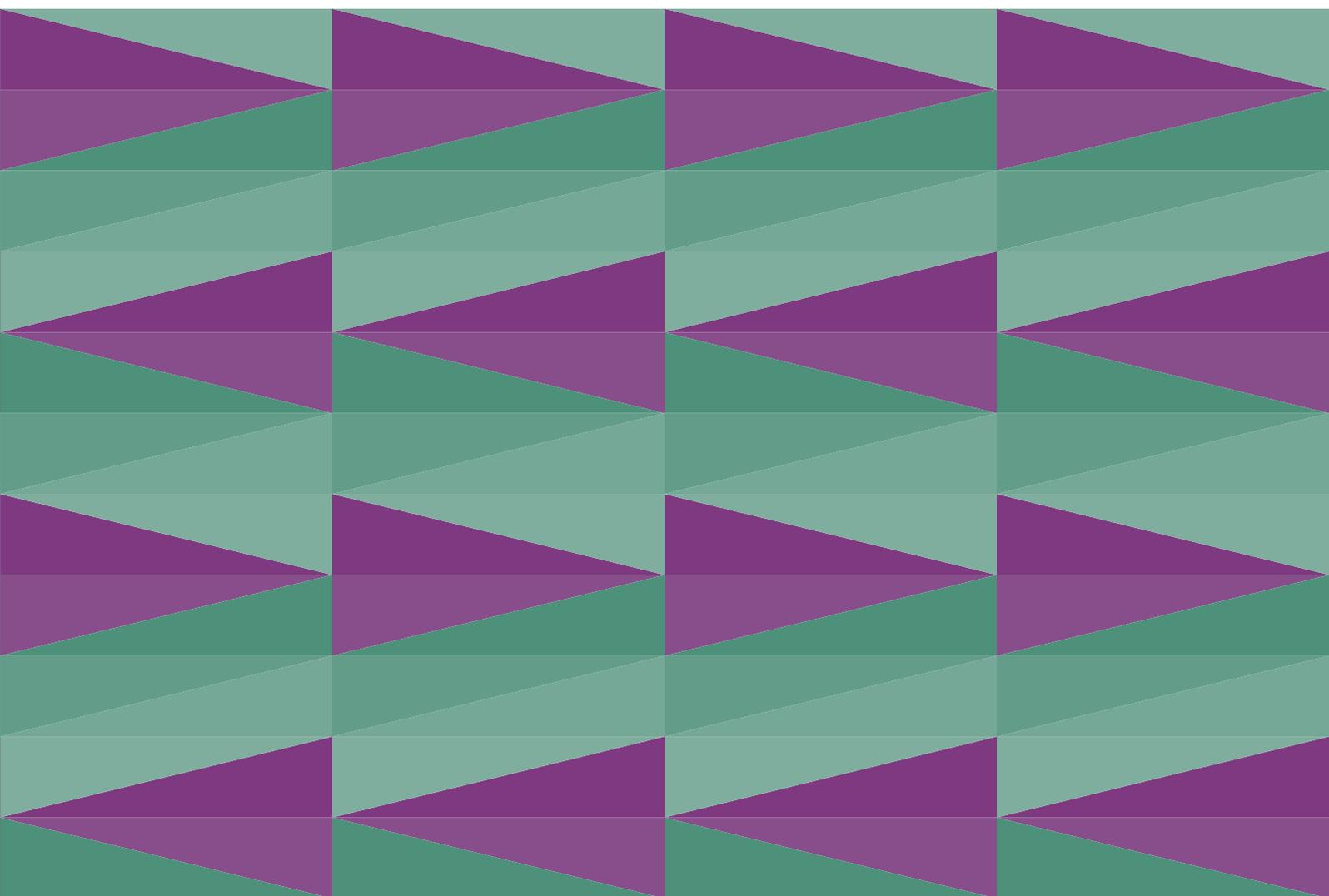


# Health Purchasing Victoria

Annual Report 2013-2014



Working with Victoria's health sector to  
achieve best-value supply chain outcomes



# Contents

Operating Report		Financial Report	
<b>1</b>	Report from Board Chair and Chief Executive	<b>29</b>	Board Member's, Accountable Officer's and Accounting Officer's Declaration
<b>3</b>	About HPV	<b>30</b>	Comprehensive Operating Statement
<b>4</b>	Governance	<b>31</b>	Balance Sheet
<b>7</b>	Attestations	<b>32</b>	Statement of Changes in Equity
<b>8</b>	Compliance	<b>33</b>	Cash Flow Statement
<b>10</b>	Strategic Objectives Performance Report Summary	<b>34</b>	Notes to the Financial Statements
<b>17</b>	HPV Annual Compliance Statement	<b>56</b>	Independent Auditor's Report
<b>18</b>	Management and Organisation		
<b>19</b>	Organisation Chart		
<b>20</b>	Our People: Human Resources and Development		
<b>22</b>	Sustainability		
<b>24</b>	Details of Consultancies		
<b>25</b>	Summary of Financial Results		
<b>26</b>	Disclosure Index		

# Report from Board Chair and Chief Executive

2013-14 saw the completion of several key strategic projects for Health Purchasing Victoria (HPV). Completing the release of the Victorian Product Catalogue System and gazetting new Health Purchasing Policies were key initiatives that typified a year of solid achievement.

In addition to increased value under contract, the benefits we delivered to the Victorian health sector through cost reduction and cost avoidance increased.

For greenfield sourcing events concluded this financial year, HPV achieved a weighted average 14.6% cost reduction. In 2013-14 HPV delivered financial benefits of \$60.8 million comprising \$15.4 million in Cost Reductions, \$40.9 million in Cost Avoidance and \$4.5 million in Further Opportunities.

Note these figures are derived using HPV's new benefit realisation methodology that calculates actual rather than annualised benefits to the sector. Please note when comparing previous statements of HPV's benefits.

## Key outcomes for the health sector

- ▶ The total value under HPV management, including contracts in place and sourcing in progress, at 30 June 2014 was \$622 million
- ▶ Weighted average 14.6% cost reduction on five Greenfield sourcing events concluded in 2013-14

## Highlights

- ▶ Victorian Product Catalogue System (VPCS) went live to all mandated health services in April 2014; as at 30 June 2014, the VPCS held 23 HPV contracts (representing close to 60% of HPV's spend) and more than 314,110 HPV and non-HPV contracted products from more than 429 suppliers
- ▶ Gazetting of new Health Purchasing Policies covering Procurement Governance, Procurement Strategic Analysis, Market Approach, Contract Management and Asset Disposal and Collective Purchasing
- ▶ 15 additional non-mandated health services accessing HPV contracts with a further 14 reviewing access at 30 June 2014
- ▶ Introduction of new benefits realisation calculation model to provide health services with a clearer summary of outcomes achieved
- ▶ Establishment of HPV Regional Procurement Advisor roles to provide hands-on assistance to health services in preparing for transition to new Health Purchasing Policies
- ▶ Strategic Supplier Relationship Management review completed with top 20 HPV suppliers set the foundation for improved two-way information sharing

In line with Victorian government procurement reform, HPV has updated its terminology. Please note if comparing operational statements and trends reporting from the 2012-13 financial year to the 2013-14 financial year.

Previous term	New term
Tender	Invitation to Supply
Contract	Agreement

# Report from Board Chair and Chief Executive

## Financial Performance

The 2013-14 HPV financial result is a surplus of \$565,998. The surplus was mainly driven by some project and recruitment delays.

## Thank You

We sincerely acknowledge the contributions of the following key stakeholders who continually provided their commitment and support during 2013-14:

- ▶ The Minister for Health, the Hon David Davis MP
- ▶ Victorian Department of Health
- ▶ Victorian public hospitals and health services
- ▶ Committee and advisory group members involved in HPV activities
- ▶ 280 expert health service participants who were members of Executive Reference Groups and Product Reference Groups
- ▶ Suppliers to the Victorian public health sector
- ▶ HPV's team of dedicated staff
- ▶ HPV Board and Board Subcommittee Members

HPV would like to extend its sincere thanks to Alex Johnstone who served on HPV's Board from 2011 and whose term ended in June 2014.

Lastly, in accordance with the *Financial Management Act 1994*, we are pleased to present the following Report of Operations for Health Purchasing Victoria (HPV) for the year ending 30 June 2014.



**Felix Pintado**  
*Chair*

Melbourne  
14 August 2014



**Megan Main**  
*Chief Executive*

Melbourne  
14 August 2014

# About HPV

## Establishment

Health Purchasing Victoria (HPV) was established in 2001 and is an independent statutory authority under Section 129 of the *Health Services Act 1988*. HPV is responsible to the Minister for Health and works closely with the Department of Health.

HPV aims to improve the collective purchasing power of Victorian public hospitals and health services through achieving 'best value' outcomes in the procurement of health-related goods, services and equipment across more than 40 contract categories.

## Objectives

HPV aims to improve the collective purchasing power of Victorian public hospitals and health services and to achieve 'best value' outcomes in the procurement of health related goods, services and equipment.

HPV works in collaborative partnership with public hospitals and health services in order to understand their requirements, to facilitate large-scale collective tenders and manage common-use contracts on behalf of the state.

HPV applies the Code of Conduct for the Victorian Public Sector issued by the State Services Authority\*.

## HPV Strategic Goals

**HPV's Business Plan will continue to focus on the following key strategic goals:**

- 1 ► Significantly expand the statewide tender and contract management program
- 2 ► Lead collaboration on medical equipment procurement
- 3 ► Support end-to-end supply chain efficiency gains
- 4 ► Strengthen health sector procurement and probity capability
- 5 ► Ensure evidence-based knowledge drives supply chain decisions
- 6 ► Build capability and capacity within HPV

**HPV's growth will continue to be guided by the following values:**

We value:	This means we:
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>► Place priority on effective stakeholder relationships</li> <li>► Work with stakeholders for mutual benefit</li> <li>► Seek input and incorporate feedback</li> </ul>
<b>Achievement</b>	<ul style="list-style-type: none"> <li>► Encourage initiative and aspire to excellence</li> <li>► Promote continual learning and improvement</li> <li>► Deliver outcomes that benefit our partners</li> </ul>
<b>Team Work</b>	<ul style="list-style-type: none"> <li>► Contribute beyond our own tasks to achieve our purpose and goals</li> <li>► Value the contribution of our external stakeholders and staff</li> </ul>
<b>Integrity</b>	<ul style="list-style-type: none"> <li>► Say what we mean, do what we say</li> <li>► Be honest, open and transparent, demonstrating a consistent approach in all our dealings</li> </ul>
<b>Respect</b>	<ul style="list-style-type: none"> <li>► Equally recognise value of, listen to and acknowledge the contribution of all</li> </ul>
<b>Communication</b>	<ul style="list-style-type: none"> <li>► Share information openly in a timely and appropriate way</li> </ul>

\* The State Services Authority changed its name to the Victorian Public Sector Commission in March 2014.

# Governance

## Board Members

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

We would like to acknowledge the contribution of Mr Alex Johnstone whose tenure concluded on the Board of HPV in June 2014.

Board composition during 2013-14 was as follows:

### Mr Felix Pintado (Chair)

B.Theol, Dip. Ed., GDHSM, MHA, FCHSM, CHE, FAIM, MAICD

Appointed to the Board in 2001 and Deputy Chair from 2001-2007, Felix has chaired HPV since July 2007. Felix is the Chief Executive of Royal Freemasons Ltd, one of Victoria's most respected aged care providers. He previously held senior executive positions in specialist and general hospitals in Victoria and New Zealand, including Chief Executive of Dental Health Services Victoria and Latrobe Regional Hospital.

Felix is a Councillor of the Victorian State Branch of the Australasian College of Health Service Management. He is also a Board Director with the Australian Healthcare and Hospitals Association, and Aged and Community Care Victoria.



\* Note the name of Tenders and Contracts Committee was changed to Procurement Committee in March 2014.

### Mr Tim Barta

BA (Hons)

*Reappointed in September 2012*

An HPV Board Member since July 2007, Tim is Director, Cost Control and Efficiency, in the Department of Treasury and Finance. He previously held executive positions in the Department of Health.

### Mr Simon Brewin

BBus C&HM, GDHSM, MBL, FCHSM, CHE

Appointed to the Board in July 2008, Simon Brewin is Executive Director, Planning Infrastructure & Information Technology at Peninsula Health. Simon's career as a health service manager spans some 28 years with previous senior appointments at Southern Health, Bayside Health (The Alfred), Mercy Hospital for Women and other hospitals.

### Mr Rohan Fitzgerald

Rohan was appointed to the Board in July 2013. He is Chief Executive of Stawell Regional Health. Prior to that role Rohan was Director Corporate Services at Latrobe Regional Hospital from 2008 to 2011.

### Dr Gareth Goodier

MB ChB MHA DHSc FRACMA FAFPHM

*Appointed to the Board in July 2013*

Dr Goodier commenced in the role as Chief Executive for Melbourne Health on 18 June 2012. He qualified as a medical practitioner in 1974 and practised as a clinician in the UK, Australia and Saudi Arabia before moving into management. He has sixteen years' experience as the Chief Executive of Academic Teaching Hospitals and seven years as the Chief Executive of Regions or Health Authorities. He has also worked for the World Bank and Arthur Andersen as a management consultant. Dr Goodier has co-authored a Masters course on Quality in Health Care and has lectured in several universities on leadership and contemporary health management.

### Mr Alex Johnstone

B.Sc. (Econ) Hons – Accountancy, FCPA, CPFA (UK), CPA (Aus)

Appointed to the Board in August 2011, Alex is currently Director of Resources and Planning at The University of Melbourne, Faculty of Medicine, Dentistry and Health Sciences. He is a member of the Chartered Institute of Public Finance and Accountancy and the Healthcare Financial Management Association, and is a Fellow of CPA Australia.

### Ms Mary Malone

BBus

Appointed to the Board in August 2011, Mary has extensive senior leadership experience in the South Australian public health system in both large and small acute general public hospitals as well as state-wide mental health services.

### Dr Robyn Mason

MBBS, M.Admin, FRACMA, FAICD

Appointed to the Board in August 2011, Robyn has a medical degree and post-graduate qualifications in business and hospital management and is committed to excellence in the management and financing of Victoria's public health system. Since mid-2009, Robyn has worked as a healthcare consultant. Prior to that she held a number of senior health management roles.

### Ms Linda Sorrell (Deputy Chair)

MHA, BHSM, Grad Certificate in Casemix

Linda was appointed to the HPV Board in July 2009. In 2007, Linda Sorrell was the first female Chief Executive of The Royal Melbourne Hospital in its 160-year history. A highly qualified executive with extensive experience working within the Government sector, Linda has worked in a variety of hospital and network roles in both NSW and Victoria for many years. Linda is currently Chief Executive of the Australian and New Zealand College of Anaesthetists.

### Mr Julian Glynn

BSc, BEc, AFSAA

Appointed to the Board in July 2012, Julian is an experienced corporate finance and business professional with a broad knowledge of business and government. Julian brings to the board experience working with government on policy and business issues and has been a business adviser to the Commonwealth Department of Finance.

He has been active in the Army Reserve, including service as a peace keeper overseas and also as an army fire-fighter during the 1983 Ash Wednesday fires and in the immediate aftermath of the Victorian Black Saturday bushfires.

### Mr Ian Quick

B.Ec, Grad Dip (Comp Sci)

Appointed to the Board in December 2012, Ian is a finance, IT and business professional with broad experience across a range of industries. He brings to the Board significant experience in increasing business and project efficiencies in addition to a focus on strategic planning. He was previously on the Board of the Royal Children's Hospital and has been involved with many community organisations including as President of Save Our Suburbs.

## Board Attendance 2013-14

There were 9 Board meetings held between 1 July 2013 and 30 June 2014.

Name	Meetings eligible	Number attended
Mr Felix Pintado (Chair)	9	8
Mr Tim Barta	9	7
Mr Simon Brewin	9	8
Mr Rohan Fitzgerald	9	9
Mr Julian Glynn	9	7
Dr Gareth Goodier	9	6
Mr Alex Johnstone	9	7
Ms Mary Malone	9	8
Dr Robyn Mason	9	8
Mr Ian Quick	9	9
Ms Linda Sorrell	9	8

# Governance

## Board Sub Committees

The following Committees provided advice to the HPV Board during 2013-14:

### Board Process Committee

**Chair:** Mr Felix Pintado

**Members:** Mr Simon Brewin, Ms Linda Sorrell, Dr Robyn Mason

The Board Process Committee was established for Board operational effectiveness and efficiency for items that may require urgent attention (usually between regular Board meetings) and for attending to CEO remuneration and resource matters.

### Audit & Risk Committee

**Chair:** Ms Linda Sorrell (independent)

**Deputy Chair:** Ms Kathy Grigg (independent)

**Ex Officio:** Mr Felix Pintado

**Members:** Mr Tim Barta, Mr Alex Johnstone (independent), Dr Robyn Mason (independent), Mr Lynton Norris (independent), Mr John Sutherland

The Audit & Risk Committee (ARC) advises the Board in key areas of governance. The ARC ensures that accurate, timely and relevant reports are produced on the financial operations of HPV. It advises the Board on matters relating to financial strategies, the internal audit function and also oversees the Risk Management Framework and effectiveness of internal control systems in maintaining legislative compliance.

### Procurement Committee

**Chair:** Mr Simon Brewin

**Members:** Mr Mark Berryman, John Fitzgerald, Rohan Fitzgerald, Mr Julian Glynn, Ms Mary Malone, Mr Joe Neill, Mr David Ray, Ms Charmayne Thompson, Ms Kim Wheeler

The Procurement Committee (PC) advises the Board in achieving its fiduciary duty through the execution of the sourcing program, while maintaining appropriate segregation of powers. The PC provides independent review and makes recommendations to the Board regarding HPV tendering and contracting activities.

*The Procurement Committee was formerly known as the Tenders and Contracts Committee. The name changed formally on 20 March 2014.*

## Remuneration

The remuneration of Board members is determined by Government policy. The Board reviews the performance and remuneration of the Chief Executive on an annual basis via the Board Process Committee.

## Risk Management

The Board engaged Wyndarra Consulting in 2009 to provide Internal Audit services to HPV for a three year period; this was extended for a further three years in January 2012.

The 2013-14 Internal Audit Program included legislative compliance reviews of Privacy of Information, Freedom of Information, Financial Management, Confidentiality and Superannuation. Additional reviews undertaken covered risk assurance, contracts, compliance and data management controls.

The Annual External Financial Audit was outsourced by the Victorian Auditor-General's Office to the accounting firm DFK Collins Pty Ltd.

In line with Victorian Government Purchasing Board guidelines, where a tender is likely to have a value in excess of \$10 million over the life

of the contract, or where there is a likelihood of significant risk, a Probity Auditor is engaged for the term of the tender. HPV used the services of Oakton Consulting Technology and Pitcher Partners for its probity advice during the financial year. Pitcher Partners also provided probity training to HPV staff.

O'Connor Marsden (OCM) have provided advice to HPV in drafting the new Health Purchasing Policies and associated guidelines in particular the Guide to Ensuring Probity in Procurement Practice. In addition, OCM is piloting a program of probity assessments in health services to guide HPV's activities in meeting its legislative function to "ensure probity is maintained in purchasing, tendering and contracting activities in public hospitals".

# Attestations

## Attestation on Compliance with Australian/New Zealand Risk Management Standard

I, Megan Main, certify that Health Purchasing Victoria has risk management processes in place consistent with AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Committee verifies this assurance and that the risk profile of Health Purchasing Victoria has been critically reviewed within the last 12 months.



**Ms Megan Main**  
*Chief Executive Officer  
and Accountable Officer*

Melbourne  
14 August 2014

## Attestation on Data Integrity

I, Megan Main, certify that Health Purchasing Victoria has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. Health Purchasing Victoria has critically reviewed these controls and processes during the year.



**Ms Megan Main**  
*Chief Executive Officer  
and Accountable Officer*

Melbourne  
14 August 2014

## Attestation on Insurance

I, Megan Main, certify that Health Purchasing Victoria has complied with the Ministerial Direction 4.5.5.1 – Insurance.



**Ms Megan Main**  
*Chief Executive Officer  
and Accountable Officer*

Melbourne  
14 August 2014

# Compliance

This summary is provided in accordance with the Directions of the Minister for Finance. HPV is an independent statutory authority and incorporated body established under Section 129 of the *Health Services Act 1988* and is regulated by the Act.

## Purchasing Policies

The Principal Purchasing Policy was replaced by the Health Purchasing Policies, which were gazetted in Parliament on 26 June 2014. Mandated health services (Schedule 1 and 5 of the Act) must comply with these policies, but they are subject to a two-year transition phase until 2016.

## Directions

No Directions remain in force and no new Directions were made by HPV in 2013-14.

## Ministerial Directions

HPV received no directions from the Minister for Health in relation to the exercise of HPV functions or powers in accordance with S134L (1) & (2) of the *Health Services Act 1988* in 2012-13.

The Minister did not disallow any direction or purchasing policy in operation for the financial year.

## Secretarial Directions

HPV received no directions from the Secretary of the Department of Health regarding the terms and conditions upon which HPV may employ staff in accordance with S134L (3) of the *Health Services Act 1988* in 2013-14.

## Freedom of Information

HPV complies with all sections of the Victorian *Freedom of Information Act 1982*. No requests for information under this Act were received during 2013-14.

## Protected Disclosures

There were no matters referred to the Independent Broad-based Anti-corruption Commission under the *Protected Disclosures Act 2012*. IBAC is a public body that can receive and investigate protected disclosures. Information regarding how to access procedures established under IBAC have been provided to staff.

## Disability Action Plan

The key purpose of HPV's Disability Action Plan (DAP) is to improve outcomes for people with a disability who seek to engage with HPV or access its services.

It focuses on four key outcome areas:

1. Reducing barriers to people with a disability accessing HPV services
2. Reducing barriers to people with a disability gaining employment with HPV
3. Promoting inclusion within the community of people with a disability
4. Promoting positive cultural and workplace attitudes towards people with a disability.

The DAP was reviewed in early 2014 to update methods, performance measures, timeframes, responsible HPV officer, actions and outcomes for the four key outcome areas. The revised DAP was subsequently approved by the HPV Board in February 2014.

## Building Act 1993

Health Purchasing Victoria does not own any buildings and leases office accommodation. Therefore HPV complies with the building and maintenance provisions of the *Building Act 1993*.

## National Competition Policy

The guiding legislative principle of the National Competition Policy is that legislation should not restrict competition unless it can be demonstrated that:

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

Health Purchasing Victoria was established to complement the aims of the National Competition Policy by increasing competition amongst suppliers.

Section 1340 of the *Health Services Act 1988* exempts HPV from Section IV of the *Competition and Consumer Act 2011* to allow the Victorian public hospitals and health services to tender as a single entity.

## Implementation of the Victorian Industry Participation Policy (VIPP)

During 2013-14, HPV **commenced** 8 contracts that were subject to VIPP totalling more than \$306 million in value (ex. GST). This is significantly less than the period 2012-13 (\$746 million), primarily due to the commencement of the new Pharmaceuticals contract in 2012-13 which alone represented close to \$450 million.

The VIPP plans for these contracts committed to retaining 494 existing local jobs and the creation of a further 83 jobs. These contracts also include commitment to create 9 apprenticeships / traineeships.

Local content ranged from 0% to 100% with an average of 50% across the 8 sourcing projects commenced during the year. All contracts that commenced in 2013-14 were statewide procurement projects.

A summary of the skills and technical transfer commitments includes:

- ▶ All contractors have committed to ongoing staff training and development
- ▶ The range of knowledge transfer activities for hospital staff includes technical applications of medical products, safe handling training, industry forums, formal and informal training

During 2013-14, HPV **completed** three contracts to which the VIPP applied.

## Additional information available on request

Health Purchasing Victoria complies with the Financial Reporting Directions and statutory disclosure requirements under FRD 22E with regards to providing additional information on request. All disclosures applicable under Australian Accounting Standards are independently audited.

# Strategic Objectives Performance Report Summary

This year HPV forged ahead with its Business Plan with most (92%) deliverables having met their target or delivered against a broad-ranging plan.

The summary below outlines HPV's performance against the Business Plan, in accordance with each Strategic Goal, 2013-14 Deliverable and Outcome.

Strategic Objective	Deliverable/s 2013-14	Outcome
<i>Strategic Goal 1: Increase the benefit to Victoria's health sector from collective procurement of goods and services</i>		
Expand the goods and services tender program while maintaining 10% saving target on greenfield tenders (invitations to supply)	Increase the value under HPV management to more than \$600 million	<b>Target achieved.</b> Total value under HPV contract at 30 June 2014 is \$540 million. Total value under HPV management (including both contracts and Greenfield sourcing underway) is \$622 million.
	Develop and Implement a methodology to forecast benefits of new contracts based on previous trends	<b>Complete.</b> Forecast data used in three HPV categories (Defibrillators, Natural Gas and Electricity).
	Maintain minimum 10% weighted average benefits of greenfield tenders OR delivery of efficiencies that measure to 10% benefit	<b>Complete.</b> Weighted average 14.6% cost reduction on 5 Greenfield sourcing events concluded in 2013-14.
	Hold annual cost growth to 2% below appropriate index or cost drivers, or below maximum escalation value as determined by the market – to be determined prior to event	<b>Complete.</b> Weighted average 2.3% cost reduction on 6 re-sourcing events and 8 contract options.
	Undertake regular review of hospital spend data	<b>Complete.</b> Long-range sourcing plan approved by HPV Board in May 2014.
	Incorporate mapping into VGPB reform (SG4) planning as part of spend analysis	<b>Complete.</b> State-wide mapping completed. GL spend analysis completed for 1 metropolitan health service. Detailed spend analysis also incorporated into new field support program established by HPV.
	Ensure appropriate effort and resources in place depending on complexity of category	<b>Ongoing.</b> Strategic Cost Management, Basic and Advanced Negotiation, Decision Analysis training and other short courses were delivered to the team this FY. Internal workshops on procurement reform were held for all HPV staff members. Category management framework aligning with VGPB reforms also completed.
	Improve the value realised from critical HPV contracts	Proactively work with health services to support contract utilisation and compliance
Continue to assess contract usage to identify opportunities for health services		<b>Ongoing.</b> Opportunity Alert published for all Pharmaceutical supplementary sourcing events and Filgrastim category.

Strategic Objective	Deliverable/s 2013-14	Outcome
<b>Strategic Goal 1: Increase the benefit to Victoria's health sector from collective procurement of goods and services</b>		
Improve the value realised from critical HPV contracts	Develop and implement process to drive product rationalisation and standardisation	<b>Complete.</b> Rationalisation potential discussions now integrated into sourcing strategy.
	Implement supplier self-assessment for highest priority categories	<b>Complete.</b> Supplier Business Reviews pilot completed with top 20 spend HPV contracted suppliers.
	Increase regional engagement to identify 'champions' and areas for focus	<b>In Progress.</b> Regional health service forum format updated; regional health services identified to pilot procurement reform.
Expand the HPV 'customer base' to achieve greater benefit to Victorian public health	Continue to work with other jurisdictions within legislative constraints	<b>Ongoing.</b> Health inter-jurisdictional summits conducted on bi-annual basis. Shared resource agreed by jurisdictions, which will be led by HPV.
	Continue to extend access as required and in line with the legislation	<b>Ongoing.</b> Fifteen non-mandated entities now accessing contracts. A further 14 have signed Confidentiality Agreements for opportunity assessment purposes.
	Systematically review requests to support as required	<b>Ongoing.</b> HPV completed Helicopter Emergency Management Invitation to Supply (Tender). Providing assistance to and/or scoping requirements with LIS, Florey Institute and two metropolitan health services regarding Pathology cluster category requirements.
Improve value delivered to health by non-HPV group purchasing arrangements such as Whole of Victorian Government contracts	Continue to investigate and facilitate access as required	<b>Ongoing.</b> Some Community Health Centres referred to whole-of-government contracts. Telecommunications, gas & electricity HPV/whole-of-government pricing comparison in progress.  Engagement with Department of Treasury and Finance on their forward sourcing plan.  Health service utilisation of State Purchase Contract on Natural Gas <5TJ category.
Improve sustainable health procurement practices	Ensure sustainable procurement principles are embedded into sourcing processes.	<b>Ongoing.</b> Sustainability elements embedded in all relevant agreements and ongoing contract management cycle.
Improve clinicians' awareness of and input into HPV's sourcing strategy	Continue to identify and engage with key senior clinicians	<b>Ongoing.</b> Increased health service site visits; widened health stakeholder groups; clinical placements for complex categories. Strengthened engagement with Clinical Product Advisors Group.
<b>Strategic Goal 2: Achieve Economies of Scale in Equipment Procurement</b>		
Establish a collective equipment management program	Continue to liaise with Department of Health to understand funding models and asset management	<b>Ongoing.</b> Health service chief executives agreed that Department of Health can share consolidated asset information with HPV.
	Develop best practice policies including total cost of ownership (and product lifecycle and fleet mapping), if data available	<b>Complete.</b> Total Cost of Ownership model developed and benchmarked across US and UK health system approaches.

# Strategic Objectives Performance Report Summary

Strategic Objective	Deliverable/s 2013-14	Outcome
<b>Strategic Goal 2: Achieve Economies of Scale in Equipment Procurement</b>		
Establish a collective equipment management program	Develop Equipment Category Framework including Category Information Pack	<b>Complete.</b> Category Information Pack template developed and first draft is currently being completed for equipment stream.
	Develop whole-of-life costing model to be used for financial evaluation and sourcing decisions	<b>Complete.</b> Model development underway for Defibrillators category.
Manage collective procurement of agreed categories of equipment	Analyse state-wide equipment funding streams, future demand and historical expenditure to identify and prioritise potential categories for collective procurement	<b>Ongoing.</b> Health service chief executives agreed that Department of Health can share consolidated asset information with HPV.
	Apply HPV procurement and probity processes to equipment categories	<b>Complete.</b> Procurement and probity processes applied to Defibrillators, Anaesthetic Machines and Physiological Monitoring categories.
	Test benefits of collaborative equipment procurement with other jurisdictions	<b>Ongoing.</b> Increased engagement with other jurisdictions. Extensive information sharing with international health organisations following supply chain logistics reform study tour re: process, learnings, market intelligence.
<b>Strategic Goal 3: Drive measurable end-to-end supply chain efficiencies</b>		
Scope potential improvements to health supply chain cost and efficiency	Establish three streams of activity for investigation: Governance, Information & Technology and Supply and complete cost and benefits study (feasibility study)	<b>Complete.</b> Governance structure recommended as part of feasibility study which was published in April 2014.
	Benchmark structure and operations across other jurisdictions, private enterprise and international organisations	<b>Complete.</b> NSW jurisdiction visited along with US and UK in study tour.
Secure funding for supply chain improvements	Develop implementation plan(s) for supply chain reform using input from three working parties and identify short-term wins (Just Do Its)	<b>Ongoing.</b> Stakeholder reviews completed and key messaging refined accordingly; Draft approach developed and tested with advisory groups.
Drive agreed supply chain improvements	Establish project management framework for supply chain with agreed gateways and project owners for key areas of framework	<b>Ongoing.</b> Feasibility study report drafted based on consultation and research.
Manage a supply chain improvement program across the sector	Investigate and make recommendations for incorporation of other related initiatives under Supply Chain (Logistics) Reform	<b>Ongoing.</b> Study Tour Key Learnings informed the feasibility study with finalisation of recommendations in progress.
	Ensure regular reporting to sector via multiple forums	<b>Ongoing.</b> Reporting is ongoing across forums.

Strategic Objective	Deliverable/s 2013-14	Outcome
<b>Strategic Goal 3: Drive measurable end-to-end supply chain efficiencies</b>		
Manage a supply chain improvement program across the sector	Monitor projects and facilitate sharing of benefits and learning's across the sector	<b>Ongoing.</b> Supported various initiatives during 2013-14 including SWAHR logistics consolidation, Albury Wodonga logistics review; ongoing project governance for consideration in 2014-15.
<b>Strategic Goal 4: Support procurement and probity practice improvement</b>		
Establish and support best practice procurement and probity standards	Develop robust probity policies for the health sector and commence assistance with implementation in health services	<b>Ongoing.</b> HPV developed draft procurement transition plan was presented to Board in July 2014.
	Continue the alignment of plans, resources and performance monitoring with its functions under the <i>Health Services Act 1988</i>	<b>Complete.</b> HPV project plans aligned with legislative functions and functions being referenced in all planning documents.
	Determine procurement policy framework for the health sector by engaging with hospitals and health services in line with VGPB reform	<b>Complete.</b> New Health Purchasing Policies completed and gazetted on 26 June 2014 aligning with reform framework.
	Develop a field based support service to assist implementation of procurement reforms	<b>Complete.</b> Field support program in place with six health services and approval for additional regional site confirmed to support implementation with templates and guidelines covering gap analysis and spend analysis.
Strengthen procurement and probity knowledge	Develop and implement self-assessment tool for procurement capability and capacity against VGPB guidelines. Use output to inform education strategy	<b>Complete.</b> Tool (capability matrix) developed and reviewed independently. To be shared with health services and used to identify training needs for HPV and health services.
	Continue Procurement Professionals Program (PPP) and health service/HPV secondments	<b>Complete.</b> Second PPP intake completed. Liaison with Department of Health and Department of Treasury underway to leverage existing procurement training programs; HPV employee seconded to a health service; three secondments from health services to HPV during 2013-14.
Monitor procurement and probity compliance	Develop probity self-assessment probity checklist for use by health services	<b>Complete.</b> Probity guidelines and checklist completed and available to health services.
	Commence compliance education and assessment program with selected health services	<b>Complete.</b> Assessment program developed with delivery by external provider; pilot commenced in June 2014 with a regional health service and draft report delivered to health service and HPV.
	Include responsibility for monitoring procurement and probity compliance within HPV field officer	<b>Complete.</b> Field support in place with six metropolitan health services.

# Strategic Objectives Performance Report Summary

Strategic Objective	Deliverable/s 2013-14	Outcome
<b>Strategic Goal 4: Support procurement and probity practice improvement</b>		
Monitor procurement and probity compliance	Report on progress on Victorian Auditor General's (VAGO) recommendations 6 and 7 related to HPV's role in addressing health services' compliance to probity requirements	<b>Complete.</b> VAGO recommendations integrated into HPV's Business Plan. Independent resource engaged in May 2014 to undertake pilot of probity reviews; new reporting framework developed to track probity compliance outcomes.
<b>Strategic Goal 5: Improve the integrity and availability of the information used to drive supply chain decisions</b>		
Improve the quality and availability of supply chain data	Cleanse existing supplier sales data	<b>Complete.</b>
	Establish short to mid-term process to ensure uncleaned data backlog is not created	<b>Complete.</b> Internal backlog substantially reduced. Monitoring timeliness of supplier sales data submissions with new website providing automated submission functionality.
	Put in place a mechanism to capture comprehensive and timely health purchasing information	<b>In Progress.</b> This initiative has been deferred to align with the outcome of the Supply Chain Feasibility Study. The technology component includes e-procurement as part of the supply chain reform feasibility study scope.
	Create an online hub with access to relevant information via new website	<b>Complete.</b> New website incorporates secure cabinet structure to allow authorised access.
	Continue to develop customised reporting and publishing capabilities	<b>Complete.</b> Reports in place for all sourcing events.
	Review options for provision of third party benchmarking and categories offering greatest potential benefit	<b>Complete.</b> Network established via Study Tour offering opportunities for global benchmarking including orthopaedic appliances with NHS Scotland and SingHealth.
	Develop scope of requirements for new e-tendering solution and Contract Management solution	<b>Complete.</b> Scope of requirements complete and Request for Proposal closed; bid evaluation underway.
Improve communication and information sharing	Implement new HPV website and Extranet in line with ICT strategy	<b>Complete.</b> New website launched 10 July 2014.
	Improve ICT tools available to facilitate collaboration with HPV	<b>Complete.</b> Web-based videoconferencing service established in November 2013 and offered to key HPV stakeholders for their use in Forums.
	Develop corporate communications strategy for HPV	<b>Complete.</b> Strategy approved by Board in September 2013 and in place with quarterly evaluation in process.
	Develop a communication plan for the implementation of the Victorian Product Catalogue (VPC)	<b>Complete.</b> Communication plan in place and regularly reviewed in line with feedback received from health services.
	Develop and secure approval for new business case for VPC implementation	<b>Complete.</b> Business case addendum delivered to HPV ICT Working group, VPCS Steering Committee and HPV Board.

Strategic Objective	Deliverable/s 2013-14	Outcome
<b>Strategic Goal 5: Improve the integrity and availability of the information used to drive supply chain decisions</b>		
Improve communication and information sharing	Initiate roll-out subject to business case approval	<b>In Progress.</b> VPC integration to hospital ERPs deferred to align with Supply Chain Reform. VPC project plan focuses on delivering the benefits of web access and the Common Catalogue. Web-based access to VPCS available to health services with unrestricted access to HPV contracts.
Drive development and implementation of essential information standards across the health sector	Explore potential for National Common Catalogue implementation	<b>Ongoing.</b> Official support received from HealthShare NSW CEO and indicative pricing has been included in the 2014-15 budget forecast.
	Work with Financial Management Information Services (FMIS) Benefits realisation group to create a unified approach to common initiatives	<b>Complete.</b>
	Continue to work with NeHTA to drive national standards	<b>Ongoing.</b> UNSPSC framework will be part of the NSW Common Catalogue initiative which is proposed to be extended to include Victoria and other jurisdictions. Agreement reached that all jurisdictions will align to use UNSPSC version 15.
<b>Strategic Goal 6: Build capability and capacity</b>		
Ensure excellence in governance, management, staffing and processes	Implement strategies to attract and retain high calibre employees	<b>Ongoing.</b> HR processes revised to streamline recruitment process and improve recruitment outcomes.  Redesign of Sourcing roles completed to better align available skills with roles; formal two-way secondments being used increasingly.
	Strengthen suite of HR policies and procedures and implement HR KPI framework for monitoring and managing key HR metrics, including Board and ARC reporting	<b>Ongoing.</b> New Enterprise Agreement implemented. Current policies being reviewed. Management KPIs and key Board measures in development.
	Strengthen corporate and role-specific staff training and development program	<b>Complete.</b> 2013-14 training and development (T&D) program completed; T&D remains ongoing, both general and role specific.
	Continue to develop organisational culture to ensure it remains people-focused and promotes work-life balance	<b>Ongoing.</b> 1-1 meetings established to emphasise and support workload management with new roles to provide additional support; appointment of HR Manager in March 2014 to lead People Strategy for HPV.
	Implement Project Office to control overlapping and intersecting project work	<b>Complete.</b> Project Office established in July 2013 and fully operational with monthly updates shared at HPV Team Meeting.

# Strategic Objectives Performance Report Summary

Strategic Objective	Deliverable/s 2013-14	Outcome
<b>Strategic Goal 6: Build capability and capacity</b>		
Ensure excellence in governance, management, staffing and processes	Develop People Strategy to articulate long-term resourcing requirements	<b>In Progress.</b> Delay in recruiting new HR Manager during 2013-14. People Strategy drafted; HR Manager connecting with HR Executive Director at two health services before finalising for HPV's Board.
	Continue to adopt and strengthen flexible resourcing model - extending the "bench" to outsourced resource model	<b>Complete.</b> Flexible resourcing model in place; hiring of contractors to meet short-term spikes.
	Continue secondments between HPV and the health sector to facilitate knowledge-sharing	<b>Ongoing.</b> Three health service secondments to HPV in place during 2013-14; HPV team member seconded at 0.6 FTE to a health service to assist with a sourcing project.
Maintain and continually strengthen key relationships based on respect and trust	Ensure key stakeholders are informed of HPV's role in the VGPB Procurement Reform, Supply Chain Reform and any other relevant issues	<b>Ongoing.</b> Regular, targeted communications to wide range of external stakeholders to ensure consistency and currency of message.
	Consistently share HPV's and health services' key achievements and benefits with our stakeholders through our key publications and events	<b>Ongoing.</b> Website updated, regular direct email communications completed, supplier and customer meetings and forums held (both metro and regional).
	Ensure a standard and consistent project management methodology across HPV	<b>Complete.</b> Refer to Outcome in <i>Strategic Goal 2: Ensure excellence in governance, management, staffing and processes.</i>
Improve management systems and investigate tools to assist productivity	Investigate and evaluate alternative financial system	<b>In Progress.</b> Preliminary review complete which identified gap and need to upgrade from current financial system. Agreement by Audit and Risk Committee to undertake selection process. Detailed investigations commenced into options.
	Review document management procedures and potential implementation of improved tool/system	<b>Complete.</b> Microsoft Sharepoint selected as technology platform for HPV document management process. Provider engaged to build system.
Improve monitoring of organisational key performance indicators and reporting	Determine organisation-wide KPIs for HPV and develop reporting to clearly demonstrate performance against these KPIs	<b>Complete.</b> 2-day Strategic KPI course held in May; KPIs being developed in line with this approach for 2014-15 year, subject to final 2014-15 Budget.
	Develop dashboard report to demonstrate performance of HPV critical performance measures against standard industry measures	<b>Complete.</b> Draft design developed.
<b>Strategic Goal 7*</b>		
Improve Pharmacy and Pharmacy Management	Deliver agreed benefits of the pharmaceutical program and report back to Department of Health	<b>Complete.</b> First pharmaceutical biosimilar sourcing event completed with strong support from health services and 78% cost reduction.

\*This Goal was added to HPV's Statement of Priorities in 2013-14 as part of HPV's 2012-17 Strategic Plan.

# HPV Annual Compliance Statement

## Background

Section 131(d) of the *Health Services Act 1988* requires HPV to monitor compliance by public hospitals with purchasing policies and HPV directions and to report irregularities to the Minister for Health. Hospitals and health services that have been granted a formal exemption; or opted out prior to the tender, are regarded as being compliant with the policy or direction for the purpose of this survey.

Contract compliance statements have been conducted annually since 2005. The Chief Executive of each hospital and health service is requested to provide a report of their organisation's compliance to the contracts arising from the HPV sourcing program.

## Current year statement

The compliance survey was conducted during June 2014. The following table compares results of the 2014 statements to those of 2013 and shows a decrease in compliance and an increase in the not applicable status. The results also demonstrate a decrease in non-compliance. These may in part be due to hospitals and health services developing an increased understanding of compliance reporting. There were nine new contracts implemented in 2013-14.

There were 10 instances (0.3%) of **Exemptions** reported and verified by HPV.

The decrease in exemptions between 2012-13 and 2013-14 was driven mainly by managing the exemptions on the basis of local business impact of Catering Supplies and Office Requisites. These two categories accounted for 7 of 10 (or 70%) of exemptions.

Fifty-eight (1.9%) instances of **Non-Compliance** were reported from a combination of 75 sites and 34 mandatory contract categories and six limited applicability contracts. Of these 58 instances:

- ▶ Eleven related to a health service in the final stages of transitioning to HPV contracts that is close to fully compliant
- ▶ Fourteen related to assumptions made that exemption status would roll over from an old contract to a new contract or an exemption had been requested
- ▶ Ten related to the use of local suppliers in rural areas. HPV continues to liaise with health services regarding exemptions on the basis of local business impact
- ▶ Three related to an exemption request in progress at time of reporting
- ▶ Eighteen related to transitions to contracted items which were in progress or would be at the end of the existing contract
- ▶ Two related to products being incorrectly ordered by health service staff. Processes have been implemented at these health services to prevent this from happening in the future.

The large amount of reported instances of **Not Applicable** remains driven by four tenders with limited applicability:

- ▶ Nurse Agency Services (Metropolitan and Barwon Health only)
- ▶ Pathology Services (Gippsland region only)
- ▶ Infusion Pumps (mandatory for five health services)
- ▶ Agency Labour – Clinical and Support (Metropolitan and Barwon Health only)

**Table: Comparison**

Status	%	
	2012-13	2013-14
<b>Fully Compliant</b>	71.2%	65.9%
<b>Exemption</b>	1.9% (n=48)	0.3% (n=10)
<b>Non-Compliant</b>	2.2% (n=57)	1.9% (n=58)
<b>Not Applicable</b>	24.7%	31.9%
<b>Total</b>	100%	100%

## Next Steps

HPV continues to work with hospitals and health services to improve their compliance and to streamline the exemption process if appropriate, particularly when a new contract replaces an existing expired contract.

During 2013-14 HPV commenced surveying health services regarding their compliance standard. This will continue in the future to monitor performance and to assist health services in achieving optimal compliance standards.

# Management and Organisation

## Leadership Team

### Chief Executive

#### Ms Megan Main

BEng (Hons), BSc, MBA, GAICD, AFCHSM

Megan was appointed Chief Executive in February 2008. Before joining HPV she was Director Supply Chain at Alfred Health for almost three years, prior to which she spent 12 months working as a consultant on The Alfred's Consumables Improvement Project.

Before entering the public health sector, Megan spent more than 10 years leading supply chain improvement and change management projects across a range of industries, both as a consultant and in line roles.

Megan is responsible to the Board for the overall performance of HPV and the achievement of its strategic directions as determined by the Board.

### Director Change & Innovation

#### Ms Eileen Keane

B.Sc.Ed. (Physics), Grad. Dip. Computer Ed., MBA, GAICD

Eileen joined HPV in May 2012 having spent the previous three years as a HPV Board Member and Deputy Chair of the Tenders and Contracts Committee.

Before joining HPV, Eileen worked in various manufacturing industries including automotive and aerospace. She has held a variety of senior level positions in both procurement and quality, where she has managed procurement projects in excess of \$500 million per annum. Her experience includes both in-line and consultancy roles where she has worked on improvement projects in strategic procurement, supply chain and organisational transformation. She is also a qualified Six Sigma Black Belt, so continuous improvement is always a high priority.

### Director Information Services

#### Mr Martin Edwards

MCSE, DipMgt, GAICD

Martin commenced as the Director of Information Services in September 2012. Prior to joining HPV, Martin was the General Manager of ICT and Chief Information Officer at St Vincent's Hospital Melbourne where he worked for 6 years as leader in strategic development and championed such initiatives as the Roaming Clinical Desktop. He has been responsible for managing information and delivering Information and Communication Technology solutions in global and national organisations. Before working in the public health sector, Martin held senior IT positions in Australia and in the UK entertainment industry.

### Director Procurement

#### Ms Alba Chliakhtine

MeBus, MBus (LogMgt), GradDipPurch&MatMgt, GAICD

Alba's procurement career spans a wide range of industries including technology, aerospace, manufacturing, financial services and online sourcing services. She has held a number of senior management roles in procurement and operations where she was responsible for warehousing, procurement, customs and shipping. In her procurement career, Alba led the successful development of diverse procurement and supply strategies encompassing a broad range of supply categories. In addition, Alba's work also extends to supporting not-for-profit organisations in the culturally and linguistically diverse (CALD) sector.

### Director Finance and Corporate Support

#### Ms Sasha Oliver

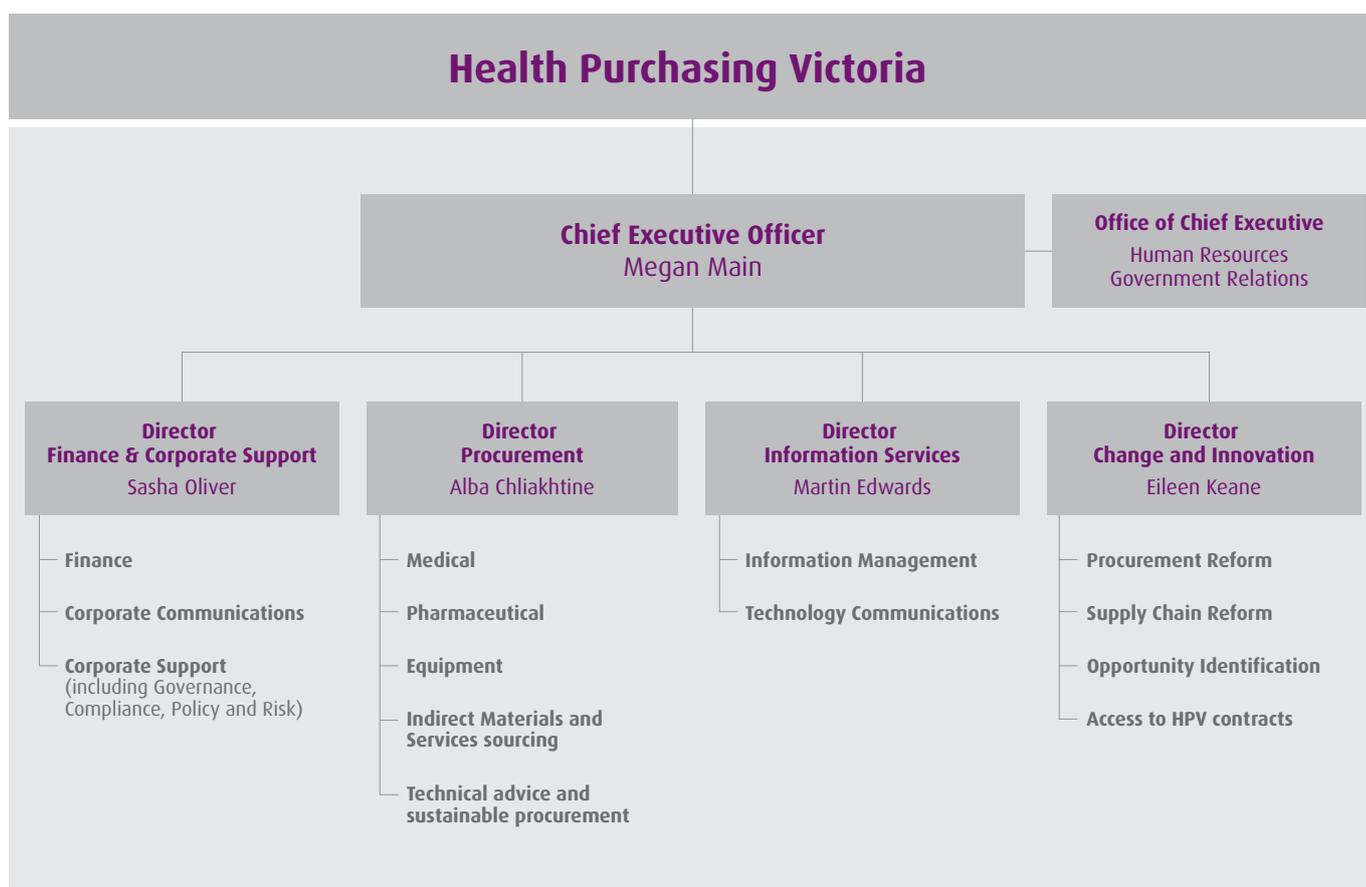
B.Bus, CA, GAICD

Sasha is a Chartered Accountant. Prior to joining HPV, Sasha was the Director of Commercial Management at the Department of Health.

Previously, she also worked at the Department of Health as a consultant project manager working on the Health Reform Program (High Cost Project and Supply Chain Reform). Before working in the public health sector, Sasha held positions in KPMG's taxation division and also across various industries both nationally and internationally at such companies as Asite, Computershare, Coles Myer, Origin Energy and ANZ.

# Organisation Chart (as at 30 June 2014)

The following details HPV's key organisational structure which comprises the following divisions: Office of Chief Executive, Change and Innovation, Procurement, Information Services and Finance and Corporate Support.



# Our People: Human Resources and Development

## Workforce Data

During 2013-14, an additional 24 people joined HPV as employees and as at the end of June 2014, 53 employees were employed by HPV. This marks a 15% increase from the 2012-2013 Financial Year. A summary of HPV's workforce composition is detailed below. Note that 70% of HPV's current staff are Fixed Term, in line with funding arrangements with the Department of Health. HPV has provided detail on its workforce in accordance with Department of Treasury and Finance FRD29 guidelines. Please note when comparing workforce data from previous years which included less detail.

Ongoing Employees	FY 2012-13 (FTE)	FY 2013-14 (FTE)	FY 2012-13 (Headcount)	FY 2013-14 (Headcount)
<b>Executive</b>	5	5	5	5
<b>Non Executive</b>	11.8	10.6	12	11
<b>Part Time*</b>	N/A	N/A	2	1
<b>Full Time*</b>	N/A	N/A	15	15
<b>Number by Gender</b>	Female: 12.8 Male: 4	Female: 10.6 Male: 5	Female: 13 Male: 4	Female: 11 Male: 5
<b>Number by Age cohort (15-24 / 25-34 / 35-44 / 45-54 / 55-64 / 65+)</b>	15-24 = 0 25-34 = 4 35-44 = 8 45-54 = 2.8 55-64 = 2 65+ = 0	15-24 = 0 25-34 = 1 35-44 = 9 45-54 = 3.6 55-64 = 2 65+ = 0	15-24 = 0 25-34 = 4 35-44 = 8 45-54 = 3 55-64 = 2 65+ = 0	15-24 = 0 25-34 = 1 35-44 = 9 45-54 = 4 55-64 = 2 65+ = 0

Fixed Term and Casual	FY 2012-13 (FTE)	FY 2013-14 (FTE)
<b>Fixed Term</b>	24.7	36.7
<b>Casual</b>	0	0
<b>Number by Full Time Status</b>	23	35
<b>Number by Part Time Status</b>	1.7	1.7
<b>Number by Gender</b>	Female: 10.7 Male: 14	Female: 18.7 Male: 18
<b>Number by Age cohort (15-24 / 25-34 / 35-44 / 45-54 / 55-64 / 65+)</b>	15-24 = 1 25-34 = 13 35-44 = 4.8 45-54 = 3 55-64 = 2.8 65+ = 0	15-24 = 0 25-34 = 13 35-44 = 12.8 45-54 = 6 55-64 = 4.8 65+ = 0
<b>TOTAL number of Fixed Term + Casual Employees =</b>	24.7	36.7

\* In accordance with reporting guidelines, HPV provides details on headcounts only for part-time and full-time employees rather than FTE and headcounts.

## HR Function

A HR Manager was appointed in March 2014 reporting directly to the Chief Executive to review and enhance the HR function, develop a People Strategy across the organisation and further strengthen Strategic Goal 6 to strengthen the Capability and Capacity of HPV. The separation of the HR and Finance function, the development of a human resources strategy and the recruitment of an additional resource has assisted in the streamlining of priorities in the HR division.

## Workforce

HPV's expanded sourcing program along with its increase in project activity in the areas of the Victorian Product Catalogue, Supply Chain and Procurement Reform continues to drive workforce growth and the need to increase capability. The continuation of other projects including the launch of HPV's website also contributed to the growth.

## Recruitment

Recruitment has continued as a steady activity over the 2013-2014 year. The increase in activity as mentioned above along with staff turnover and the need for specialised knowledge across HPV divisions contributed to the organisation growth rate of 15%. Recruitment is primarily conducted in-house with some agency involvement for high-level or specialist positions that are difficult to fill.

## Training and Development

Improving the capability of HPV staff has been a focus area for the 2013-2014 year. Training initiatives include an intensive three-day Kepner Tregoe training program covering a complex decision analysis model and other customised training covering probity, negotiation skills and strategic KPI development. Other training programs have been in the areas of Strategic Cost Management, Probity, Negotiation, Health and Safety, Market Intelligence and Analytics, and the Chartered Institute of Purchasing and Supply (CIPS) accredited Procurement Professional Program (PPP). The current intake of the PPP program commenced in March 2014 with 10 students enrolled from across health services and HPV.

HPV is currently undertaking a capability review and gap analysis to ensure the current organisational procurement capability is matched to the complexity level of procurement activities.

In July 2013, a performance review and development framework was integrated into the HPV Human Resource Management System (HRMS) enabling staff to complete their performance appraisals and KPI's online.

## Secondments

HPV engaged in a number of secondments with health services over the 2013-2014 year with a range of benefits including enhanced relationships with health services, an improved knowledge of the operational environment and high level learning and development opportunities for secondees in areas of strategic sourcing, category and stakeholder management. We received two secondees from Eastern Health and Melbourne Health (full-time and part-time) as well as a student from the Australasian College of Health Service Management (ACHSM) Management Residency Program for six months as part of their rotation for the program.

HPV has been exploring high level development opportunities in the area of strategic procurement starting with the placement of an HPV employee on a part-time secondment to Monash Health at the end of 2013-2014.

## Compliance

The new Health Purchasing Victoria Collective Agreement was approved and ratified by all HPV staff and lodged with Fair Work Australia on 20 December 2013. A standard suite of individual employment contracts have been developed for all HPV employees along with a range of policies including a Disability Action Plan, Recruitment Information Privacy Policy, Recruitment Approval Request and Status Change Forms.

HPV is currently reviewing all policies and procedures in the HR division to ensure their continued compliance to governing legislation. Initial planning for implementing compliance-related training across a number of areas, including workplace diversity has commenced.

## Industrial Relations

There were no Industrial Relations issues or disputes this year.

## Occupational Health and Safety (OHS)

HPV proactively supports OHS through its staff OHS committee and an annual ergonomic assessment for all employees.

## WorkCover

Some further processing associated with a WorkCover claim lodged in the Financial Year 2012-13 was undertaken this year with the finalisation of the claim occurring in May 2014. There were no new WorkCover claims lodged in this Financial Year.

## Ethical Standards

HPV adopts and applies the practices suggested by the State Services Authority\* relevant to an organisation of our size, with a merit and values-based recruitment strategy underpinned by Equal Opportunity principles. HPV employees are bound by the *Code of Conduct for the Victorian Public Sector*; acceptance of this *Code of Conduct* is a condition of employment at HPV.

A new Employee Assistance Program (EAP) was launched in May 2013 and is available to all HPV employees. The EAP enables employees to obtain professional counselling to assist them to resolve issues they may be facing.

HPV participated in the State Services Authority People Matters survey 2014 with a 79% response rate from HPV staff. The results indicate a high level of awareness in regards to HPV's code of conduct, core values and conflict of interest policy, as well as a high level of satisfaction around equal employment opportunity, workplace wellbeing and integrity. HPV have taken the opportunity to use the tool to better understand employee views so we can make the organisation a better place to work.

## Carer's Recognition Act

HPV is compliant with the *Carers Recognition Act 2012* as per our Enterprise Agreement and management of leave entitlements.

\*Note: the State Services Authority name was changed to the Victorian Public Sector Commission in March 2014.

# Sustainability

## HPV's Office-based Environmental Impacts

HPV has proactively reduced the environmental impact from its own operation across a range of areas.

Area	Highlights
<b>Energy &amp; Water</b>	HPV leases office space in Casselden, a building meeting current Australian standards in lowered environmental impact.
<b>Transport</b>	HPV's office location is readily accessible by public transport; the building also provides excellent facilities to encourage staff cycling. HPV also provides web-based video-conferencing capability to allow for remote access to meetings and reduce necessity for regional stakeholders to travel to HPV's Melbourne office.
<b>Paper</b>	The copy & print paper purchased is locally manufactured in Victoria, with 80% recycled content in A4, and 10% recycled content in A3. The virgin fibre content is certified against the Australian Forestry Standard.
<b>Waste</b>	Access to multiple recycling streams are provided on site: <ul style="list-style-type: none"><li>▶ Food organics for off-site composting</li><li>▶ Co-mingled for paper &amp; recyclable packaging</li><li>▶ Security Paper</li><li>▶ Toner cartridges</li><li>▶ Batteries</li></ul>

## Sustainable Procurement

HPV has an ongoing strategic objective to improve the environmental sustainability of health sector procurement, within the framework of working towards 'best-value' outcomes.

From giving preference during competitive tendering to suppliers that have superior environmental management through to assisting health services to identify and evaluate sustainable procurement strategies, HPV takes an integrated approach to sustainable procurement.

In 2013-14, HPV has become actively involved in procurement of waste management services, and energy contracting.

A prime focus within the program during 2013-14 has therefore been on waste management strategies. There has been close liaison with health service stakeholders with facility operation and environmental management responsibilities, the objective being to ensure strategies adopted are aimed towards further improving access to effective recycling services, and the quality of data reporting from service providers.

## Engagement

HPV's Sustainable Procurement Officer presented at the ANMF Health and Sustainability Conference 2014 to over 300 Nurses undertaking Continuous Professional Development regarding HPV's sustainable procurement strategies in action.

HPV's Sustainable Procurement Process	
<b>Analysis</b>	▶ What are the key impacts and risks that should be considered within the procurement projects?
<b>Tendering</b>	▶ HPV evaluates, as part of best value, environmental management by respondents
<b>Reporting</b>	▶ Managing Victorian health sector environmental impacts is assisted by data on consumption & trend analysis
<b>Engagement</b>	▶ HPV's Sustainable Procurement Officer is available to advise on sustainable procurement and other supply chain environmental issues

## Casselden environmental credentials

HPV's office is based at:

### Casselden

2 Lonsdale Street  
Melbourne VIC 3000

- ▶ Obtained a 5-star Green Star Office Design (v3) rating
- ▶ Minimises power usage throughout the building including low energy lighting (T5 fluorescents), a recent lift refurbishment project, chiller efficiency and VAV air-conditioning
- ▶ Achieves a 4.5-star NABERS Energy rating based on actual base building usage
- ▶ In 2013-14 it commissioned a black water treatment plant, resupplying part of the water for toilets
- ▶ Achieves a 3.5-star NABERS Water rating, up from 3.0-star last financial year

## Details of Consultancies >\$10,000

In 2013-14, Health Purchasing Victoria engaged 2 consultants where the total fees payable to the consultant was less than \$10,000, these have a total expenditure of \$9,279 (exclusive of GST).

The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2013-14 consultancy expenditure cannot be compared with previous year disclosures.

### Details of consultancies over \$10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2013-14 (ex GST)	Future expenditure
<b>Castell Consulting</b>	Provision of Technical Subject Matter Expertise (Aerospace Expertise) services for AV HEMS tender	1/07/2013	30/11/2013	\$90,000	\$69,278	\$0
<b>Paxton Partners</b>	Stakeholder facilitation for development for Supply Chain Feasibility Study	31/07/2013	16/09/2013	\$21,349	\$20,817	\$0
<b>The Faculty</b>	Review of HPV Supply Chain Technology requirements	1/10/2013	31/10/2013	\$10,500	\$10,500	\$0
<b>Portland Group</b>	Assistance with the development of the Supply Chain Feasibility Study	14/01/2014	1/10/2014	\$149,600	\$149,600	\$0
<b>Nous Group</b>	Assistance with revised Supply Chain feasibility report development	11/06/2014	8/08/2014	\$19,000	\$8,200	\$10,800
<b>Nous Group</b>	Design and development of HPV Annual Business Plan 2014-15 incorporating links to risk framework	9/05/2014	2/06/2014	\$19,200	\$19,200	\$0

### Other Transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

No ex-gratia payments were made during the year.

No events occurred after balance date which would significantly affect HPV's operations in subsequent reporting periods.

# Summary of Financial Results

## Summary of Financial Results and comparison to last four reporting periods

Year	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000	2009-10 \$'000
Total Revenue	10,306	8,239	4,626	2,589	2,051
Total Expenses	9,740	6,429	3,590	2,502	2,332
Operating Surplus / (Deficit)	566	1,810	1,036	87	(281)
Retained Surplus / (Accumulated Deficit)	3,674	3,108	1,298	262	176
Total Assets	5,413	4,161	1,810	604	486
Total Liabilities	1,708	1,021	481	310	279
Total Equity	3,705	3,140	1,329	294	207

### Summary of Significant Changes in Financial Position

The Department of Health provided additional funding in 2013-14 to deliver activities as agreed in the 2013-14 Statement of Priorities. This included an increased sourcing program to achieve increased savings for the sector through the collective procurement of goods and services and also equipment. 2013-14 was the first year that HPV embarked on completing collective procurement for equipment to achieve economies of scale. This included HPV managing the procurement for the Ambulance Victoria Rotary Wing Air Services tender.

Increased funding was also provided to continue and/or commence large projects including the Victorian Product Catalogue System, Supply Chain Reform and Procurement Reform. Additional funding was also provided to ensure all functions were being carried out by HPV in accordance with the *Health Services Act 1988*.

The increased activities resulted in increased expenditure predominantly for staff and contractor expenses. IT expenses also increased to improve internal control systems and infrastructure for the growing number of staff members. A new HPV website was developed and implemented to provide improved communication and information to all stakeholders and to improve security of information.

The use of probity auditors increased as the number of sourcing events increased to ensure proper probity standards and practices were adhered to. Legal costs also increased as additional advice was sought for large procurement activities such as the Ambulance Victoria Rotary Wing tender. A large piece of work was completed during 2013-14 reviewing contract templates which required legal advice and direction. Organisational support costs and overhead costs also increased to support the growing operations of HPV.

HPV recorded an operating surplus of \$566,000 in 2013/14 compared with an operating surplus of \$1,810,000 in 2012/13. Major reasons for the decline in operating surplus are:

- ▶ Increase in salary and contractors costs mainly for delivery of the sourcing program and major projects including Procurement Reform and Supply Chain Reform
- ▶ Increase in IT costs for operational support and the Victorian Product Catalogue System
- ▶ Increase in operational support and overhead costs due to growth in size of HPV
- ▶ Prior year surplus (mainly as a result of delay in projects) was used to fund 2013-14 deliverables

Performance against operational objectives is discussed in the section titled *Strategic Objectives Performance Report*.

### Financial Management Compliance Guidelines

HPV is compliant with the guidelines established by the Minister for Finance. Compliance is reviewed by HPV's Internal Auditor on an annual basis.

### Financial Delegations

A comprehensive policy regarding the delegation of authority throughout the organisation is in place and is reviewed by the Board on an annual basis. It was last reviewed in February 2014.

### Financial Reporting

Accountancy functions are completed in house by suitably qualified finance staff. The accountancy functions were previously outsourced to an external accountant UHY Haines Norton however this agreement ended on 31 March 2014. The Board monitors financial performance at every meeting, and a report is provided to the Department of Health on a monthly basis. Detailed Financial Statements and the Auditor General's Certification are included later in this report.

# Disclosure Index

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

Legislation	Requirement	Page Ref
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
FRD 22E	Manner of establishment and the relevant Ministers	3
FRD 22E	Objectives, functions, powers and duties	3
FRD 22E	Nature and range of services provided	3
<b>Management and structure</b>		
FRD 22E	Governance structure – members of governing board and sub-committees including audit and risk committee	4-6
FRD 22E	Organisational structure – Chief Executive Officer, senior officers and their responsibilities	18-19
<b>Financial and other information</b>		
FRD 10	Disclosure index	26-27
FRD 11	Disclosure of ex gratia payments	24, 42
FRD 21B	Responsible person and executive officer disclosures	52-53
FRD 22C	Details of consultancies over \$10,000	24
FRD 22C	Details of consultancies under \$10,000	24
FRD 22E	Application and operation of <i>Freedom of Information Act 1982</i>	8
FRD 22E	Application and operation of <i>Protected Disclosure Act 2012</i>	8
FRD 22E	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	8
FRD 22E	Major changes or factors affecting performance	10-16
FRD 22E	Occupational health and safety	21
FRD 22E	Operational and budgetary objectives and performance against objectives	10-16
FRD 22E	Reporting of office-based environmental impacts	22-23
FRD 22E	Significant changes in financial position during the year	25
FRD 22E	Statement of availability of other information	9
FRD 22E	Statement on National Competition Policy	8
FRD 22E	Subsequent events	24
FRD 22E	Summary of the financial results for the year	25
FRD 22E	Workforce Data Disclosures including a statement on the application of employment and conduct principles	20-21
FRD 25A	Victorian Industry Participation Policy disclosures	9
SD 4.2(j)	Sign-off requirements	29
SD 3.4.13	Attestation on data integrity	7
SD 4.5.5.1	Attestation on insurance	7
SD 4.5.5	Attestation on Compliance with Australian/New Zealand Risk Management Standard	7

Legislation	Requirement	Page Ref
<b>Ministerial Directions</b>		
<b>Financial Statements</b>		
<b>Financial statements required under Part 7 of the FMA</b>		
SD 4.2(a)	Statement of changes in equity	32
SD 4.2(b)	Comprehensive operating statement	30
SD 4.2(b)	Balance sheet	31
SD 4.2(b)	Cash flow statement	33
<b>Other requirements under Standing Directions 4.2</b>		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	29
SD 4.2(c)	Accountable officer's declaration	29
SD 4.2(c)	Compliance with Ministerial Directions	8
SD 4.2(d)	Rounding of amounts	37
<b>Legislation</b>		
	<i>Freedom of Information Act 1982</i>	8
	<i>Protected Disclosure Act 2012</i>	8
	<i>Victorian Industry Participation Policy Act 2003</i>	9
	<i>Building Act 1993</i>	8
	<i>Financial Management Act 1994</i>	29
	<i>Carers Recognition Act 2012</i>	21

# Financial Report for the year ended 30 June 2014

## Financial Report

<b>29</b>	Board Member's, Accountable Officer's and Accounting Officer's Declaration
<b>30</b>	Comprehensive Operating Statement
<b>31</b>	Balance Sheet
<b>32</b>	Statement of Changes in Equity
<b>33</b>	Cash Flow Statement
<b>34</b>	Notes to the Financial Statements
<b>56</b>	Independent Audit Report

# Board member's and chief finance and accounting officer's declaration

We certify that the attached financial statements for Health Purchasing Victoria have been prepared in accordance with Part 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, Australian Accounting 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 notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of Health Purchasing Victoria as at 30 June 2014.

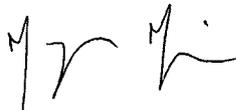
At the time of signing we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this day.



**Felix Pintado**  
*Chair*

Melbourne  
14 August 2014



**Megan Main**  
*Accountable Officer*

Melbourne  
14 August 2014



**Sasha Oliver**  
*Chief Finance & Accounting Officer*

Melbourne  
14 August 2014

# Comprehensive Operating Statement

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue from ordinary activities	2	9,161,790	7,632,976
Revenue from ordinary activities – Capital Grants	2	1,144,440	606,000
<b>Expenses</b>			
Employee benefits expense	3	(5,914,730)	(4,330,408)
Depreciation expense	3	(303,746)	(252,387)
Other expenses from ordinary activities	3	(3,521,756)	(1,846,360)
<b>Surplus/(Deficit) before income tax</b>		565,998	1,809,821
Income Tax Expense	1(a)	-	-
<b>Surplus/(Deficit) after income tax</b>		565,998	1,809,821
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to surplus or deficit		-	-
Items that may be reclassified to surplus or deficit		-	-
<b>Comprehensive Result for the Year</b>		565,998	1,809,821

The accompanying notes form part of these financial statements

# Balance Sheet

As at 30 June 2014

	Notes	2014 \$	2013 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	2,620,533	1,203,692
Trade and other Receivables	8	133,217	68,971
Other financial assets	9	1,000,000	1,525,000
Prepayments		89,857	34,855
<b>Total Current Assets</b>		<b>3,843,607</b>	<b>2,832,518</b>
<b>Non Current Assets</b>			
Property, plant and equipment	10	1,007,566	759,135
Intangible Assets	11	562,235	569,129
<b>Total Non Current Assets</b>		<b>1,569,801</b>	<b>1,328,264</b>
<b>Total Assets</b>		<b>5,413,408</b>	<b>4,160,782</b>
<b>Current Liabilities</b>			
Trade and other Payables	12	1,036,871	502,507
Provisions	13	572,284	460,135
<b>Total Current Liabilities</b>		<b>1,609,155</b>	<b>962,642</b>
<b>Non Current Liabilities</b>			
Provisions	13	98,783	58,668
<b>Total Non Current Liabilities</b>		<b>98,783</b>	<b>58,668</b>
<b>Total Liabilities</b>		<b>1,707,938</b>	<b>1,021,310</b>
<b>Net Assets</b>		<b>3,705,470</b>	<b>3,139,472</b>
<b>Equity</b>			
Contributed Capital		31,570	31,570
Retained Earnings		3,673,900	3,107,902
<b>Total Equity</b>		<b>3,705,470</b>	<b>3,139,472</b>
Capital and leasing commitments	17		
Contingent Liabilities	19		

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

For the year ended 30 June 2014

	Contributed Capital	Retained Earnings \$	Total \$
Balance at 1 July 2012	31,570	1,298,081	1,329,651
Capital Contributed	-	-	-
Surplus/(Deficit) for the year	-	1,809,821	1,809,821
Other Comprehensive Income	-	-	-
<b>Balance at 30 June 2013</b>	<b>31,570</b>	<b>3,107,902</b>	<b>3,139,472</b>
Capital Contributed	-	-	-
Surplus/(Deficit) for the year	-	565,998	565,998
Other Comprehensive Income	-	-	-
<b>Balance at 30 June 2014</b>	<b>31,570</b>	<b>3,673,900</b>	<b>3,705,470</b>

Note: In the 2014 year Health Purchasing Victoria received capital grants of \$794,440 (2013: \$nil) for the improvement of internal IT systems, the website and disaster recovery. A further \$350,000 (2013: \$500,000) was received for the cost of internal fitout at new premises. The operating result for 2014 includes \$1,144,440 (2013: \$606,000) as grants received.

Depreciation, amortisation and IT expenses of at least \$1,144,440 will be charged against operating results for expenses incurred in relation to these grants. At 30 June 2014, charges of \$121,948 for depreciation, amortisation and website costs have been made in relation to these grants.

The accompanying notes form part of these financial statements

# Cash Flow Statement

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
<b>Cash Flows from Operating Activities</b>			
Operating Grant and Other Receipts		9,106,290	7,137,572
Capital Grant Receipts		1,144,440	606,000
Other Receipts		-	2,000
Payments to suppliers and employees		(8,860,183)	(5,493,373)
Interest received		95,745	84,778
Net cash provided by operating activities	14	1,486,292	2,336,977
<b>Cash Flows from Investing Activities</b>			
Payment for property, plant and equipment		(445,401)	(700,861)
Payment for Intangible assets		(149,050)	(383,048)
Receipt/(Payment) for other financial assets		525,000	(1,200,000)
Net cash used in investing activities		(69,451)	(2,283,909)
Net increase/(decrease) in cash held		1,416,841	53,068
Cash at beginning of financial year		1,203,692	1,150,624
Cash at end of financial year	7	2,620,533	1,203,692

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

## NOTE 1: Statement of Significant Accounting Policies

Health Purchasing Victoria (HPV; the Authority) is an independent statutory authority established on 1 July 2001 to implement centralised procurement arrangements. The *Health Services Act 1988* establishes HPV as a separate entity and outlines the functions, powers and membership criteria of HPV. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it.

This general purpose financial report has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Financial Management Act 1994*. The financial report also complies with relevant Financial Reporting Directives (FRD) and relevant Standing Directions (SD) authorised by the Minister for Finance.

The financial report covers Health Purchasing Victoria as an individual entity. The Authority is established and domiciled in Australia.

The financial report of Health Purchasing Victoria as an individual entity complies with the Australian equivalents to International Financial Reporting Standards (A-IFRS). HPV is a not-for-profit entity and therefore applies the additional paragraphs applicable to "not-for-profit" entities in the Australian Accounting Standards.

The following is a summary of the material accounting policies adopted by the Authority in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Functional and presentation currency

The functional currency of the Authority is measured using the currency of the primary economic environment in which the Authority operates. The financial statements are presented in Australian dollars which is the Authority's functional and presentation currency.

### (a) Income Tax

Health Purchasing Victoria is exempt from income tax under the *Income Tax Assessment Act*.

### (b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

### (c) Receivables

Receivables consist of:

- ▶ contractual receivables, which includes mainly debtors in relation to services and accrued investment income; and
- ▶ statutory receivables, which includes predominantly amounts owing from the Victorian Government and Goods and Services Tax ("GST") input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment),

but are not classified as financial instruments because they do not arise from a contract.

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

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

### (d) Other financial assets

Bank Term deposits other than short term investments are accounted for as other financial assets. All deposits will mature in less than 12 months.

### (e) Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### (f) Property, Plant and Equipment

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

Assets under construction are initially recognised at cost and are carried at cost until commissioned for use.

Non-current physical assets measured at fair value are revalued in accordance with FRD 103D *Non-current physical assets*. This revaluation process normally occurs at least every five years based on the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim valuations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

### Depreciation

The depreciable amount of all fixed assets, is depreciated over their useful lives to the Authority commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Useful Life
Software	20.0%-40%
Office Equipment	11.25%-40%
Computer Equipment	40%
Furniture, fixtures & fittings	18.75%
Leasehold Improvements	14.29%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the comprehensive operating statement.

### (g) Impairment of Non-Financial Assets

At each reporting date, the Authority reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive operating statement.

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

### (h) Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and development costs.

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

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

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.

### (i) Fair Value Hierarchy

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 Authority has used valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

# Notes to the Financial Statements

## NOTE 1: Statement of Significant Accounting Policies

### (j) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

All other leases are classified as operating leases.

The Authority has the delegation to enter operating leases but has to obtain approval from the Treasurer to enter a finance lease.

### (k) Payables

Payables consist of:

- ▶ contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually Net 30 days.
- ▶ statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. 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 a contract.

### (l) Employee Benefits

Provision is made for the Authority's liability for employee benefits arising from services rendered by employees to balance date. Liabilities for wages and salaries, including non-monetary benefits, annual leave, accrued days off and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities', because the Authority does not have an unconditional right to defer settlements of these liabilities as they will be settled within 12 months.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability. Conditional LSL is disclosed as a non-current liability.

### (m) Provisions

Provisions are recognised when the Authority has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (n) Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by owners made to wholly-owned public sector entities* and FRD 119 "Contributions by Owners", appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions have been designated as contributed capital are also treated as contributed capital.

### (o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the

Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (p) Revenue

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

### (q) Government Grants

Grants are recognised when HPV gains control of the underlying assets in accordance with AASB 1004 *Contributions*. For reciprocal grants, HPV is deemed to have assumed control when performance has occurred under the grant. For non-reciprocal grants, HPV is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

### (r) Superannuation expense

The superannuation expense for the reporting year is the amount of the statutory contribution the statutory authority makes to the superannuation plans which provides benefits to its employees. Superannuation expenses are recognised as expenses in the reporting period in which they are incurred.

### (s) Staff development & seminar expenses

Staff development & seminar expenses are recognised as an expense in the reporting period in which they are incurred.

## **(t) Other expenses**

Other expenses are recognised as an expense in the reporting period in which they are incurred.

## **(u) Financial Instruments**

### **Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

Subsequent to initial recognition these instruments are measured as set out below.

### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

### **Available-for-sale financial assets**

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised in the comprehensive Operating Statement.

### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

### **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

## **Impairment**

At each reporting date, the Authority assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the comprehensive operating statement.

## **(v) Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **(w) Rounding Off**

All amounts shown in the financial statement are expressed to the nearest dollar

## **(x) Critical Accounting Estimates and Judgments**

The Authority evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Authority.

### **Key estimates — Impairment**

The Authority assesses impairment at each reporting date by evaluating conditions specific to the Authority that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment testing as at 30 June 2014 confirmed no impairment of any assets.

## **(y) Commitments for expenditure**

Operating leases are charged to expenses in the periods in which they are incurred. The entity is not party to any finance leases.

## **(z) Change in Accounting Policies**

### **AASB 13 Fair Value Measurement**

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when a health service is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The health service has considered the specific requirements relating to the highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revised and adjusted where applicable. In light of AASB 13, the health service has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair value recognised.

AASB 13 has predominantly impacted the disclosures of the health service. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not to be provided for comparative periods, before initial application. Consequently, comparatives of these disclosures have not been provided for 2012-13, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instrument Disclosures*.

# Notes to the Financial Statements

## NOTE 1: Statement of Significant Accounting Policies

### (z) Change in Accounting Policies

#### AASB 119 Employee Benefits

In 2013-14, the health service has applied AASB 119 Employee Benefits (Sept 2011, as amended) and related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously measures as short-term employee benefits no longer meet this definition and are now measured as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an

undiscounted to discounted basis.

Health Purchasing Victoria considers the change in classification has not materially altered the measurement of the annual leave provision.

### (aa) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for the reporting period ending 30 June 2014. The Authority has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 1031 Materiality	AASB 1031 has been withdrawn and therefore all Australian Accounting Standards (including Interpretations) need to remove references to AASB 1031.	1 January 2014	No impact to the financial statements for HPV.
AASB 2012-3 Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	HPV does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 30 June 2016.
AASB 1055 Budgetary Reporting	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 July 2014	As separate budget is not presented to the parliament, this Standard is not applicable as no budget disclosure is required.
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 January 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

## NOTE 2: Revenue

	2014 \$	2013 \$
<b>Operating activities</b>		
- Interest	95,745	87,890
- Government Grants	9,057,367	7,458,875
- Indirect Contributions	8,000	32,281
- Recoveries	678	53,930
	9,161,790	7,632,976
Capital Grants – Victorian Product Catalogue	-	106,000
Office Fitout	350,000	500,000
IT systems and website	794,400	-
	1,144,440	606,000

## NOTE 3: Surplus from Ordinary Activities

Surplus from ordinary activities has been determined after the following expenses:

		2014 \$	2013 \$
<b>Employee benefits expense</b>			
Salaries and wages and oncosts		5,275,072	3,879,475
Superannuation	4	431,443	294,238
Staff development & seminars		208,215	156,695
<i>Total employee benefits</i>		5,914,730	4,330,408
<b>Depreciation expense</b>			
Depreciation & Amortisation		298,604	181,120
Asset Retirement		5,142	71,267
<i>Total Depreciation</i>		303,746	252,387
<b>Other expenses from ordinary activities</b>			
Accounting and audit fees		234,729	162,778
Advertising		18,864	16,614
Computer maintenance		698,040	330,237
Consultants fees		286,874	256,296
Insurance		8,000	32,281
Legal fees		176,353	68,726
Market Research and Analysis		67,907	-
Members remuneration (including superannuation)		123,167	92,935
Office outgoings		39,481	23,767
Other		47,652	21,425
Printing and stationery		25,857	37,020
Subscriptions		13,178	10,297
Rent		589,054	411,237
Recruitment		78,055	158,323
Relocation		-	98,798
Seminars		30,091	16,077
Telephone		38,282	20,058
Temporary contract agency staff		881,619	36,401
Vehicle, Parking and Travel		164,553	53,090
<i>Total other expenses</i>		3,521,756	1,846,360
<b>Total expenses</b>		<b>9,740,232</b>	<b>6,429,155</b>

# Notes to the Financial Statements

## NOTE 4: Superannuation

Details in relation to superannuation funds are as follows:

- ▶ The Authority contributed on behalf of its employees and directors eligible for remuneration during the year ended 30 June 2014 to complying funds under the *Superannuation Industry (Supervision) Act 1993*.
- ▶ No loans exist between the Authority and these superannuation funds.
- ▶ The total contributions paid by the Authority 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 the Authority are based on a percentage of the employee's salary. During the period these contributions were at the rate of 9.25% of gross salaries. Contributions made by the Authority in accordance with employer obligations and excluding salary sacrifice arrangements to the major employee superannuation funds are as follows:

	2014	2013
AMP Life & AMP Universal Super	3,987	3,358
AMP Signature Super & AMP Superannuation	15,798	7,361
AMP Superwrap	14,692	13,473
ASME Staff	-	1,039
ANZ Smart Choice	6,058	-
Australian Super	37,960	17,971
AXA	1,613	3,962
BT	10,619	8,780
CARE	14,695	8,642
Chliakhtine Super Fund	14,457	-
Clarke & Presneill SF	8,113	-
Colonial First State Personal	2,667	-
Continuum Super Fund	7,650	-
Equisuper	8,977	8,031
First State	11,802	-
Health Super	105,609	86,648
Hesta	36,882	-
Host Plus	1,885	-
ING Direct	4,277	35,190
Media Super	5,877	6,286
Mercer Super Trust	12,679	12,828
MLC Masterkey	7,818	-
One Path Integra	3,157	1,523
Plum Super	172	5,729
Pusuit Focus Personal Super	9,919	-
Recruitment Super	16,694	11,113
REST	15,338	9,081
Spectrum Super	10,596	5,713
Summit Super	-	514
Sunsuper	3,223	1,817
Unisuper	6,567	6,930
VicSuper	17,344	9,351
Vision Super	5,292	4,865
VISSF	-	2,737
Wealthtrac	8,199	7,141
Other	827	22,361
<b>Total</b>	<b>431,443</b>	<b>302,444</b>

Unpaid at 30 June 2014: \$44,215 (2013: \$2,723)

## NOTE 5: Ex Gratia Payments

No ex gratia payments were made during the year. (2013: Nil)

## NOTE 6: Auditors Remuneration

Remuneration of the auditors for:	2014 \$	2013 \$
- audit services – annual financial report – Victorian Auditor General	18,100	7,050
- internal audit services	22,593	22,415

## NOTE 7: Cash and Cash Equivalents

Cash at bank and on hand	2,620,533	1,203,692
	2,620,533	1,203,692

## NOTE 8: Trade & Other Receivables

Current		
Trade Debtors	-	49,194
Other receivables	28,726	19,777
Statutory Receivables	104,491	-
	133,217	68,971

## NOTE 9: Other Financial Asset

Bank Term Deposits	1,000,000	1,525,000
	1,000,000	1,525,000

Bank Term Deposits under 'Other financial assets' class include only term deposits with maturity greater than 90 days.

# Notes to the Financial Statements

## NOTE 10: Property, Plant and Equipment

	2014 \$	2013 \$
<b>(a) Office Equipment</b>		
At fair value	26,115	11,758
Less accumulated depreciation	(11,986)	(5,973)
	14,129	5,785
<b>(b) Computer Equipment</b>		
At fair value	366,615	293,799
Less accumulated depreciation	(167,694)	(85,096)
	198,921	208,703
<b>(c) Furniture, fixtures and fittings</b>		
At fair value	9,829	7,997
Less accumulated depreciation	(1,490)	(1,868)
	8,339	6,129
<b>(d) Leasehold improvements</b>		
At fair value	918,111	573,112
Less accumulated depreciation	(131,934)	(43,594)
	786,177	529,518
<b>(e) Assets under construction – at cost</b>		
Assets under construction – at cost	-	9,000
<b>Total property, plant and equipment</b>	<b>1,007,566</b>	<b>759,135</b>

### (a) Movements in Carrying Amounts

	Assets under construction \$	Office Equipment \$	Computer Equipment \$	Furniture, fixtures & fittings \$	Leasehold Improvements \$	Total \$
<b>2013</b>						
<b>Balance at 1 July 2012</b>	26,168	18,229	54,098	56,300	-	154,795
Additions	9,000	4,503	187,319	4,994	573,112	778,928
Depreciation expense	-	(2,337)	(53,716)	(4,793)	(43,594)	(104,440)
Assets discarded	-	(12,432)	(7,480)	(50,236)	-	(70,148)
Transfers	(26,168)	(2,178)	28,482	(136)	-	-
<b>Balance at 30 June 2013</b>	<b>9,000</b>	<b>5,785</b>	<b>208,703</b>	<b>6,129</b>	<b>529,518</b>	<b>759,135</b>
<b>2014</b>						
<b>Balance at 1 July 2013</b>	9,000	5,785	208,703	6,129	529,518	759,135
Additions	-	15,478	80,089	4,835	344,999	445,401
Depreciation expense	-	(6,888)	(86,899)	(1,680)	(88,340)	(183,807)
Assets discarded	-	(246)	(2,972)	(945)	-	(4,163)
Transfers	(9,000)	-	-	-	-	(9,000)
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>14,129</b>	<b>198,921</b>	<b>8,339</b>	<b>786,177</b>	<b>1,007,566</b>

## NOTE 10: Property, Plant and Equipment continued

### (b) Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
<b>Plant and equipment at fair value</b>				
Plant equipment and vehicles at fair value				
- Vehicles	-	-	-	-
- Plant and equipment				
(a) Office Equipment	14,129	-	-	14,129
(b) Computer Equipment	198,921	-	-	198,921
(c) Furniture, fixtures and fittings	8,339	-	-	8,339
(d) Leasehold Improvement	786,177	-	-	786,177
(e) Assets under construction	-	-	-	-
Total of plant, equipment and vehicles at fair value	1,007,566	-	-	1,007,566
<b>Total assets at fair value</b>	<b>1,007,566</b>	<b>-</b>	<b>-</b>	<b>1,007,566</b>

There have been no transfers between levels during the period.

### (c) Reconciliation of Level 3 fair value

2014	Plant and equipment
Opening Balance	759,135
Purchases (sales)	445,401
Transfers in (out) of Level 3	(9,000)
<b>Gains or losses recognised in net result</b>	
- Depreciation	(187,970)
- Impairment loss	-
<b>Subtotal</b>	<b>1,007,566</b>
<b>Items recognised in other comprehensive income</b>	
- Revaluation	-
<b>Subtotal</b>	<b>-</b>
<b>Closing Balance</b>	<b>1,007,566</b>
Unrealise gains/(losses) on non-financial assets	-
	<b>1,007,566</b>

There have been no transfers between levels during the period.

# Notes to the Financial Statements

## NOTE 10: Property, Plant and Equipment continued

### (d) Description of significant unobservable inputs to Level 3 valuations:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
<b>Plant and equipment (P&amp;E) at fair value</b>				
<b>(a) Office Equipment</b>	Depreciated replacement cost	Useful life of P&E	2 to 9 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation
<b>(b) Computer Equipment</b>	Depreciated replacement cost	Useful life of P&E	2 to 3 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation
<b>(c) Furniture, fixtures and fittings</b>	Depreciated replacement cost	Useful life of P&E	5 to 6 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation
<b>(d) Leasehold Improvements</b>	Depreciated replacement cost	Useful life of P&E	7 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation
<b>(e) Assets under construction</b>	Depreciated replacement cost	Useful life of P&E	2 to 5 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation

## NOTE 11: Intangible Assets

	2014 \$	2013 \$
<b>(a) Software</b>		
At cost	763,350	651,279
Less accumulated amortisation	(201,115)	(82,150)
	562,235	569,129
<b>(b) Assets under construction – at cost</b>		
Assets under construction – at cost	-	-
	562,235	569,129

### (a) Movements in Carrying Amounts

	Assets under construction \$	Software \$	Total \$
<b>2013</b>			
<b>Balance at 1 July 2012</b>	137,096	3,971	141,067
Additions	471,006	34,855	505,861
Amortisation expense	-	(76,680)	(76,680)
Disposals	-	(1,119)	(1,119)
Transfers	(608,102)	608,102	-
<b>Balance at 30 June 2013</b>	-	569,129	569,129
<b>2014</b>			
<b>Balance at 1 July 2013</b>	-	569,129	569,129
Additions	-	149,050	149,050
Amortisation expense	-	(119,942)	(119,942)
Assets discarded	-	(45,002)	(45,002)
Transfers	-	9,000	9,000
<b>Balance at 30 June 2014</b>	-	562,235	562,235

# Notes to the Financial Statements

## NOTE 12: Trade and Other Payables

	2014 \$	2013 \$
<b>Current</b>		
Unsecured liabilities		
Trade creditors	468,244	265,140
Sundry creditors and accruals	400,807	192,967
Statutory Charges	167,820	44,400
	1,036,871	502,507

## NOTE 13: Provisions

<b>Current</b>		
<b>Employee Benefits Provisions</b>		
- Unconditional and expected to be wholly settled within 12 months	384,204	213,206
- Unconditional and expected to be wholly settled after 12 months	113,434	188,484
	497,638	401,690
<b>Employee Benefit on-costs Provisions</b>		
- Unconditional and expected to be wholly settled within 12 months	57,631	31,021
- Unconditional and expected to be wholly settled after 12 months	17,015	27,424
	74,646	58,445
	572,284	460,135
<b>Non-Current</b>		
Conditional Employee Benefit entitlements	85,898	51,216
Conditional Employee Benefit on-costs	12,885	7,452
	98,783	58,668
Total Employee Benefits	671,067	518,803
<b>Movement in Long Service Leave and associated on-costs</b>		
<b>Balance at Start of Year</b>	274,576	128,609
Provision made during the year	54,656	145,967
Settlement made during the year	-	-
<b>Balance at End of Year</b>	329,232	274,576

### Employee Benefits Provision

A provision has been recognised for employee entitlements relating to accrued days off, annual and long service leave for employees. In calculating the present value of future cash flows in respect to annual leave and long service leave, the probability of the leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in Note 1(m).

## NOTE 14: Cash Flow Information

	2014 \$	2013 \$
<b>(a) Reconciliation of cash flow from ordinary activities</b>		
Surplus/(Deficit) from ordinary activities	565,998	1,809,821
Non cash flows in surplus from ordinary activities:		
Depreciation & Carrying Value of Assets disposed of	352,914	252,387
Changes in assets and liabilities:		
(Increase)\Decrease in receivables and prepayments	(48,113)	(64,652)
Increase\ (Decrease) in trade and other payables	463,229	119,962
Increase\ (Decrease) in provisions	152,264	219,459
<b>Net cash provided by operating activities</b>	<b>1,486,292</b>	<b>2,336,977</b>

The Authority has unused financing facilities in the form of credit card limits of \$86,281 (2013: \$13,820)

## NOTE 15: Related Party Transactions

There were no transactions with related parties during the year.

## NOTE 16: Financial Instruments

### (a) Financial Risk Management

The Authority's financial instruments consist of deposits with banks, accounts receivable and accounts payable. It has no exposure to foreign currency and has minimal exposure to interest rate risk through its interest bearing current account with its bankers. The Authority does not have any derivative instruments at 30 June 2014.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement, and basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The only potential risks the Authority is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

The carrying amounts of the Authority's financial assets and financial liabilities by category are set out below.

### Categorisation of financial instruments

	Note	Category	Carrying amount	Carrying amount
			2014	2013
<b>Financial assets</b>				
Cash and cash equivalents	7	Cash and cash equivalents	2,620,533	1,203,692
Receivables	8	Loans and Receivables	12,365	58,694
Other financial assets	9	Loans and Receivables	1,000,000	1,525,000
<b>Total Financial Assets (i)</b>			<b>3,632,898</b>	<b>2,787,386</b>
<b>Financial liabilities</b>				
Trade payables	12	Measured at amortised cost	869,051	458,107
<b>Total Financial Liabilities (ii)</b>			<b>869,051</b>	<b>458,107</b>

(i) The total amount of financial assets disclosed here excludes statutory receivables

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable)

# Notes to the Financial Statements

## NOTE 16: Financial Instruments

### (b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Authority does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Authority.

### Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions (AAA credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Government agencies (BBB credit rating) \$'000	Other (minimum BBB credit rating) \$'000	Total \$'000
<b>2014</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	2,621	-	-	-	2,621
Loans and Receivables:	-	-	-	-	-
Other Debtors	12	-	-	-	12
Term Deposit	1,000	-	-	-	1,000
<b>Total Financial Assets</b>	<b>3,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,633</b>
<b>2013</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,204	-	-	-	1,204
Loans and Receivables:	-	-	-	-	-
Trade Debtors	-	42	-	7	49
Other Debtors	9	-	-	-	9
Term Deposit	1,525	-	-	-	1,525
<b>Total Financial Assets</b>	<b>2,738</b>	<b>42</b>	<b>-</b>	<b>7</b>	<b>2,787</b>

### (c) Interest Rate Risk

The Authority is not exposed to any material interest rate risk as it has no interest bearing debt and only derives interest from cash balances in its operating bank account and bank term deposits. The rate of interest derived is floating with market rates for the bank account and fixed at the time of lodgement for the term deposits. The Authority has performed an interest rate sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrated the effect on the current year results and equity which could result from a change in this risk is not material.

The Authority's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average		Interest Bearing		Non Interest Bearing		Total	
	Effective Interest Rate		2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
	2014 %	2013 %						
<b>Financial Assets:</b>								
Cash and cash equivalents	2.46%	2.62%	2,620,533	1,203,692	-	-	2,620,533	1,203,692
Receivables	-	-	-	-	12,365	58,694	12,365	58,694
Other financial assets	3.70%	3.85%	1,000,000	1,525,000	-	-	1,000,000	1,525,000
<b>Total Financial Assets</b>		<b>3,620,533</b>	<b>2,728,692</b>	<b>12,365</b>	<b>58,694</b>	<b>3,632,898</b>	<b>2,787,386</b>	
<b>Financial Liabilities:</b>								
Trade and other payables			-	-	(869,051)	(458,107)	(869,051)	(458,107)
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>(869,051)</b>	<b>(458,107)</b>	<b>(869,051)</b>	<b>(458,107)</b>

All financial liabilities are expected to be settled within 90 days. All non-cash financial assets are expected to be settled within 120 days. Cash and cash equivalents are at floating interest rates and Other financial assets are at fixed interest rates.

# Notes to the Financial Statements

## NOTE 16: Financial Instruments

### (d) Net Fair Values

For assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Authority intends to hold these assets to maturity.

Details of aggregate net fair value and carrying amounts of financial assets and financial liabilities at balance date:

	2014		2013	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents	2,620,533	2,620,533	1,203,692	1,203,692
Trade and other receivables	12,365	12,365	58,694	58,694
Other financial assets	1,000,000	1,000,000	1,525,000	1,525,000
<b>Financial liabilities</b>				
Trade and other creditors	869,051	869,051	458,107	458,107

### Financial Assets measured at Fair Values

	Carrying Amount as at 30 June 2014 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2014</b>				
Cash and cash equivalents	2,621	2,621	-	-
Trade and other receivables	12	12	-	-
Other financial assets	1,000	1,000	-	-
<b>Total Financial Assets</b>	<b>3,633</b>	<b>3,633</b>	-	-
<b>2013</b>				
Cash and cash equivalents	1,204	1,204	-	-
Trade and other receivables	58	58	-	-
Other financial assets	1,525	1,525	-	-
<b>Total Financial Assets</b>	<b>2,787</b>	<b>2,787</b>	-	-

There have been no transfers between levels during the period.

The Authority considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

## (e) Liquidity Risk

Liquidity risk is the risk that the Authority would be unable to meet its financial obligations as and when they fall due. The Authority's maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

Authority members meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. They conduct these processes to maintain sufficient funds to pay trade payables and employee entitlements within commercial trading terms

### Maturity analysis of Financial Liabilities as at 30 June

	Carrying Amount \$'000	Nominal Amount \$'000	Maturity Dates			
			Less than 1 month	1 – 3 months	3 months – 1 Year	1 – 5 Years
			\$'000	\$'000	\$'000	\$'000
<b>2014</b>						
<b>Financial Liabilities</b>						
Trade and other payables	869,051	869,051	-	869,051	-	-
	869,051	869,051	-	869,051	-	-
<b>2013</b>						
<b>Financial Liabilities</b>						
Trade and other payables	458,107	458,107	-	458,107	-	-
	458,107	458,107	-	458,107	-	-

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

## (f) Sensitivity Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Authority believes the following movements are 'reasonably possible' over the next 12 months.

► A parallel shift of +1% and -1% in market interest rates (AUD) from year end rates of 2.46% and 3.70%

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Authority at year end as presented to key management personnel, if changes in risk occur.

	Carrying Amount \$	Interest Rate Risk			
		-1% Profit \$	-1% Equity \$	+1% Profit \$	+1% Equity \$
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	2,620,533	(26,205)	(26,205)	26,205	26,205
Other financial assets	1,000,000	(10,000)	(10,000)	10,000	10,000
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,203,692	(12,037)	(12,037)	12,037	12,037
Other financial assets	1,525,000	(15,250)	(15,250)	15,250	15,250

# Notes to the Financial Statements

## NOTE 17: Capital and Leasing Commitments

### (a) Capital Commitments

	2014 \$	2013 \$
<b>Capital commitments</b>		
Capital expenditure contracted for but not yet capitalised in the financial statements:		
Payable		
- not later than one year	-	-
- later than one year and not later than five years	-	-
	-	-

### (b) Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	589,054	652,733
- later than one year and not later than five years	981,757	650,998
- later than five years	-	1,083,898
	1,570,811	2,387,629

The property lease is a non-cancellable lease and expires on 28 February 2017 with a 5 year option to extend the lease to 28 February 2022. Rent is payable to Department of Health (sub lease arrangement.)

### (c) Other Commitments

	2014 \$	2013 \$
Contracts for services not brought to account as expenses in the financial statements:		
Payable		
- not later than one year	233,698	144,963
- later than one year and not later than five years	177,306	95,574
- later than five years	-	11,783
	411,004	252,320

All amounts shown in Note 18 are nominal amounts inclusive of GST.

## NOTE 18: Responsible Persons Disclosures

<b>Responsible Minister</b>	
The Hon David Davis, MLC, Minister for Health	From 1 July 2013 to 30 June 2014
<b>Key management personnel</b>	
<b>Authority Members</b>	
Mr Felix Pintado (Chair)	From 1 July 2013 to 30 June 2014
Mr Timothy Barta	From 1 July 2013 to 30 June 2014
Mr Simon Brewin	From 1 July 2013 to 30 June 2014
Ms Linda Sorrell	From 1 July 2013 to 30 June 2014
Mr Alex Johnstone	From 1 July 2013 to 30 June 2014
Ms Mary Malone	From 1 July 2013 to 30 June 2014
Dr Robyn Mason	From 1 July 2013 to 30 June 2014
Mr Julian Glynn	From 1 July 2013 to 30 June 2014
Mr Ian Quick	From 1 July 2013 to 30 June 2014
Mr Gareth Goodier	From 1 July 2013 to 30 June 2014
Mr Rohan Fitzgerald	From 1 July 2013 to 30 June 2014
<b>Chief Executive Officer</b>	
Ms Megan Main	From 1 July 2013 to 30 June 2014

### (a) Remuneration of Responsible Persons

<b>Income</b>	<b>2014 No.</b>	<b>2013 No.</b>
Nil	4	5
\$1 - \$9,999	-	1
\$10,000 - \$19,999	6	5
\$20,000 - \$29,999	1	1
\$230,000 - \$240,000	-	1
\$240,000 - \$250,000	1	-
Total Numbers	12	13
<b>Total Amount</b>	<b>\$342,148</b>	<b>\$322,749</b>

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

# Notes to the Financial Statements

## NOTE 18: Responsible Persons Disclosures

### (b) Remuneration of Executive Officers (other than accountable officer)

Income	Total Remuneration		Base Remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
\$ 1 - \$ 9,999		-		1
\$ 10,000 - \$ 19,999		1		-
\$ 20,000 - \$ 29,999		1		1
\$ 40,000 - \$ 49,999		-		1
\$ 50,000 - \$ 59,999		1		-
\$ 70,000 - \$ 79,999		1		1
\$100,000 - \$109,999		-		-
\$120,000 - \$129,999		1		1
\$150,000 - \$159,999	1	-	4	-
\$160,000 - \$169,999	3	1		1
Total Number of executives	4	6	4	6
Total annualised employee equivalents*	3.98	2.47	3.98	2.47
<b>Total Amount</b>	<b>\$646,472</b>	<b>\$452,733</b>	<b>\$622,335</b>	<b>\$428,309</b>

\* Note: Total annualised employee equivalents is calculated by dividing the total number of ordinary hours that an employee worked over the reporting period by the total number of full-time working hours per annum (38 hours per week over 52 weeks)

### (c) Retirement benefits

The Total Remuneration includes \$Nil paid in Retirement Benefits during the 2014 year (2013: \$24,424.) Retirement benefits comprise compensation for unused leave paid at cessation of employment.

### (d) Bonus payments

The Total Remuneration includes \$24,137 in bonus payments made to executives during the 2014 year (2013: \$Nil.)

### (e) Payments to other personnel (i.e. contractors with significant management responsibilities)

No payments were made in relation to services of persons with significant management responsibilities.

## **NOTE 19: Contingent Liabilities**

There are no contingent liabilities at 30 June 2014 (2013: NIL)

## **NOTE 20: Economic Dependency**

Health Purchasing Victoria is dependent upon State of Victoria, via the Department of Health, for the funding of a significant proportion of its operations.

## **NOTE 21: Events after the Balance Sheet Date**

There are no events after the balance sheet date that would affect the financial report.

## **NOTE 22: Segment Reporting**

The authority functions as described in Section 131 of the Health Services Act 1988 on behalf of the Victorian public health sector and operates in one sector being procurement and supply chain support for the health sector.

## **NOTE 23: Authority Details**

The registered office and principal place of business of the Authority is:

### **Health Purchasing Victoria**

Level 34, Casselden Place  
2 Lonsdale Street  
Melbourne Vic 3000

# Independent Auditor's Report

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Health Purchasing Victoria

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of Health Purchasing Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a statement of significant accounting policies and other explanatory information, and the Board Member's and Chief Finance and Accounting Officer's declaration has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of Health Purchasing Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

*Auditing in the Public Interest*

## **Independent Auditor's Report (continued)**

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Health Purchasing Victoria as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of Health Purchasing Victoria for the year ended 30 June 2014 included both in Health Purchasing Victoria's annual report and on the website. The Board Members of Health Purchasing Victoria are responsible for the integrity of Health Purchasing Victoria's website. I have not been engaged to report on the integrity of Health Purchasing Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
15 August 2014

  
for John Doyle  
Auditor-General



**Health Purchasing Victoria**

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2 Lonsdale Street, Melbourne VIC 3000

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