies (HPPs), on 31 December 2023. This was published in the Victorian Government Gazette on 14 December 2023. The following HPPs have been revoked:

- Health Purchasing Policy 1: Procurement Governance
- Health Purchasing Policy 2: Procurement strategic analysis
- Health Purchasing Policy 3: Market approach
- Health Purchasing Policy 4: Contract management and asset disposal
- Health Purchasing Policy 5: Collective purchasing

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
- warranting probity is maintained in procurement activities
- implementing and reviewing policies and practices to promote best value and probity
- providing advice and training.

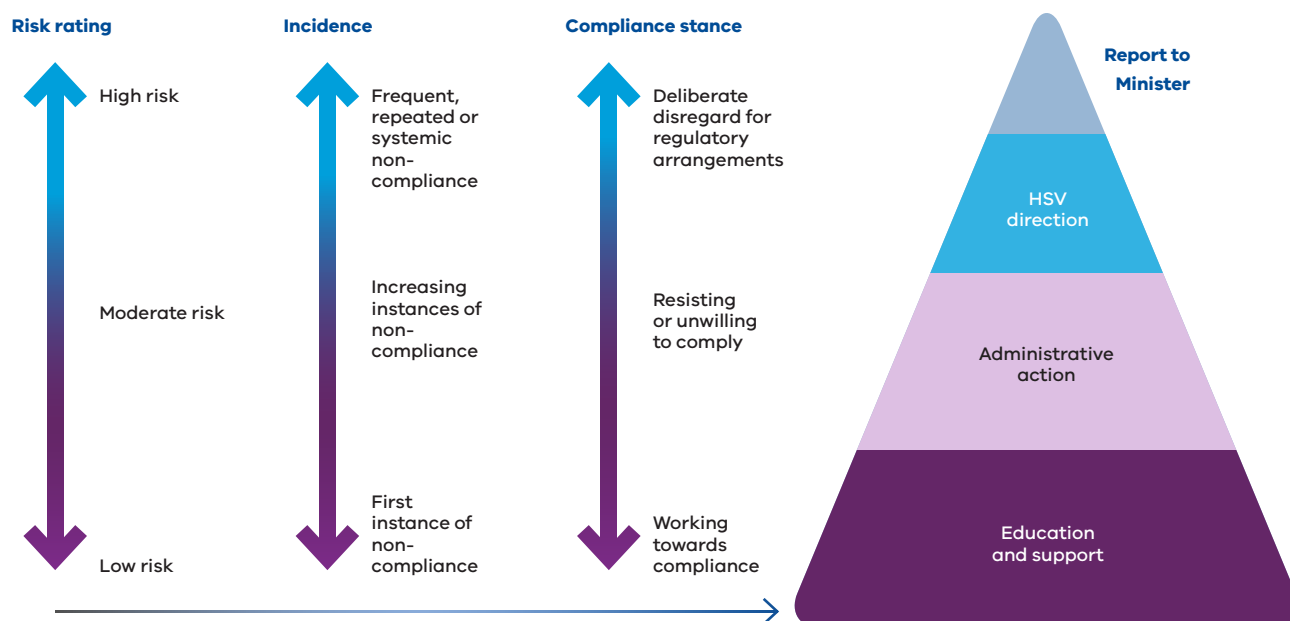


HSV's graduated compliance

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 2023-24

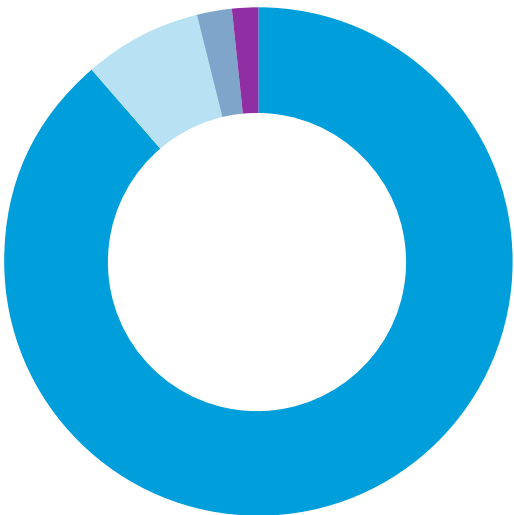
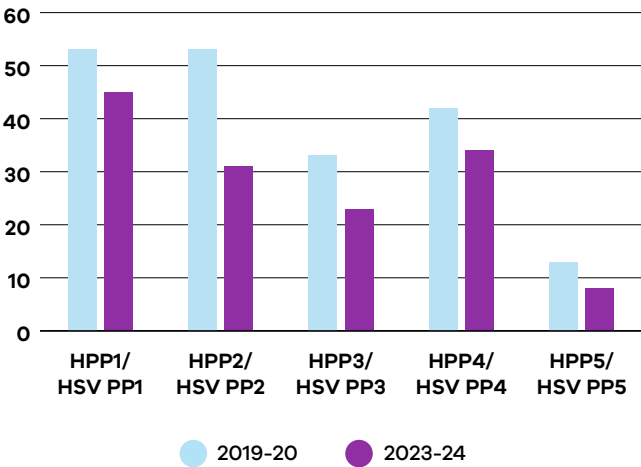
HSV's triennial audit program is a key component of HSV's compliance framework. The triennial audit involves a third of Victoria's public health services completing an audit to either the previous purchasing policies; that is, the Health Purchasing Policies (HPPs) or the HSV Purchasing Policies (HSV PPs) depending on when they are scheduled to be audited.

Compared with 2019-20, health service audit results for this cohort of health services reported a lower level of non-compliance to the HPPs/HSV PPs in 2023-24. This reflects health services' overall success in adopting and implementing the HPPs/HSV PPs across their procurement functions and their improved focus on compliance since the previous audit.

HSV's annual self-assessment is a key component to HSV's Compliance Framework. HSV's 2023-24 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 the HSV PPs each year.

The graphic below represents health services' self-assessment to the HSV PPs, where 88.8 per cent were compliant, 7.4 per cent were partially compliant, 2.4 per cent were not compliant and 1.4 per cent were affected by a critical incident, including where one health service operated under its critical incident business plan for 2023-24. HSV assessed this health service compliance as a critical incident within the HSV PPs.

HPP non-compliance areas by policy



- 88.8% compliant
- 7.4% partially compliant
- 2.4% not compliant
- 1.4% 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
- the details of the 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 2023-24, 1385 health service employees undertook probity training across 45 health services:

- Probity, Integrity and Ethics for Board and Executives: 191
- Probity, Integrity and Ethics for Clinical, Operational and Non-Procurement Employees: 668
- Probity, Integrity and Ethics for Procurement Professionals: 526.

The above training courses were completed by health services via their Learning Management Systems (LMS) using HSV's LMS integration tool.

Asset Management Accountability Framework maturity assessment

The following sections summarise HSV’s assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements are available on the Department of Treasury and Finance website at <https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework>

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

Compliance and maturity rating tool – Asset management maturity

Leadership and Accountability (requirements 1-19)

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

Planning (requirements 20-23)

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

Acquisition (requirements 24 and 25)

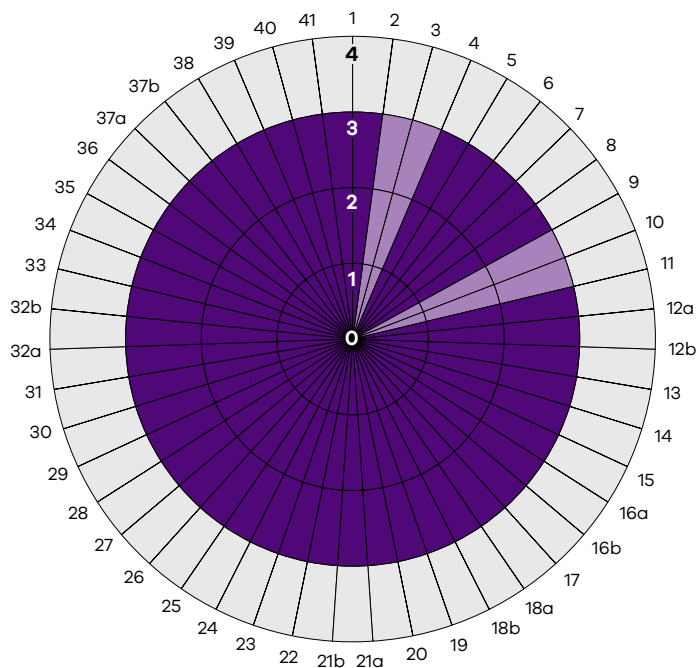
HSV has met or exceeded our target maturity level in this category.

Operation (requirements 26-40)

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

Disposal (requirement 41)

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



Status	Scale
Not applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A



Modern slavery risk mitigation

HSV plays a significant role in preventing modern slavery in health service supply chains and we recognise the benefits this provides for the broader sector. Our modern slavery mitigation role also aligns with our approach to environment, social and governance (ESG.)

During 2023-24, 29 Victorian public health services met the criteria of a 'reporting entity' under the *Modern Slavery Act 2018* (Cth) (the Act). 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.

This year HSV continued to provide leadership and guidance on reducing modern slavery risk, 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 include:

- assessing 384 suppliers within our collective purchasing agreements, representing a response rate of more than 71 per cent
- providing 29 mandated health services with modern slavery risk assessment reports to support the health service in their compliance obligations under the Act
- engaging with over 175 very high, high and medium risk suppliers, providing tools and access to training modules and resources to assist them to develop or enhance their modern slavery risk management approach
- presenting 10 Modern Slavery Community of Learning sessions, providing health services with education and support for their modern slavery risk mitigation programs
- hosting both HSV and non-HSV supplier engagement sessions (suppliers to reporting health services), with more than 275 suppliers attending more than 16 sessions. These sessions provide introductory information on modern slavery and support suppliers in their journey of reducing modern slavery risk
- updating the HSV Position Statement ensuring data accuracy and to highlight how we continue to progress our approach to modern slavery risk in support of health services
- continuing the modern slavery risk mitigation program (MSRMP), which includes the implementation of the Mandatory Minimum Standards, requiring all HSV collective purchasing agreement suppliers to review their approach to modern slavery. This is due for full progression in the next financial year. This consolidated approach reinforces a consistent methodology and reduces the duplication of effort across the Victorian public health sector
- continuing to inform health services about key developments relating to the Act.

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 our DCs at Derrimut and Dandenong South, with HSV commencing operational control of the latter from 5 June 2023. HSV's primary office relocated from Casselden to 50 Lonsdale Street, Melbourne in June 2024.

Vehicle fleets operated by HSV include fleet vehicles (pool cars) and a fleet of delivery trucks operating out of Derrimut DC. There is currently no fleet for Dandenong South DC. Other product deliveries are performed by third-party logistics providers (3PLs) and are thus not included within the organisational boundary for this reporting.

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

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

A rolling six-year history of environmental data is reported. For this reporting period, the data reported has been aligned with the financial year 1 July 2023-30 June 2024.

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 three DCs
- Scope 3 – Other indirect emissions, estimated for corporate air travel, and waste disposal from the DCs.

Greenhouse gas emissions (tonnes CO₂-e)	2019-20	2020-21	2021-22	2022-23	2023-24
Scope 1 – Direct emissions from vehicle fuels	30.9	5	14.2	109.2	127.5
Scope 2 – Indirect emissions from electricity	no data	39.2	215.3	351.7	380.8
Scope 3 – Indirect emissions from commercial air travel and waste disposal	3.2	0	24	86	103.4
Total reportable emissions	34.1	44.2	253.5	546.8	611.7

Scope 1 and Scope 2 emissions are calculated using emissions factors for fuels and electricity from the National Greenhouse Accounts Factors Tables 2023.

Scope 3 emissions from air travel is as reported by the travel management provider, Corporate Travel Management (CTM).

Scope 3 emissions for waste are calculated using emissions factors from sources such as the National Greenhouse Accounts Factors Tables 2023 and the scientific Journal of Cleaner Production 2023 (for selected recyclable waste).

Facility energy use

Casselden

HSV occupied 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, CO₂ 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.

Distribution centres

Electricity usage at the Derrimut and Dandenong South DCs are combined for the reporting period and accounted for the period HSV held financial control. 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 these facilities.

Facility energy

Indicator	Unit	2019-20	2020-21	2021-22	2022-23	2023-24
Total electricity used	MWh	no data	43.1	253.3	413.7	482.1
Total electricity offsets	MWh	0	0	0	0	0

Electricity under Dandenong South DC was not on HSV contract prior to January 2024. Hence its electricity usage is captured from January 2024 onwards.

Transportation

HSV's Casselden office location was 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 2024, HSV has a fleet of seven 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 remains below pre-COVID levels as the majority of meetings with health services are now held virtually.

Passenger vehicles

Indicator	Unit	2019-20	2020-21	2021-22	2022-23	2023-24
Vehicles in use	count	9	9	7	8	7
Energy used (unleaded)	MJ	357,483	96,897	51,099	120,122	191,149
Greenhouse gas emissions	tonnes CO ₂ -e	24.2	6.6	3.5	8.1	12.9

Distribution centre vehicles

Indicator	Unit	2019-20	2020-21	2021-22	2022-23	2023-24
Vehicles in use	count			6	8	7
Energy used	MJ			152,680	1,434,896	1,627,475
Greenhouse gas emissions	tonnes CO ₂ -e			10.8	101	114.6

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. Similarly, we are no longer reporting on emissions intensity for passenger vehicles.

HSV's distribution vehicle fleet is based at Derrimut, as there is no fleet at the Dandenong South DC.

Commercial air flights

Indicator	Unit	2019-20	2020-21	2021-22	2022-23	2023-24
Distance by air	km	33,754	0	12,693	34,247	18,892
Greenhouse gas emissions	tonnes CO ₂ -e	3.19	0	2	5.5	3.4

Waste disposal and recycling

Waste disposal and recycling collections were 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.

HSV DCs have 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 waste quantity in 2023-24 was 117 tonnes using volumetric conversion factors for bins/skips collected, of which an estimated 70 per cent was sent for recycling (an increase of 16 per cent for this reporting period) 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 DCs is similarly 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 2023-24 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 2023-24 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 2023-24, we received 59 new social procurement commitments to put a family and domestic violence policy in place, and 58 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: 151 Proportion: 66 per cent (up from 63 per cent)
Gender equality policy or strategy, assessed against benchmark	Suppliers: 161 Proportion: 70 per cent (up from 57 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 and, hygiene services on-site at the Derrimut and Dandenong South 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: \$ 3,075
	Purchasing from Victorian social enterprises Number engaged: 4 Total spend: \$126,182
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: N/A

We have received 14 new social procurement commitments from suppliers towards purchasing a percentage of their requirements from social benefit suppliers.

* Based on the 2023-24 period, some metrics reported in previous years has been excluded as not relevant.

Inclusive employment

During 2023-24, HSV received 14 new social procurement commitments towards inclusive employment. We reviewed nine suppliers who had previously made a commitment to provide employment or training outcomes for disadvantaged Victorian cohorts. Around 70 per cent of these suppliers reported quantifiable outcomes for 2023-24, positively benefiting 15 disadvantaged people through training or employment.

Environmental sustainability indicators from the supply chain

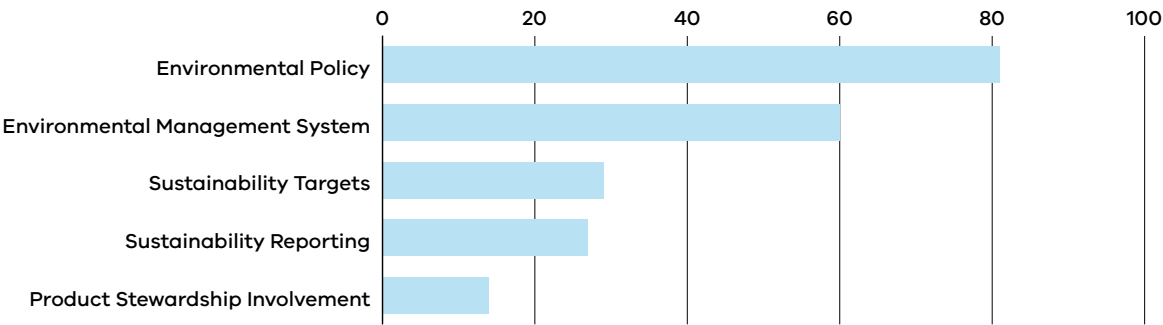
We track indicators of environmentally sustainable business practices used by tenderers and contractors in their operations or sourcing and include this as part of our standard evaluation methods. These include environmental policies that go beyond the mandatory compliance as well as legislation, environmental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

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

Sustainable procurement framework (SPF) 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">• Environmental policy (81 per cent)• Environmental management system (60 per cent)• Sustainability targets (29 per cent)• Sustainability reporting (27 per cent)• Product stewardship involvement (14 per cent)
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



Mr Neil Rodaway

BSc (Hons), FCA, FGIA CGI

Chief Executive

Neil has led HealthShare Victoria (HSV) 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.

Neil's experience in public practice, private health, mining, transport and industrial sectors underpins and supports the development of HSV as a commercially focused organisation supporting the public health sector.

He has been Managing Director of two listed entities, and in addition to his public roles he has led large pathology, diagnostic imaging and medical centre businesses.

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



Ms Mili Cohen

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

Chief Operating Officer (Executive Director Supply Chain)

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

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

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



Mr John Delinaoum

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

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

John commenced at HSV in March 2015 and leads the Finance, Enterprise Risk, Policy and Compliance, Legal, Governance and Commercial functions at HSV. John started his career in the commercial property investment sector and has since held senior finance leadership roles in Health – public, private and aged care services over 30 years.

John has extensive experience in business planning, enterprise risk management, commercial negotiations balancing legal exposure and value for money outcomes, 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 over seven years.



Ms Mel Nolet

MHR Mgmt, GCertOHSE, Member Australian HR Institute, Member Australian Institute of Health and Safety

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

Mel commenced at HSV in May 2022 following a career that has spanned almost 20 years in human resource management, industrial relations and safety across the private sector. Mel's safety and customer-first focus has developed working within large and complex 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 Energy, Environment and Climate Action, 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.



Mr Raph Even-Chaim

MMgt (InfoTech), MBA, GAICD

Chief Information Officer (Director Information Technology)

Raph joined HSV in May 2021 and brings more than 20 years' experience in managing technology strategy and operations in SME and large enterprise across logistics and retail industries.

Previously, 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 graduate 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.



Mr 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.



Mr Armin Odobasic

BTport and Log (App Eco)

Director Logistics

Armin joined HSV in April 2022 to oversee our 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 2023-24, 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 2023-24. 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 8 and 9) 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 2023-24 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

Workplace health and safety (WHS) has been a consistent focus throughout HSV's transformation from a procurement services organisation to an end-to-end supply chain. We now have a large mix of operational and professional team members working across multiple locations within different risk environments.

Ensuring our people work safely within a safe working environment continues to be fundamental in supporting HSV's ongoing capability to 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, provides the strategic direction for managing work health and safety (WHS) at HSV. The strategy was developed in 2021 following an extensive consultation process. Each strategy objective has a theme, metrics and program of works, with timeframes and milestones established to provide transparency and accountability for delivery of the strategy.

Our strategy aligns with numerous existing safety programs and human resource initiatives, including the HSV BeSafe Committee, Health and Wellbeing

Committee (HAWC), facilitated safety leadership workshops, psychological safety 'Speak Up' program and Employee Assistance Program.

In 2023-24, HSV further enhanced our WHS management system with the development and implementation of a new BeSafe standard. The BeSafe standard is a key deliverable of our people strategy and provides a consistent framework for managing WHS at HSV. The standard provides clear guidance and direction for HSV people leaders and employees when managing WHS responsibilities and meeting obligations.

Wellbeing is also an important component of BeSafe to ensure good health is promoted across our workforce, with psychological health and safety risk management at HSV being thoroughly assessed and systematically improved. Wellbeing initiatives include regular ergonomic assessments, regardless of whether our people are working from an HSV workplace or from home, and events such as R U OK Day, Harmony Day and Australia's Biggest Morning Tea.



Safety at HSV Logistics operations Derrimut DC

Safety is critical at our high-risk distribution centres (DCs), where a mix of powered mobile and fixed plant such as heavy vehicles, forklifts, elevated work platforms, pallet inverters and other materials manual handling equipment operate. In addition to our existing Derrimut DC, our new DC at Dandenong South is undergoing an extensive fit-out to support an expansion of our services to healthcare networks.

The competency of our team members alongside the safety of our equipment is paramount in preventing incidents and injuries at these busy sites. With the introduction of additional stock volumes, equipment and operating practices, we have maintained a safe workplace and engaged effectively with team members to ensure ongoing safety understanding and education.

In partnership with the WHS team and the broader People, Culture and Safety team, our Logistics sites have established safe work practices to support their complex operational requirements. Activities completed in 2023-24 include:

- increased workplace safety inspection programs to proactively identify any hazards that have potential to cause harm;
- a quantitative job task analysis of the physical demands and psychological risks of all key storeperson tasks;
- transport safety and compliance improvements and training including load restraint equipment upgrades, chain of responsibility awareness training, defensive driver training and heavy vehicle safety upgrades such as tailgate safety gates; and
- continuous improvements in safe working procedures and practices such as site traffic management plans, heavy vehicle loading and unloading exclusion zones and the installation of additional supporting safety signage and line marking.

WHS reporting

Hazard reporting is a positive lead indicator of a proactive risk management culture that helps to reduce risk and prevent workplace injuries and illnesses.

HSV's focus on encouraging reporting of WHS hazards and incidents has continued to see proactive event reporting increase. The total number of hazard reports has more than doubled from 247 in 2022-23 to 557 in 2023-24. Hazard reports, as a proportion of all reported events, increased from 62 per cent of total event reports in 2022-23 to 82 per cent in 2023-24.

HSV WHS summary 2023-24

WHS matter	2023-24	2022-23	2021-22
The number of reported hazards/ incidents for the year per 100 FTE	252.9	117.5	24.6
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	1.12	0.4	0.9
The average cost per WorkCover claim for the year	\$53,646	\$763	\$7,164

Three WorkCover claims were made in 2023-24, compared to one claim in 2022-23 that is now closed. Two 2023-24 mental injury claims remain open however both employees have resigned, with one claim being subsequently withdrawn and the other employee receiving a full clearance to return to pre-injury duties. The remaining 2023-24 claim has closed with the employee also receiving a full clearance to return to pre-injury duties. Total incurred claim costs for 2023-24 were \$160,938.

There have been no fatalities.

Occupational violence

HSV occupational violence summary

Occupational violence statistic	2023-24	2022-23	2021-22
WorkCover accepted claims with an occupational violence cause per 100 FTE	Nil	Nil	Nil
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	Nil	Nil	Nil
Number of occupational violence incidents reported	3	2	2
Number of occupational violence incidents reported per 100 FTE	1.12	0.85	0.70
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	Nil	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: The number of accepted Workcover claims that were lodged in 2023-24.

Injury, illness or condition: Includes all reported harm as a result of the event, regardless of whether the employee required time off work or submitted a claim.

Workforce data

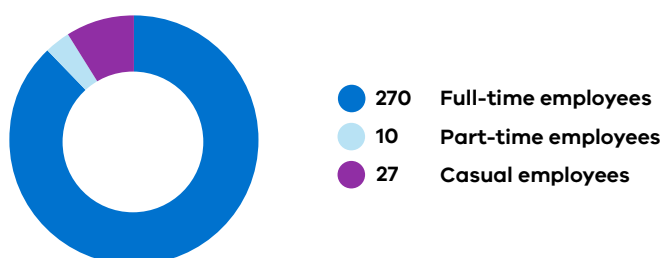
HSV's workforce composition for the last full pay period in June 2024

	FY average 2022-23	FY average 2023-24	June 23	June 24	June 23	June 24
	Full-time equivalent		Full-time equivalent		Headcount	
Full-time	237.9	279.00	272.3	269.5	276	270
Part-time	8.2	7.5	7.6	7.1	13	10
Total number of payroll employees	246.1	286.5	280	276.6	289	280
Agency/casual	27.4	28.2	29.6	26.1	42	27
Total	273.5	314.7	309.5	302.7	331	307

HSV's gender and age data

	All employees		Ongoing			Fixed-term			Headcount		
	Headcount	FTE	Full-time	Part-time	FTE	Full-time	Part-time	FTE	Woman	Man	Self-identified
Gender											
Woman	138	132.9	122	7	122.8	8	1	10.1			
Man	141	142.7	125	1	126	14	1	16.7			
Self-described	1	1	1		1						
Total	280.00	276.6	248	8	249.9	22	2	26.7			
Age											
15-24	1	1	1		1					1	
25-34	67	64.68	61		60.4	3		4.3	32	35	
35-44	94	93.89	85	5	85.5	6	1	8.40	54	40	
45-54	65	65.15	56	1	57.1	7	1	8.05	35	29	1
55-64	43	42.05	36	1	36.1	6		6	13	30	
65+	10	9.80	9	1	9.8			0	4	6	
Total	280	276.57	248	8	249.9	22	2	26.7	138	141	1

HSV's workforce composition at 30 June 2024



HSV recruitment

Following a significant period of employee growth throughout 2022-23 when 128 new people joined HealthShare Victoria, our workforce numbers remained steady in 2023-24, with 280 full-time and part-time employees.

To ensure we could deliver on our strategic goals and vital business-as-usual activities, we recruited 66 new people into our organisation.

Our continued focus on supporting employee career progression resulted in 14 internal promotions and secondments. External consultants have been engaged in areas either where expertise is limited or to support short-term and bespoke projects. These include consultants with expertise in safety, industrial relations, information technology, transformation and change.

In June 2024, our Talent Acquisition team reviewed our sourcing platform service offerings and established programs with LinkedIn and Seek. These enhanced service offerings will create more functionality and visibility balanced with an economical return on investment for HSV. These programs enable HSV to leverage and promote our We Value People Employee Value Proposition (EVP) and employer credentials, helping us to stand out and increase awareness and interest in our available positions.

HSV embedded our EVP in 2023-24, which was launched in 2022-23 following an extensive cross-functional consultation with 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, 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.

Organisational structure

Changes to reporting lines and organisational structure took place in October 2023 and April 2024 to better align work programs and resourcing with our Statement of Priorities, strategic objectives and funding.

As part of these changes 26 roles were identified as no longer required in April 2024, with most of these roles coming to a natural end following the end of a contract or resignation. A total of 11 people were displaced and not matched to another role in the future structure.

The changes also involved the introduction of new roles or the expansion of several existing roles to ensure the right mix of skills to support HSV business objectives, particularly in relation to the expected growth of our Supply Chain operations.

As part of our work to establish an end-to-end supply chain for Victoria's public health sector, the functions with the highest net growth in employee numbers were our Supply Chain, Logistics and Procurement. A new Supply Chain Data and Analytics team consolidated many of our data specialists, with the team primarily focused on data to support decision-making and critical organisational wide initiatives. This included the procurement category transformation and the consolidation of purchasing and logistics functions across Victorian public health.

As new functions to HSV, the Supply Chain Data and Analytics and Supply Chain Optimisation teams continuously align roles and skill sets with current, short-term and future state business requirements.

The Surety team was established as a distinct function with specific funding during the COVID pandemic. The team was instrumental in securing critical supplies throughout the COVID pandemic and developed a proactive approach to managing supply chain risk, including the establishment of the Critical Supplies Register. Surety remains a critical part of HSV, and is now part of the Procurement team and no longer a separate function reporting directly to the Chief Executive. The Customer Engagement team also joined the Procurement team and a reorganisation of the Customer Engagement team took place in response to changes to the Victorian health service portfolio structure.

In June 2024, HSV's Transformation team integrated into the Logistics function aligning them more closely with the function driving most project activity.

In early 2023, three Finance streams were established to support an anticipated whole-of-government State Supply Chain PPE and further growth. As this has not eventuated as quickly as anticipated, the three streams were reduced to two, Financial Control and Financial Planning and Analysis, due to reduced demand and scope.

In support of clearer organisational reporting lines, senior role titles have been clarified. The title of Chief was introduced to identify roles that report directly to the Chief Executive and lead an entire HSV function. The title of Director is generally used to identify the lead operational role for an area and General Manager and Head of roles represent leadership roles.

Diversity, inclusion and employee wellbeing

At HSV, we value and recognise the benefits of diversity and aim to foster a safe, diverse, fair and inclusive workforce. 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.

The Diversity and Inclusion Plan was refreshed in 2023-24. It forms the foundation for everything we do at HSV, addressing how we recruit people, how we interact with each other in the workplace or celebrate our different backgrounds. The Plan outlines organisational actions across six key areas: accessibility, cultural diversity, First Nations peoples inclusion, gender equality, LGBTIQ+ inclusion and mental health.

Key changes include updates to HSV's Acknowledgement of Country, which enables employees to personalise their acknowledgement and incorporate what is meaningful to them in honouring the traditions and cultures of Traditional Owners of the land. The Accessibility Action Plan has now been incorporated into the Diversity and Inclusion Plan and the Gender Equality Action Plan 2022-25 has been referenced.

Our workforce is diverse. In the 2023 People Matter Survey, 47 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 (20 per cent preferred not to say). One per cent of current employees reported identifying as Aboriginal or Torres Strait Islander.

The Health and Wellbeing Committee (HAWC) is instrumental in helping to foster employee engagement, connection and wellbeing at HSV. HAWC supports a range of Australian and international days celebrating women, men's health, people with disability, cultural diversity, mental health, LGBTQIA+ people, and Aboriginal and Torres Strait Islander people.

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. We build 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

The focus for capability development in 2023-24 was on supporting employees to de-escalate and defuse aggressive and inappropriate behaviours and, additionally for our people leaders, how to lead effective performance conversations. Both programs align with HSV's BeSafe strategy and focus on supporting employees to manage psychosocial hazards.

The half-day aggression de-escalation training covers the drivers of inappropriate behaviour, self-care and managing yourself in challenging situations, and practical communication strategies for defusing and de-escalating. Time is also set aside to put these new skills into practice.

Performance conversations leadership training was designed to equip employees with the skills and confidence to effectively lead and manage performance conversations. It covered holding constructive and collaborative feedback conversations, managing difficult conversations, addressing safety, welfare and workload concerns of employees, and effective goal setting.

We continued to offer the safety leadership training program to people leaders, first delivered in 2022-23, fostering team building and psychological safety for all employees.

We Value People

Purpose We make a meaningful difference for health services and contribute to something bigger.	Workplace We're growing with lots of opportunities to be part of an exciting transformation.	Work relationships We work with great people and have opportunities to work on interesting projects.	Leadership Our leaders care for and help us grow so we emerge from HSV better than when we joined.
Flexibility We can work at our best, in flexible and adaptable ways that suit us.	Recognition Our leaders listen to and challenge us, and our achievements are valued and recognised.	Compensation We have generous salary packaging and leave benefits.	Safety and wellbeing We work in an inclusive, respectful and safe space where we can be ourselves.
Technology We have a welcoming workplace with modern technology.		Accessibility Our city office is near transport, cafes and shops and our DCs are modern, well-located and growing.	

This year, HSV launched the 'We Value People' program which includes 10 initiatives focused on attracting and retaining top talent at HSV. A new people recognition program is one of these initiatives.

The program supports and encourages positive workplace culture by recognising and rewarding our people and embedding recognition into our everyday employee experience.

Effective and structured recognition can improve employee engagement, job satisfaction, productivity and retention. The program aims to create a positive employee experience by ensuring recognition is inclusive and values-based, as well as fair, consistent and standardised across the organisation.

After extensive consultation with HSV employees, we learned that our people like to receive recognition in different ways. The program has been designed to accommodate a variety of preferences for receiving recognition, both formally and informally.

Our Compliment a Colleague noticeboard allows our people to celebrate our great work by leaving posts that recognise their colleagues. The noticeboard has had great success both with the online version and with our warehouse team at our Derrimut DC.



Formal recognition of our employees is through the We Value People Awards. The award acknowledges exceptional achievements and contributions made by our employees that align with HSV's purpose, values and BeSafe strategy. Recipients are formally acknowledged by our Chief Executive.

In 2023-24, 26 employees were recognised for exceptional achievement and contributions.

The recognition program also celebrates major milestones for our long-term employees and supports the acknowledgement of significant events in our personal lives.

Disclosure of consultancies

In 2023-24, there were seven consultancies whose total fees were \$10,000 or more. In 2023-24, HSV did not engage with any consultancies where the total fees were less than \$10,000 (excluding GST). The total expenditure incurred during 2023-24 in relation to consultancies was \$1.35 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 2023-24 (ex GST)	Future Expenditure
Amplify Procurement Pty Ltd	To identify and implement operational improvements to deliver greater structural and process simplicity; enable better data capture and analysis to support decision making; and be responsive to the needs of health services and foster increased collaboration.	November 2023	February 2024	\$478,497	\$478,497	\$0
KPMG	Project assurance services and value adding advisory services for the Warehouse Management System (WMS) Project including General Assurance, Preliminary, Design, Development and Testing Phases.	July 2023	June 2025	\$225,445	\$151,250	\$74,195
VicTAG	To assess pharmaceutical products and packaging for their acceptable and suitable usage in Victorian public health services, which may support current or future HSV pharmaceutical sourcing activities.	January 2024	December 2024	\$64,000	\$42,668	\$21,332
Koerber Supply Chain Au Pty Ltd	Implementation of a new Warehouse Management System (WMS), that allows for migration from Oracle WMS and build associated external integration between WMS and other relevant HSV systems, including the Oracle eBusiness Suite ERP application.	August 2023	April 2025	\$1,444,574	\$459,596	\$984,978

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2023-24 (ex GST)	Future Expenditure
KPMG	Review of the detailed requirements documentation and solution design documents developed for the Order Fulfilment Solution and the extent to which the requirements support the objectives of the Solution.	March 2024	June 2024	\$81,800	\$81,800	\$0
Bizcap Software	To develop new functionality to allow loading of Conditional Award and Inactive Items data into the Pricing Schedule System.	June 2024	June 2024	\$60,000	\$60,000	\$0
ACFEC	Design of reference manual and training material including presentations and assessment framework to deliver a TAFE Cert IV in Procurement and Contracting Course.	June 2024	June 2024	\$79,800	\$79,800	\$0

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 2023-24 was \$12.47 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)
\$10.40 million	\$2.07 million	\$1.82 million	\$0.25 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.

Summary of financial results

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

	2024 \$000	2023 \$000	2022 \$000	2021 \$000	2020 \$000
Operating result*	22	46	5,439	3,490	(153)
Total revenue	211,835	165,579	133,094	42,565	18,977
Total expenses	214,670	167,832	129,633	29,327	19,599
Net result from transactions	(2,835)	(2,253)	3,461	13,238	(622)
Total other economic flows	9	463	850	85	(19)
Net result	(2,826)	(1,790)	4,311	13,323	(641)
Total assets	90,880	50,230	47,791	32,569	9,882
Total liabilities	74,448	32,952	28,723	17,812	8,447
Net assets / Total equity	16,432	17,278	19,068	14,757	1,435

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

Summary of significant changes in HSV's financial position

The 2023-24 financial year was a period of continued growth for HSV following the successful transition of the State Supply Chain (SSC) into logistics operations as well as increasing Procurement activity and contract management.

In preparation for onboarding Monash Health and other health services in Melbourne's south-east to the HSV Supply Chain, investment in IT critical infrastructure and plant and equipment has been committed to ensure operational readiness of the Dandenong South warehouse in early 2024-2025. Additional investment in IT systems including the design phase of a new warehouse Management System (WMS) will further enable delivery of exceptional customer service in future years as volume increases. 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.

Revenue from our logistics function continued the upward trend, reporting a \$14.6m (13%) increase on the previous year with higher volumes (6.6%) dispatched from the HSV Distribution Centre. 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 and warehouse labour efficiencies.

Grant revenue from the Department of Health (DH) increased by \$31 million (62 per cent) with special project funding received to support SSC logistics operational costs. Grant revenue for core operations increased by 2.5% from the prior year.

Our employee headcount (including agency labour) decreased from 331 in June 2023 to 307 as at June 2024 following a resource rebalancing program in response to a whole-of-government funding review, resulting in HSV funding reductions in future years. The rebalancing program ensures that HSV has the right mix of skills with capable and motivated people, a critical enabler of delivering HSV's strategy.

The financial performance of HSV during the 2023-24 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 \$30.4m of deferred revenue. The net deficit of \$2.8m 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 1.2 and 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
Ministerial Directions		
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Charter and purpose		
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FRD 22	Nature and range of services provided	8-10
FRD 22	Activities, programs and achievements for the reporting period	1-7, 26
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Financial information		
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FRD 22	Operational and budgetary objectives and performance against objectives	26-28
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Financial report

Financial statements and accompanying notes for the year ended 30 June 2024

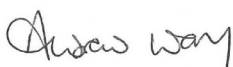
Board Chair's, Accountable Officer's and Chief Financial Officer's declaration

The following 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 2024 and financial position of HealthShare Victoria at 30 June 2024.

At the time of signing, we are not aware of any circumstances that 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 Andrew Way
Board Chair
HealthShare Victoria
30 August 2024



Mr Neil Rodaway
Chief Executive
HealthShare Victoria
30 August 2024



Mr John Delinaoum
Chief Financial and
Accounting Officer
HealthShare Victoria
30 August 2024



Victorian Auditor-General's Office

Independent Auditor's Report

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

Opinion	<p>I have audited the financial report of Health Purchasing Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2024 • 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 material accounting policy information • board chair's, accountable officer's and chief financial officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other information	<p>The Board of the entity is responsible for the Other Information, which comprises the information in the entity's annual report for the year ended 30 June 2024, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

OFFICIAL

Board's responsibilities for the financial report	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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.

OFFICIAL

Auditor's responsibilities for the audit of the financial report (continued)	<ul style="list-style-type: none"> • 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. <p>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.</p>
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MELBOURNE
10 September 2024



Sanchu Chummar
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue and income from transactions			
Operating activities	2.1	210,078,699	165,002,568
Non-operating activities	2.1	1,756,009	576,787
Total revenue and income from transactions		211,834,708	165,579,355
Expenses from transactions			
Employee expenses	3.1	(41,642,150)	(33,878,868)
Non-salary labour costs	3.1	(10,602,373)	(8,681,040)
Supplies and consumables	3.1	(123,950,071)	(108,233,658)
Finance costs	3.1	(165,928)	(57,057)
Other operating expenses	3.1	(35,370,117)	(14,682,986)
Depreciation and amortisation	3.1	(2,939,544)	(2,299,042)
Total expenses from transactions		(214,670,183)	(167,832,651)
Net result from transactions - Net operating balance		(2,835,475)	(2,253,296)
Other economic flows included in net result			
Net gain on non-financial assets	3.2	(84,765)	102,223
Net gain on financial instruments	3.2	21,600	510,978
Other gain/(loss) from other economic flows	3.2	72,506	(149,813)
Total other economic flows included in net result		9,341	463,388
NET RESULT FOR THE YEAR		(2,826,134)	(1,789,908)
Other economic flows - other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment revaluation surplus		1,979,526	-
COMPREHENSIVE RESULT FOR THE YEAR		(846,608)	(1,789,908)

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

Balance sheet

As at 30 June 2024

	Note	2024 \$	2023 \$
Current assets			
Cash and cash equivalents	6.2	49,919,208	24,401,101
Receivables	5.1	7,824,297	7,112,096
Inventories	4.6	8,275,590	7,696,633
Prepaid expenses		2,279,687	1,197,238
Total current assets		68,298,782	40,407,068
Non-current assets			
Receivables	5.1	1,906,368	1,986,486
Property, plant and equipment	4.2	5,056,221	3,415,196
Right of use assets	4.3	15,470,628	4,311,478
Intangible assets	4.4	147,515	109,964
Total non-current assets		22,580,732	9,823,124
TOTAL ASSETS		90,879,514	50,230,192
Current liabilities			
Payables	5.2	19,200,825	16,149,293
Contract liabilities	5.3	30,382,115	4,800,000
Borrowings	6.1	2,572,958	1,649,101
Employee benefits	3.3	7,229,433	6,220,773
Total current liabilities		59,385,331	28,819,167
Non-current liabilities			
Borrowings	6.1	12,820,532	2,664,596
Employee benefits	3.3	1,840,128	1,208,079
Other provisions	5.4	401,948	260,167
Total non-current liabilities		15,062,608	4,132,842
TOTAL LIABILITIES		74,447,939	32,952,009
NET ASSETS		16,431,575	17,278,183
EQUITY			
Property, plant and equipment revaluation surplus	SCE	1,979,526	-
Contributed capital	SCE	31,570	31,570
Accumulated surplus	SCE	14,420,479	17,246,613
TOTAL EQUITY		16,431,575	17,278,183

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

Statement of changes in equity

For the financial year ended 30 June 2024

	Property, Plant and Equipment Revaluation Surplus \$	Contributed Capital \$	Accumulated Surplus \$	Total \$
Balance at 30 June 2022	-	31,570	19,036,521	19,068,091
Net result for the year	-	-	(1,789,908)	(1,789,908)
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2023	-	31,570	17,246,613	17,278,183
Net result for the year	-	-	(2,826,134)	(2,826,134)
Other comprehensive income for the year	1,979,526	-	-	1,979,526
Balance at 30 June 2024	1,979,526	31,570	14,420,479	16,431,575

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

Cash flow statement

For the financial year ended 30 June 2024

	Note	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating grants from government		106,011,259	50,447,108
Capital grants from government		81,583	-
Interest received		1,559,413	576,787
Net GST received from ATO		1,944,158	1,232,454
Sale of goods		122,755,207	114,679,414
Supply chain service fees		5,556,955	5,644,968
Other Receipts		129,815	-
Total receipts		238,038,390	172,580,731
Payments			
Employee expenses paid		(50,389,576)	(41,003,540)
Payments for supplies and consumables		(159,344,518)	(124,632,126)
Cash outflow for leases		(38,170)	(36,864)
Total payments		(209,772,264)	(165,672,530)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8.1	28,266,126	6,908,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(398,775)	(762,439)
Purchase of Intangible Assets		(130,089)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(528,864)	(762,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,219,155)	(1,459,418)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(2,219,155)	(1,459,418)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		25,518,107	4,686,344
Cash and cash equivalents at beginning of financial year		24,401,101	19,714,757
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	49,919,208	24,401,101

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 financial statements represent the audited general purpose financial statements for HealthShare Victoria for the financial year ended 30 June 2024.

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.

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 AASs paragraphs applicable to 'not-for-profit' entities under Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on a going concern basis (refer to Note 8.9 Economic Dependency).

The financial statements are presented in Australian dollars.

The amounts presented in the financial statements have been rounded to the nearest dollar. Minor discrepancies in tables between totals and sum of components are due to rounding.

The annual financial statements were authorised for issue by the Board of HSV on 30 August 2024.

(b) Reporting entity

The financial statements include all the controlled activities of HSV. Its principal address is:

HealthShare Victoria
Level 11, 50 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

The accounting policies set in the notes have been applied in preparing the financial statements for the year ended 30 June 2024, and the comparative information presented in these financial statements for the year ended 30 June 2023. 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. Material judgements and assumptions made by management in the application of AAS that have significant effects on the financial statements and estimates relate to:

- Note 2.1: Revenue and income from transactions
- Note 3.3: Employee benefits and related on-costs
- Note 4.2: Property, plant and equipment
- Note 4.3: Right-of-use assets
- Note 4.4: Intangible assets
- Note 4.5: Depreciation and amortisation
- Note 4.7: Impairment of assets
- Note 5.1: Receivables
- Note 5.2: Payables
- Note 5.3: Contract liabilities
- Note 6.1(a): Lease liabilities
- Note 7.4: Fair value determination.

Notes to and forming part of the financial statements

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 in the balance sheet are stated inclusive of the amount of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are 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, contingent assets and contingent 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.

(f) Comparatives

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

Notes to and forming part of the financial statements

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

Material judgements and estimates

This section contains the following material judgements and estimates:

Material judgements and estimates	Description
Identifying performance obligations	<p>HSV applies material judgment when reviewing the terms and conditions of funding agreements to determine whether they contain sufficiently specific and enforceable performance obligations. If this criterion 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.</p> <p>If this criterion is not met, funding is recognised immediately in the net result from operations.</p>
Determining timing of revenue recognition	<p>HSV applies material judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time.</p>

Notes to and forming part of the financial statements

Note 2.1: Revenue and income from transactions

	Note	2024 \$	2023 \$
Operating activities			
Revenue from contracts with customers			
Government grants (State) operating		27,651,437	-
Commercial activities		129,118,379	114,512,582
Total revenue from contracts with customers	2.1(a)	156,769,816	114,512,582
Other sources of income			
Government grants (State) - operating		52,215,850	49,289,103
Indirect contributions by Department of Health			
- Insurance		43,668	42,000
- Office lease		1,047,900	1,009,060
- Long service leave		(80,118)	149,823
Government Grants (State) - Capital		81,583	-
Total other sources of income		53,308,883	50,489,986
Total revenue and income from operating activities		210,078,699	165,002,568
Non-operating activities			
Other sources of income			
Interest Income		1,559,413	576,787
Other Income		196,596	-
Total other sources of income		1,756,009	576,787
Total income from non-operating activities		1,756,009	576,787
Total revenue and income from transactions		211,834,708	165,579,355

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

	2024 \$	2023 \$
HSV disaggregates revenue by the timing of revenue recognition.		
Goods and services transferred to customers:		
At a point in time	156,769,816	114,512,582
Total revenue from contracts with customers	156,769,816	114,512,582

Notes to and forming part of the financial statements

Note 2.1: Revenue and income from transactions (continued)

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.

If a contract liability is recognised, HSV recognises revenue in profit or loss as and when it satisfies its obligations under the contract.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, 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, is recognised when HSV has an unconditional right to receive the cash which usually coincides with receipt of cash. On initial recognition of the asset, HSV recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards.

Commercial activities

HSV works in partnership with Victoria's public health services to meet their 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. 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 HSV's 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.

Non-cash contributions from the Department of Health (DH)

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

- The DH purchases non-medical indemnity insurance for HSV that 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 DH.
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements with the DH.

How we recognise revenue and income from non-operating activities

Interest income

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

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 costs associated with the provision of services are disclosed.

Structure

3.1 Expenses from transactions

3.2 Other economic flows

3.3 Employee benefits and related on-costs

3.4 Superannuation

Material judgements and estimates

This section contains the following material judgements and estimates:

Material judgements and estimates	Description
Classifying employee benefit liabilities	<p>HSV applies material judgment 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 employees 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 employees who have not yet exceeded the minimum vesting period) fall into this category.</p>
Measuring employee benefit liabilities	<p>HSV applies material judgment 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 4.450%, 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 4.381% and 4.351% and discounting at the rate of 4.348%, 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>

Notes to and forming part of the financial statements

Note 3.1: Expenses from transactions

Note	2024 \$	2023 \$
Employee expenses		
Salaries and wages	34,738,491	28,584,186
Superannuation	4,146,480	3,311,183
Workcover	195,019	87,199
Payroll tax	2,562,160	1,896,300
Total employee expenses	41,642,150	33,878,868
Non-salary labour costs		
Agency costs	3,550,503	3,824,602
Long service leave provision	1,373,288	876,563
Annual leave provision	4,023,398	2,652,796
Accrued days off provision	1,655,184	1,327,079
Total non-salary labour costs	10,602,373	8,681,040
Supplies and consumables		
Medical and surgical supplies	123,950,071	108,233,658
Total supplies and consumables	123,950,071	108,233,658
Finance costs		
Interest on lease liabilities	165,928	57,057
Total finance costs	165,928	57,057

Notes to and forming part of the financial statements

Note 3.1: Expenses from transactions (continued)

	Note	2024 \$	2023 \$
Other operating expenses			
Advertising		20,091	74,006
Software licence and support		4,533,635	4,120,403
Insurance		43,668	69,675
Legal fees		394,317	596,474
Outgoings		1,466,119	1,322,373
Printing and stationery		1,656,388	615,694
Subscriptions		115,229	115,909
Rent		1,524,613	1,309,503
Recruitment		447,337	1,631,100
Security		653,081	168,396
Consultant and professional fees		2,635,649	1,686,915
Telecommunication costs		74,699	126,750
Vehicle and travel costs		481,799	307,113
Employee development and seminars		703,192	668,047
Audit Fees - VAGO		41,200	39,700
Audit fees - internal audit		102,886	97,688
Expenses related to short term leases		922,243	297,411
State Supply Chain operations and third-party logistics costs		19,529,295	1,104,656
Other		24,676	331,173
Total other operating expenses		35,370,117	14,682,986
Total operating expenses		211,730,639	165,533,609
Depreciation and amortisation	4.5	2,939,544	2,299,042
Total depreciation and amortisation		2,939,544	2,299,042
Total non-operating expenses		2,939,544	2,299,042
Total expenses from transactions		214,670,183	167,832,651

Notes to and forming part of the financial statements

Note 3.1: Expenses from transactions (continued)

How we recognise expenses from transactions

Expense recognition

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

Employee expenses

Employee expenses include:

- salaries and wages (including fringe benefits tax, leave entitlements, termination payments)
- on-costs
- agency expenses
- WorkCover 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 that 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 of \$1,000).

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

Notes to and forming part of the financial statements

Note 3.2: Other economic flows

	2024 \$	2023 \$
Net loss on disposal of property, plant and equipment	(42,263)	(24,518)
Other gains/(losses) from other economic flows	(42,502)	126,741
Total net gain/(loss) on non-financial assets	(84,765)	102,223
Allowance for impairment losses of contractual receivables	21,600	510,978
Total net gain on financial instruments	21,600	510,978
Net gain/(loss) arising from revaluation of long service liability	72,506	(149,813)
Total other gains/(losses) from other economic flows	72,506	(149,813)
Total gains from other economic flows	9,341	463,388

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 asset

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'.

Notes to and forming part of the financial statements

Note 3.3: Employee benefits and related on-costs

	2024 \$	2023 \$
Current employee benefits and related on-costs		
Annual leave		
– Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	2,652,960	1,979,351
– Unconditional and expected to be settled after 12 months ⁽ⁱⁱ⁾	413,289	367,088
	3,066,249	2,346,439
Long service leave		
– Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	142,846	47,742
– Unconditional and expected to be settled after 12 months ⁽ⁱⁱ⁾	2,342,575	2,426,571
	2,485,421	2,474,313
Accrued days off		
– Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	678,392	574,260
	678,392	574,260
Provisions related to employee benefit on-costs		
– Unconditional and expected to be settled within 12 months ⁽ⁱ⁾	483,581	336,862
– Unconditional and expected to be settled after 12 months ⁽ⁱⁱ⁾	515,790	488,899
	999,371	825,761
Total current employee benefits and related on-costs	7,229,433	6,220,773
Non-current employee benefits and related on-costs		
Conditional long service leave ⁽ⁱⁱ⁾	1,546,552	1,026,208
Provisions related to employee benefit on-costs ⁽ⁱⁱ⁾	293,576	181,871
Total non-current employee benefits and related on-costs	1,840,128	1,208,079
Total employee benefits and related on-costs	9,069,561	7,428,852

(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

	2024 \$	2023 \$
Current employee benefits and related on-costs		
Unconditional accrued days off	678,392	574,260
Unconditional annual leave entitlements	3,594,702	2,736,093
Unconditional long service leave entitlements	2,956,339	2,910,420
Total current employee benefits and related on-costs	7,229,433	6,220,773
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	1,840,128	1,208,079
Total non-current employee benefits and related on-costs	1,840,128	1,208,079
Total employee benefits and related on-costs	9,069,561	7,428,852
Attributable to:		
Employee benefits	7,776,614	6,421,220
Provision for related on-costs	1,292,947	1,007,632
Total employee benefits and related on-costs	9,069,561	7,428,852

Notes to and forming part of the financial statements

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

	2024 \$	2023 \$
Carrying amount at start of year	1,007,632	483,695
Additional provisions recognised	295,886	502,094
Net gain/(loss) arising from revaluation of long service liability	(10,571)	21,843
Carrying amount at end of year	1,292,947	1,007,632

Notes to and forming part of the financial statements

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

How we recognise employee benefits

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 sick leave is taken.

Annual leave and accrued days off

Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities', because HSV does not have an unconditional right to defer settlement of these liabilities.

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

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

Long service leave

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.

Notes to and forming part of the financial statements

Note 3.4: Superannuation

	Paid contribution for the year		Contribution outstanding at year end	
	2024 \$	2023 \$	2024 \$	2023 \$
Defined benefit plans: ⁱ				
Aware Super	12,592	11,328	962	907
Defined contribution plans:				
Aware Super	878,197	650,396	68,499	55,556
Australian Super	876,434	679,173	62,850	61,240
Host Plus	289,787	188,927	19,355	18,958
Australian Retirement Trust	277,382	164,218	18,388	16,302
Hesta	226,832	174,418	24,064	14,524
Mercer	210,939	192,390	13,994	16,973
REST	202,097	147,707	13,981	13,946
Unisuper	163,756	111,153	14,546	9,238
MLC Super	136,576	117,857	9,106	10,589
AMP Super	84,237	87,611	5,338	5,288
Colonial First State	76,842	79,086	6,555	5,672
Telstra Super	61,163	50,742	4,454	3,604
CBUS	52,368	52,530	2,651	4,691
ESSSuper	52,122	21,290	3,693	3,028
Macquarie Super	46,214	25,196	1,957	2,929
CARE Super	44,433	39,527	2,613	4,179
Equisuper	31,678	26,574	692	2,920
ING Direct	18,421	30,976	-	3,145
Vision Super	29,424	28,619	1,910	2,039
Other	359,935	298,717	36,987	25,377
Total	4,131,429	3,178,435	312,595	281,105

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

Notes to and forming part of the financial statements

Note 3.4: Superannuation (continued)

How we recognise superannuation

Employees of HSV are entitled to receive superannuation benefits and it contributes to both defined benefit and 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 2024 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 11% 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 benefit superannuation plans

A defined benefit plan provides benefits based on years of service and final average salary. The amount charged to the Comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by HSV to the superannuation plans in respect of the services of current HSV's employees during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

HSV does not recognise any unfunded defined benefit liability in respect of the plans because the health service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive operating statement of HSV.

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

Defined contribution superannuation plans

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

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

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

Material judgements and estimates

This section contains the following material judgements and estimates:

Material judgements and estimates	Description
Estimating useful life of property, plant and equipment	<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 material judgement to determine whether or not it is reasonably certain to exercise such purchase options.</p>
Estimating restoration costs at the end of a lease	<p>Where a lease agreement requires HSV to restore a right-of-use asset to its original condition at the end of a lease, HSV estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.</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>

Notes to and forming part of the financial statements

Material judgements and estimates	Description
Identifying indicators of impairment	<p>At the end of each year, HSV assesses impairment by evaluating the conditions and events specific to HSV that may be indicative of impairment triggers. Where an indication exists, HSV tests the asset for impairment.</p> <p>HSV considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"> - If an asset's value has declined more than expected based on normal use - If a significant change in technological, market, economic or legal environment which adversely impacts the way HSV uses an asset - If an asset is obsolete or damaged - If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life - If the performance of the asset is or will be worse than initially expected. <p>When an impairment trigger exists, HSV applies material judgement and estimate to determine the recoverable amount of the asset.</p>

Note 4.1: Investments and other financial assets

How we recognise investments and other financial assets

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

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

Investments are classified as financial assets at amortised cost.

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

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

Impairment of financial assets

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

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

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

Impairment is expected to be measured in line with the Expected Credit Loss model, as detailed in Note 7.2.

Notes to and forming part of the financial statements

Note 4.2: Property, plant and equipment

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

	2024 \$	2023 \$
Buildings at fair value	2,950,000	1,095,587
Less accumulated depreciation	-	(84,536)
Total buildings at fair value	2,950,000	1,011,051
Total land and buildings	2,950,000	1,011,051
Property, plant and equipment at fair value	2,460,178	3,312,781
Less accumulated depreciation	(874,100)	(1,491,855)
Total plant and equipment at fair value	1,586,078	1,820,926
Computer equipment at fair value	1,098,253	940,856
Less accumulated depreciation	(595,536)	(383,253)
Total computer equipment at fair value	502,717	557,603
Furniture and fittings at fair value	29,355	158,731
Less accumulated depreciation	(11,929)	(133,115)
Total furniture and fittings at fair value	17,426	25,616
Total plant, equipment, furniture and fittings at fair value	2,106,221	2,404,145
Total property, plant and equipment	5,056,221	3,415,196

Notes to and forming part of the financial statements

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

	Note	Buildings \$	Plant and equipment \$	Computer equipment \$	Furniture and fittings \$	Total \$
Balance at 1 July 2022		1,051,628	1,753,173	478,314	24,911	3,308,026
Additions		-	386,652	364,669	11,118	762,439
Disposals		-	(7,804)	(16,714)	-	(24,518)
Depreciation	4.5	(40,577)	(311,095)	(268,666)	(10,413)	(630,751)
Balance at 30 June 2023	4.2(a)	1,011,051	1,820,926	557,603	25,616	3,415,196
Additions		-	113,789	277,840	7,146	398,775
Disposals		-	(16,615)	(826)	(8,164)	(25,605)
Revaluation increments		1,979,526	-	-	-	1,979,526
Net transfers between classes		-	(4,463)	-	-	(4,463)
Depreciation	4.5	(40,577)	(327,559)	(331,900)	(7,172)	(707,208)
Balance at 30 June 2024	4.2(a)	2,950,000	1,586,078	502,717	17,426	5,056,221

Land and buildings carried at valuation

The Valuer-General Victoria undertook to re-value all of HSV's buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined with reference to the amount at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date, under current conditions. The valuation was based on independent assessments. The effective date of the valuation was 30 June 2024.

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.

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.

Notes to and forming part of the financial statements

Note 4.2: Property, plant and equipment (continued)

An independent valuation of HSV's property, plant and equipment was performed by the VGV on 30 June 2024. The valuation, which complies with Australian Valuation Standards, was determined with reference to the amount for which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date, under current market conditions.

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.

Notes to and forming part of the financial statements

Note 4.3: Right-of-use assets

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

	2024 \$	2023 \$
Right-of-use building, plant and equipment at fair value	20,816,534	7,638,934
Less accumulated depreciation	(5,593,628)	(3,499,064)
Total right of use building, plant and equipment at fair value	15,222,906	4,139,870
Right-of-use vehicles at fair value	325,342	284,606
Less accumulated depreciation	(77,620)	(112,998)
Total right of use vehicles at fair value	247,722	171,608
Total right of use building, plant, equipment and vehicles at fair value	15,470,628	4,311,478
Total right of use assets	15,470,628	4,311,478

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

	Note	Right-of-use Building, Plant and Equipment \$	Right-of-use vehicles \$	Total \$
Balance at 1 July 2022		4,919,473	156,094	5,075,567
Additions		752,748	41,131	793,879
Disposals		-	-	-
Depreciation	4.5	(1,532,351)	(25,617)	(1,557,968)
Balance at 30 June 2023	4.3(a)	4,139,870	171,608	4,311,478
Additions		13,177,600	202,026	13,379,626
Net Transfers between classes		-	4,463	4,463
Disposals		-	(85,141)	(85,141)
Depreciation	4.5	(2,094,564)	(45,234)	(2,139,798)
Balance at 30 June 2024	4.3(a)	15,222,906	247,722	15,470,628

Notes to and forming part of the financial statements

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

How we recognise right-of-use assets

Initial recognition

When a contract is entered into, HSV assesses if the contract contains or is a lease.

Unless the lease is considered a short-term lease or a lease of a low-value asset (refer to Note 6.1 for further information) the contract gives rise to a right-of-use asset and corresponding lease liability.

The right-of-use asset is initially measured at cost and comprises the initial measurement of the corresponding lease liability, adjusted for:

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

HSV presents its right-of-use assets as part of property, plant and equipment as if the asset was owned by HSV.

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.

Notes to and forming part of the financial statements

Note 4.4: Intangible assets

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

	2024 \$	2023 \$
Software	2,109,132	2,281,322
Less accumulated amortisation	(1,961,617)	(2,171,358)
Total software	147,515	109,964
Total intangible assets	147,515	109,964

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

	Note	Software \$	Total \$
Balance at 1 July 2022		220,289	220,289
Additions		-	-
Disposals		-	-
Amortisation	4.5	(110,325)	(110,325)
Balance at 30 June 2023	4.4(a)	109,964	109,964
Additions		130,089	130,089
Disposals		-	-
Amortisation	4.5	(92,538)	(92,538)
Balance at 30 June 2024	4.4(a)	147,515	147,515

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.

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 on which it is incurred.

Subsequent measurement

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

Notes to and forming part of the financial statements

Note 4.5: Depreciation and amortisation

	2024 \$	2023 \$
Depreciation		
Property, plant and equipment		
Buildings	40,577	40,577
Plant and equipment	327,559	311,095
Computer equipment	331,900	268,666
Furniture and fittings	7,172	10,413
Total depreciation - property, plant and equipment	707,208	630,751
Right-of-use assets		
Right-of-use building, plant and equipment	2,094,564	1,532,351
Right-of-use vehicles	45,234	25,617
Total depreciation - right-of-use assets	2,139,798	1,557,968
Total depreciation	2,847,006	2,188,719
Amortisation		
Software	92,538	110,323
Total amortisation	92,538	110,323
Total depreciation and amortisation	2,939,544	2,299,042

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.

	2024 \$	2023 \$
Computer equipment	2-5 years	2.5 years
Furniture and fittings	3-7 years	5 years
Buildings	25 years	40 years
Plant and equipment	2-27 years	7 years
Vehicles	2-3 years	1-3 years
Intangible assets	2-5 years	3-5 years

Notes to and forming part of the financial statements

Note 4.6: Inventories

	2024 \$	2023 \$
Medical and surgical consumables at cost	8,275,590	7,696,633
Total inventories	8,275,590	7,696,633

How we recognise inventories

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 2024 (30 June 2023: Nil).

Notes to and forming part of the financial statements

Note 5: Other assets and liabilities

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

Structure

5.1 Receivables

5.2 Payables

5.3 Contract liabilities

5.4 Other provisions

Material judgements and estimates

This section contains the following material judgements and estimates:

Material judgements and estimates	Description
Estimating the provision for expected credit losses	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 material judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, 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 material judgement and estimate to determine the present value of such restoration costs.

Notes to and forming part of the financial statements

Note 5.1: Receivables

	Note	2024 \$	2023 \$
Current receivables			
Contractual			
Inter hospital debtors		7,214,654	6,341,655
Allowance for impairment losses	5.1(a)	(334,795)	(356,395)
Amounts receivable from Government		-	641,976
Total contractual receivables		6,879,859	6,627,236
Statutory			
Net GST receivable		944,438	484,860
Total statutory receivables		944,438	484,860
Total current receivables		7,824,297	7,112,096
Non-current receivables			
Contractual			
Long service leave - Department of Health		1,448,807	1,528,925
Amounts receivable from Government		457,561	457,561
Total contractual receivables		1,906,368	1,986,486
Total non-current receivables		1,906,368	1,986,486
Total receivables		9,730,665	9,098,582
(i) Financial assets classified as receivables (Note 7.1(a))			
Total receivables		9,730,665	9,098,582
Net GST receivable		(944,438)	(484,860)
Total financial assets classified as receivables	7.1(a)	8,786,227	8,613,722

Notes to and forming part of the financial statements

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

	2024 \$	2023 \$
Balance at the beginning of the year	(356,395)	(867,373)
Decrease in allowance	21,600	510,978
Balance at the end of the year	(334,795)	(356,395)

Note 5.1: Receivables (continued)

How we recognise receivables

Receivables consist of:

- **Contractual receivables**, including debtors that relate to goods and services. These receivables are classified as financial instruments and are categorised as 'financial assets at amortised 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**, including Goods and Services Tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. 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 the nominal amounts 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.

Notes to and forming part of the financial statements

Note 5.2: Payables

	Note	2024 \$	2023 \$
Current payables			
Contractual			
Trade creditors		9,307,445	10,815,799
Accrued expenses		8,472,194	3,998,697
Accrued salaries and wages		1,076,619	1,065,427
Total contractual payables		18,856,258	15,879,923
Statutory			
Net GST payable		-	-
Payroll Tax		253,748	203,326
Fringe Benefits Tax		90,819	66,044
Total statutory payables		344,567	269,370
Total current payables		19,200,825	16,149,293
Total payables		19,200,825	16,149,293
(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))			
Total payables		19,200,825	16,149,293
Payroll tax		(253,748)	(203,326)
Fringe benefits tax		(90,819)	(66,044)
Total financial liabilities classified as payables	7.1(a)	18,856,258	15,879,923

How we recognise payables

Payables consist of:

- **Contractual payables**, including payables that relate to the purchase of 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** including Goods and Services Tax (GST) payable. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Notes to and forming part of the financial statements

Note 5.3: Contract liabilities

	Note	2024 \$	2023 \$
Current			
Contract liabilities		30,382,115	4,800,000
Total current contract liabilities		30,382,115	4,800,000
Total contract liabilities	5.3(a)	30,382,115	4,800,000

Note 5.3(a): Movement in contract liabilities

	2024 \$	2023 \$
Opening balance of contract liabilities	4,800,000	3,000,000
Add: Payments received for performance obligations not completed during the period	-	1,800,000
Add: Grant consideration for sufficiently specific performance obligations received during the year	25,582,115	-
Total contract liabilities	30,382,115	4,800,000

Total contract liabilities amount is represented by:

- operational costs to support HSV's management of the SSC
- implementation of financial systems to support purchasing and inventory management.

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.

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

Notes to and forming part of the financial statements

Note 5.4: Other provisions

	2024 \$	2023 \$
Non-current other provisions		
Make-good provision	401,948	260,167
Total non-current other provisions	401,948	260,167
Total other provisions	401,948	260,167
Balance at the beginning of the year	260,167	246,366
Additional provisions recognised	141,781	13,801
Total other provisions	401,948	260,167

How we recognise other provisions

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, considering the risks and uncertainties surrounding the obligation.

HSV has recognised a provision for make-good, to reflect the cost to make-good the leased premises when the lease term ends. 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

Material judgements and estimates

This section contains the following material judgements and estimates:

Material judgements and estimates	Description
Determining if a contract is or contains a lease	HSV applies material judgement to determine if a contract is or contains a lease by considering if the health service: <ul style="list-style-type: none">- has the right-to-use an identified asset- has the right to obtain substantially all economic benefits from the use of the leased asset and- can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	<p>HSV applies material 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	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 between 5.25% and 5.71%. For leased plant, equipment, furniture, fittings and vehicles, the implicit interest rate is between 0.98% and 5.37%.

Notes to and forming part of the financial statements

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

	Note	2024 \$	2023 \$
Current borrowings			
Lease liability ⁽ⁱ⁾	6.1(a)	2,572,958	1,649,101
Total current borrowings		2,572,958	1,649,101
Non-current borrowings			
Lease liability ⁽ⁱ⁾	6.1(a)	12,820,532	2,664,596
Total non-current borrowings		12,820,532	2,664,596
Total borrowings		15,393,490	4,313,697

(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.

How we recognise borrowings

Borrowings refer to interest-bearing liabilities mainly raised through lease liabilities.

Initial recognition

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs.

Subsequent measurement

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method. Non-interest bearing borrowings are measured at fair value through profit or loss.

Maturity analysis

Please refer to Note 7.2(b) 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:

	2024 \$	2023 \$
Total undiscounted lease liabilities	17,758,133	4,403,186
Less unexpired finance expenses	(2,364,643)	(89,489)
Net lease liabilities	15,393,490	4,313,697

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

	2024 \$	2023 \$
Not longer than one year	3,317,156	1,695,848
Longer than one year but not longer than five years	13,557,487	2,707,338
Longer than five years	883,491	-
Minimum future lease liability	17,758,134	4,403,186
Less unexpired finance expenses	(2,364,644)	(89,489)
Present value of lease liability	15,393,490	4,313,697
Represented by:		
- Current liabilities	2,572,958	1,649,101
- Non-current liabilities	12,820,532	2,664,596
	15,393,490	4,313,697

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
- HSV has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

Notes to and forming part of the financial statements

HSV's lease arrangements consist of the following:

Type of asset leased	Lease Term
Leased buildings	5 years
Leased plant and equipment	4-5 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) 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.

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
- 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).

Notes to and forming part of the financial statements

Note 6.1(a): Lease liabilities (continued)

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 as significantly below-market terms and conditions

HSV holds lease arrangements that 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	2024 \$	2023 \$
Cash at bank		49,919,208	24,401,101
Total cash and cash equivalents	7.1(a)	49,919,208	24,401,101

How we recognise cash and cash equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and in banks. Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

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

Notes to and forming part of the financial statements

Note 6.3: Commitments for expenditure

	2024 \$	2023 \$
Operating expenditure commitments		
Less than one year	2,910,081	2,317,140
Longer than one year but not longer than five years	2,035,181	1,958,218
Total operating expenditure commitments	4,945,262	4,275,358
Non-cancellable short term and low value lease commitments		
Less than one year	33,177	824,958
Longer than one year but not longer than five years	41,176	8,294
Total non-cancellable short term and low value lease commitments	74,353	833,252
Total commitments for expenditure (inclusive of GST)	5,019,615	5,108,610
Less GST recoverable from Australian Tax Office	(452,473)	(460,329)
Total commitments for expenditure (exclusive of GST)	4,567,142	4,648,281

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 and Level 11, 50 Lonsdale Street have not been recognised. HSV has no contractual arrangement to support the reporting of the lease liabilities and commitment which is recognised by the Department of Health.

Notes to and forming part of the financial statements

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

Material judgements and estimates

This section contains the following material judgements and estimates:

Material judgements and estimates	Description
Measuring fair value of non-financial assets	<p>Fair value is measured with reference to highest and best use, that is, the use of the asset by a market participant that is physically possible, legally permissible, financially feasible, and which results in the highest value, or to sell it to another market participant that would use the same asset in its highest and best use.</p> <p>In determining the highest and best use, 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>HSV uses a cost approach valuation technique to estimate fair value, which reflects the amount that would be required to replace the service capacity of the asset (referred to as current replacement cost). The fair value of HSV's buildings are measured using this approach.</p> <p>Subsequently, HSV applies material 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 71: Financial instruments

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

Note 71(a): Categorisation of financial instruments

	Note	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
2024				
Contractual financial assets				
Cash and cash equivalents	6.2	49,919,208	-	49,919,208
Receivables	5.1	8,786,227	-	8,786,227
Total financial assets ⁽ⁱ⁾		58,705,435	-	58,705,435
Financial liabilities				
Payables	5.2	-	18,856,258	18,856,258
Borrowings	6.1	-	15,393,490	15,393,490
Total financial liabilities ⁽ⁱ⁾		-	34,249,748	34,249,748
2023				
Contractual financial assets				
Cash and cash equivalents	6.2	24,401,101	-	24,401,101
Receivables	5.1	8,613,722	-	8,613,722
Total financial assets ⁽ⁱ⁾		33,014,823	-	33,014,823
Financial liabilities				
Payables	5.2	-	15,879,923	15,879,923
Borrowings	6.1	-	4,313,697	4,313,697
Total financial liabilities ⁽ⁱ⁾		-	20,193,620	20,193,620

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

Notes to and forming part of the financial statements

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

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
- 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)
- 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.

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 2023-24.

Impairment of financial assets under AASB 9 - Financial Instruments

HSV records the allowance for expected credit losses for the relevant financial instruments by applying AASB 9 Financial Instruments Expected Credit Loss approach. Subject to a AASB 9 Financial Instruments, the impairment assessment includes HSV's contractual 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 an impairment assessment under AASB 9 Financial Instruments.

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

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.

Notes to and forming part of the financial statements

Note 7.2(a): Credit risk (continued)

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

	Note	Current	Less than 1 month	1-2 months	2-3 months	3+ months	Total
30 June 2024							
Expected loss rate		5%	10%	10%	10%	33%	
Gross carrying amount of contractual receivables	5.1	6,713,779	(5,322)	714	(21,556)	5,168	6,692,783
Loss allowance		335,689	(532)	71	(2,156)	1,723	334,795
30 June 2023							
Expected loss rate		5%	10%	10%	10%	33%	
Gross carrying amount of contractual receivables	5.1	6,162,660	316,702	4,374	9,981	45,473	6,539,190
Loss allowance		308,133	31,670	437	998	15,156	356,395

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, considering 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.

			Maturity dates				
Note	Carrying amount \$	Nominal amount \$	Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$	
30 June 2024							
Financial liabilities at amortised cost							
Payables	5.2	18,856,258	18,856,258	18,856,258	-	-	-
Borrowings	6.1	15,393,490	17,758,134	276,430	552,859	2,487,867	14,440,978
Total financial liabilities		34,249,748	36,614,392	19,132,688	552,859	2,487,867	14,440,978
30 June 2023							
Financial liabilities at amortised cost							
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
Total financial liabilities		20,193,620	20,283,109	16,021,244	282,641	1,271,886	2,707,338

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 is not aware of any contingent assets or liabilities.

Notes to and forming part of the financial statements

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.

HSV monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. The Valuer-General Victoria (VGV) is HSV's independent valuation agency for property, plant and equipment.

Notes to and forming part of the financial statements

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

	Note	Carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2024 \$	Level 1 ⁽ⁱ⁾ \$	Level 2 ⁽ⁱ⁾ \$	Level 3 ⁽ⁱ⁾ \$
Non-specialised buildings	4.2(a)	2,950,000	-	2,950,000	-
Total buildings at fair value		2,950,000	-	2,950,000	-
Plant and equipment	4.2(a)	1,586,078	-	-	1,586,078
Computer equipment	4.2(a)	502,717	-	-	502,717
Furniture and fittings	4.2(a)	17,426	-	-	17,426
Total plant, equipment, furniture and fittings at fair value		2,106,221	-	-	2,106,221
Right of use building, plant and equipment	4.3(a)	15,222,906	-	-	15,222,906
Right of use vehicles	4.3(a)	247,722	-	-	247,722
Total right-of-use assets at fair value		15,470,628	-	-	15,470,628
Total non-financial physical assets at fair value		20,526,849	-	2,950,000	17,576,849

(i) Classified in accordance with the fair value hierarchy

	Note	Carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2023 \$	Level 1 ⁽ⁱ⁾ \$	Level 2 ⁽ⁱ⁾ \$	Level 3 ⁽ⁱ⁾ \$
Non-specialised buildings	4.2(a)	1,011,051	-	1,011,051	-
Total buildings at fair value		1,011,051	-	1,011,051	-
Plant and equipment	4.2(a)	1,820,926	-	-	1,820,926
Computer equipment	4.2(a)	557,603	-	-	557,603
Furniture and fittings	4.2(a)	25,616	-	-	25,616
Total plant, equipment, furniture and fittings at fair value		2,404,145	-	-	2,404,145
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
Total right-of-use assets at fair value		4,311,478	-	-	4,311,478
Total non-financial physical assets at fair value		7,726,674	-	1,011,051	6,715,623

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

Notes to and forming part of the financial statements

How we measure fair value of non-financial physical assets

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

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

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 considered until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Non-specialised buildings

Non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2024.

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 current replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that current replacement cost will be materially different from the existing carrying amount.

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

Notes to and forming part of the financial statements

Note 7.4: Fair value determination (continued)

Reconciliation of level 3 fair value measurement

Note	Plant and equipment \$	Computer equipment \$	Furniture and fittings \$	Right-of-use plant and equipment \$	Right-of-use vehicles \$
Balance at 1 July 2022	1,753,173	478,314	24,911	4,919,473	156,094
Additions/(disposals)	378,848	347,955	11,118	752,748	41,131
Assets provided free of charge	-	-	-	-	-
Net transfers between classes	-	-	-	-	-
<i>Gains/(Losses) recognised in net result</i>					
- Depreciation and amortisation	(311,095)	(268,666)	(10,413)	(1,532,351)	(25,617)
- Impairment loss	-	-	-	-	-
<i>Items recognised in other comprehensive income</i>					
- Revaluation	-	-	-	-	-
Balance at 30 June 2023	1,820,926	557,603	25,616	4,139,870	171,608
Additions/(disposals)	97,174	277,014	(1,018)	13,177,600	116,885
Assets provided free of charge	-	-	-	-	-
Net transfers between classes	(4,463)	-	-	-	4,463
<i>Gains/(Losses) recognised in net result</i>					
- Depreciation and Amortisation	(327,559)	(331,900)	(7,172)	(2,094,564)	(45,234)
- Impairment loss	-	-	-	-	-
<i>Items recognised in other comprehensive income</i>					
- Revaluation	-	-	-	-	-
Balance at 30 June 2024	1,586,078	502,717	17,426	15,222,906	247,722

(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

Notes to and forming part of the financial statements

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

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

	Note	2024 \$	2023 \$
Net result for the year		(2,826,134)	(1,789,908)
Non-cash movements			
Depreciation and amortisation of non-current assets	4.5	2,939,544	2,299,042
Loss allowance for receivables	3.2	(21,600)	(510,978)
(Gain)/Loss arising from revaluation of long service liability	3.2	(72,506)	149,813
(Gain)/Loss from other economic flows	3.2	42,502	(126,741)
Movements in assets and liabilities			
(Increase)/decrease in receivables		(610,483)	4,535,122
Increase in inventories		(621,459)	(2,125,098)
Increase in prepayments		(1,082,449)	(292,682)
Increase in payables and contract liabilities		28,663,715	3,665,896
Increase in employee benefits		1,713,215	1,089,935
Increase in other provisions		141,781	13,800
Net cash inflow from/(used in) operating activities		28,266,126	6,908,201

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.

Notes to and forming part of the financial statements

Note 8.3: Responsible persons disclosure

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

	Period
Responsible Ministers	
The Honourable Mary-Anne Thomas MP:	
Minister for Health	1 Jul 2023 - 30 Jun 2024
Minister for Health Infrastructure	1 Jul 2023 - 30 Jun 2024
Former Minister for Medical Research	1 Jul 2023 - 2 Oct 2023
Minister for Ambulance Services	2 Oct 2023 - 30 Jun 2024
The Honourable Ingrid Stitt MP:	
Minister for Mental Health	2 Oct 2023 - 30 Jun 2024
Minister for Ageing	2 Oct 2023 - 30 Jun 2024
The Honourable Gabrielle Williams MP:	
Former Minister for Mental Health	1 Jul 2023 - 2 Oct 2023
Former Minister for Ambulance Services	1 Jul 2023 - 2 Oct 2023
The Honourable Lizzy Blandthorn MP:	
Former Minister for Disability, Ageing and Carers	1 Jul 2023 - 2 Oct 2023
Minister for Children	2 Oct 2023 - 30 Jun 2024
Minister for Disability	2 Oct 2023 - 30 Jun 2024
Governing Board	
Mr Lance Wallace (Board Chair)	1 Jul 2023 to 30 Jun 2024
Ms Kate O'Sullivan	1 Jul 2023 to 30 Jun 2024
Ms Eileen Keane	1 Jul 2023 to 30 Jun 2024
Ms Janet Young	1 Jul 2023 to 30 Jun 2024
Mr Craig Fraser	1 Jul 2023 to 30 Jun 2024
Ms Felicity Topp	1 Jul 2023 to 30 Jun 2024
Ms Ingrid Player	1 Jul 2023 to 30 Jun 2024
Ms Margaret Grigg	1 Jul 2023 to 30 Jun 2024
Ms Jacinda de Witts	1 Jul 2023 to 30 Jun 2024
Accountable Officer	
Mr Neil Rodaway	1 Jul 2023 to 30 Jun 2024

Notes to and forming part of the financial statements

Note 8.3: Responsible persons disclosure (continued)

Remuneration of responsible persons

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

Income band	2024 no.	2023 no.
Nil	5	8
\$20,000 - \$29,999	2	2
\$30,000 - \$39,999	1	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$430,000 - \$439,999	-	1
\$480,000 - \$489,999	1	-
Total numbers	10	13
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:		
	650,820	600,239

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.

Notes to and forming part of the financial statements

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	
	2024 \$	2023 \$
Short-term employee benefits	1,743,294	1,378,457
Post-employment benefits	141,306	122,894
Other long-term benefits	29,364	27,634
Termination benefits	107,799	-
Total remuneration ⁽ⁱ⁾	2,021,763	1,528,985
Total number of executives	6	6
Total annualised employee equivalent ⁽ⁱⁱ⁾	5.7	5.1

(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 and personal business interests
- 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.

Key management personnel (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 Officer of HSV are deemed to be KMPs. This includes the following:

KMPs	Position title
Mr Lance Wallace (Board Chair)	Chair of the Board
Ms Kate O'Sullivan	Board Member
Ms Eileen Keane	Board Member
Ms Janet Young	Board Member
Mr Craig Fraser	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 Officer
Ms Emilia Cohen	Chief Operating Officer
Mr John Delinaoum	Chief Financial Officer
Mr Raph Even-Chaim	Chief Information Officer
Ms Mel Nolet	Chief People and Safety Officer
Mr Hugh McKerrow (to 31 May 2024)	Chief Strategic Development Officer
Ms Rebecca Prior	Acting Chief Procurement Officer

Notes to and forming part of the financial statements

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.

	2024 \$	2023 \$
Compensation - KMPs		
Short-term employee benefits ⁽ⁱ⁾	2,340,168	1,934,364
Post-employment benefits	183,572	161,869
Other long-term benefits	41,044	32,991
Termination benefits	107,799	-
Total ⁽ⁱⁱ⁾	2,672,583	2,129,224

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

(ii) KMPs are also reported in Note 8.3 Responsible Persons and Note 8.4 Remuneration of Executives.

Significant transactions with government-related entities

HSV received funding from the Department of Health of \$79,948,870 (2023: \$49,289,103) and indirect contributions of \$1,011,450 (2023: \$1,200,823).

Revenue received from related party transactions from health agencies has been recognised (\$129,118,379) as at 30 June 2024 (2023: \$114,512,582) 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 2024 (2023: none).

There were no related party transactions required to be disclosed for the HSV Board of Directors and Chief Executive Officer in 2024 (2023: none).

Notes to and forming part of the financial statements

Note 8.6: Remuneration of auditors

	2024 \$	2023 \$
Victorian Auditor-General's Office		
Audit of financial statements	41,200	39,700
Total remuneration of auditors	41,200	39,700

Note 8.7: Ex gratia expenses

HSV has made no *ex gratia* payment in the 2024 Financial year (2023: none).

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 to support 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 2022-5: Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	Reporting periods beginning on or after 1 January 2024.	Adoption of this standard is not expected to have a material impact.
AASB 2022-9: Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	Reporting periods beginning on or after 1 January 2026.	Adoption of this standard is not expected to have a material impact.
AASB 2022-10: Amendments to Australian Accounting standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities	Reporting periods on or after 1 January 2024.	HSV has considered the impact of adopting this amendment, and disclosed accordingly.

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 that 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.

Notes to and forming part of the financial statements

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

(a) a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- (a) Balance sheet as at the end of the period
- (b) Comprehensive operating statement for the period
- (c) A statement of changes in equity for the period
- (d) Cash flow statement for the period
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information
- (f) Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements
- (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.

Notes to and forming part of the financial statements

General government sector

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

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced asset in this glossary.

Interest expense

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

Interest income

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

Investment properties

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

Joint arrangements

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

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

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

Liabilities

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

Notes to and forming part of the financial statements

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

Net acquisition of non-financial assets (from transactions)

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

Net result

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

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

Non-financial assets

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

Non-produced assets

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

Non-profit institution

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

Payables

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

Produced assets

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

Receivables

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

Notes to and forming part of the financial statements

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	financial year period

