



2014-15 ANNUAL REPORT

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



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REPORT FROM BOARD CHAIR AND CHIEF EXECUTIVE

This year marked significant growth for HPV as we expanded our value under contract and forged stronger links with the health sector through field-based support.

The total value under HPV management, including contracts in place and sourcing in progress, at 30 June 2015 was \$686 million, which increased significantly from \$622 million last year.

Furthermore, greater advances were made to increase the non-financial benefits that HPV offered to the health sector. Establishing Regional Procurement Advisors to work directly with health services to transition to new Health Purchasing Policies as well as supporting new regional procurement alliances were significant achievements this year.

Under the *Health Services Act 1988*, HPV's legislative responsibility to ensure 'probity is maintained in purchasing, tendering and contracting activities in public health services' was highlighted with the successful deployment of Probity Training to more than 700 health service staff. Attendees from across the State included CEOs, CFOs and non-procurement staff that are in regular contact with suppliers.

Delivered by probity advisors, Pitcher Partners, the training specifically focused on probity issues experienced in a health service or hospital setting.

We continued to receive positive feedback regarding the Victorian Product Catalogue System (VPCS). Linked to the National Product Catalogue, the VPCS now houses 31 HPV agreements equating to approximately \$370 million in contract value as at 30 June 2015 with product and pricing details for approximately 280,000 HPV and non-HPV items from more than 390 suppliers.

This key supply chain technology initiative, along with the deployment

of the HPV Procurement Portal (an eSourcing platform) in 2014-15, is bringing us closer to common procurement data sources for the State that will provide deeper visibility into health sector purchasing patterns, paving the way for a more efficient supply chain.

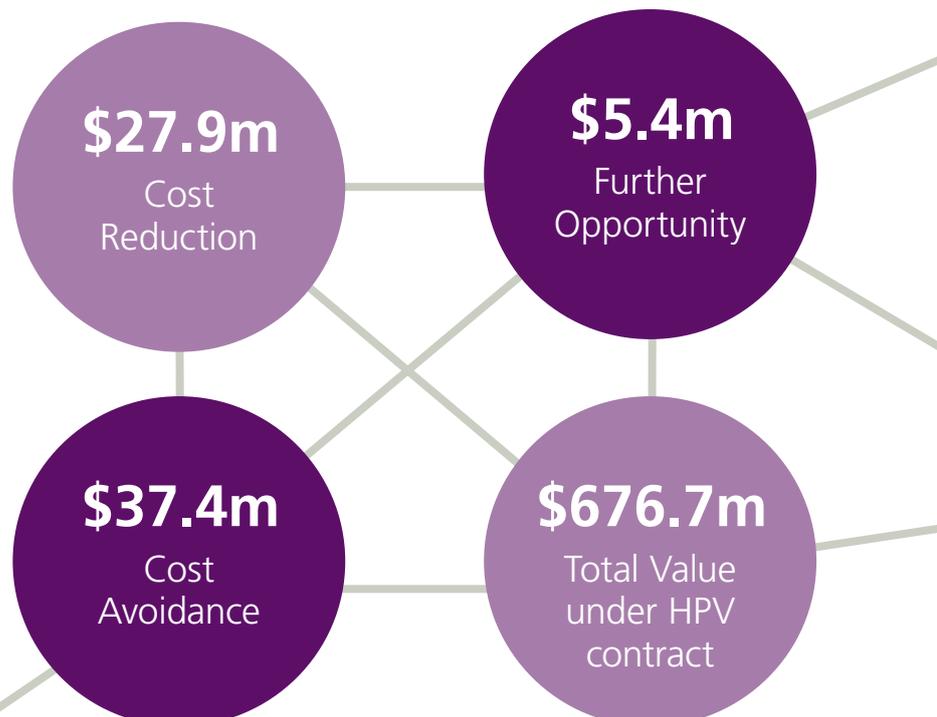
2014-15 saw HPV working even more closely with the health sector as we endeavoured to achieve the full extent of our remit.

2014-15 FINANCIAL BENEFITS ACHIEVED FOR THE HEALTH SECTOR AS AT 30 JUNE 2015

Measurement

HPV measures the financial benefits it achieves for the health sector through **Cost Reduction** (measured for the first 12 months of a contract and **Cost Avoidance** (costs that are avoided – e.g. holding prices fixed for a period of time). **Further Opportunity** refers to additional opportunities identified for even greater cost reduction by analysis of better value products/services on the contract.

2014-15 Financial Benefits achieved for health sector



REPORT FROM BOARD CHAIR AND CHIEF EXECUTIVE

KEY HIGHLIGHTS

- The total value of contracts in place at 30 June 2015 under HPV management increased to \$677m – up from \$538m (25% increase).
- The value of total benefits achieved in the year reached \$70.7m (incorporating cost reduction, cost avoidance and further opportunities) compared to last year being \$60.8m (16% increase).
- Launch of HPV Procurement Portal (eSourcing software platform) and successful deployment for two Invitations to Supply (tenders) with the system to be released for health services on an opt-in basis.
- Focused supplier relationship management model was introduced with review meetings conducted at least quarterly with the top 20 suppliers by value of sales across HPV contracts.
- Additional six non-mandated health services opting in to HPV's collective contracts.
- Deployment of four region-based procurement Field Advisors to assist metropolitan, regional and rural hospitals transition to the new Health Purchasing Policies.
- Revised Victorian health supply chain reform feasibility study independently reviewed and approved by HPV Board in May 2015.
- Empowered and supported regional based purchasing alliances being formed out of the Procurement Reform project across five regions.
- Increased overall job satisfaction from 63% in 2014 to 76% satisfied in 2015 in the annual Victorian Public Sector People Matters survey. Other results included 100% employee satisfaction in the following measures: Integrity, Impartiality and Human Rights, Equal Opportunity, Work Environment and Awareness of Organisational Policies and Processes.
- Provided advice on complex category procurement including Non-Emergency Patient Transport on behalf of Ambulance Victoria, review of Food Service Commercial Framework Review and restricted sourcing event for Ebola Waste Management Services with the Department of Health and Human Services.

THANK YOU

The achievements showcased in this report reflect the considerable input and subject matter expertise of Victorian health service and hospital staff and our dedicated team at HPV.

In particular, we sincerely acknowledge the contributions of the following key stakeholders who continually provided their commitment and support during 2014-15:

- Minister for Health and Minister for Ambulance Services, the Hon. Jill Hennessy MP
- Former Minister for Health and Ageing, the Hon. David Davis MP
- Victorian Department of Health and Human Services
- Victorian public hospitals and health service staff
- 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 Committee members

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 2015.



Felix Pintado
Felix Pintado
Chair
Melbourne
20 August 2015



Megan Main
Megan Main
Chief Executive
Melbourne
20 August 2015



Eileen Keane
Eileen Keane
Acting Chief Executive*
Melbourne
20 August 2015

*Eileen Keane was appointed Acting Chief Executive in June 2015 as Megan Main was seconded to the Department of Health and Human Services until September 2015.

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 and Human Services.

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

OBJECTIVES

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:

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

Our Values

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

WE VALUE	THIS MEANS WE
COLLABORATION	<ul style="list-style-type: none"> • Place priority on effective stakeholder relationships • Work with stakeholders for mutual benefit • Seek input and incorporate feedback
ACHIEVEMENT	<ul style="list-style-type: none"> • Encourage initiative and aspire to excellence • Promote continual learning and improvement • Deliver outcomes that benefit our partners
TEAM WORK	<ul style="list-style-type: none"> • Contribute beyond our own tasks to achieve our purpose and goals • Value the contribution of our external stakeholders and staff
INTEGRITY	<ul style="list-style-type: none"> • Say what we mean, do what we say • Be honest, open and transparent, demonstrating a consistent approach in all our dealings
RESPECT	<ul style="list-style-type: none"> • Equally recognise value of, listen to and acknowledge the contribution of all
COMMUNICATION	<ul style="list-style-type: none"> • Share information openly in a timely and appropriate way

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.

Board composition during 2014-15 was as follows:

Mr Felix Pintado (Chair)

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

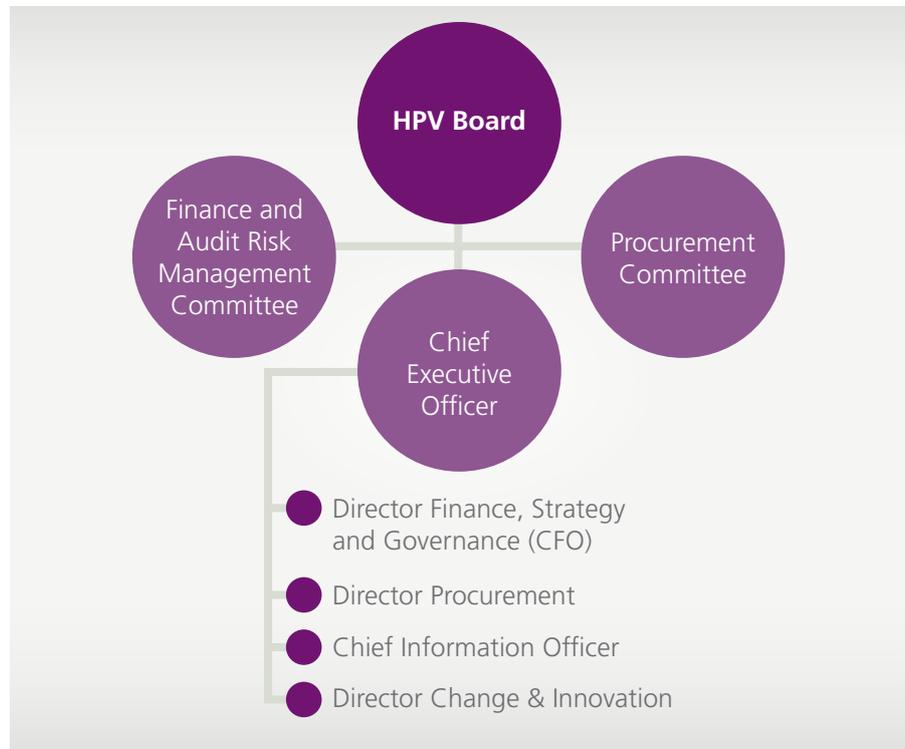
Felix is the Chief Executive of Royal Freemasons Ltd, one of Victoria's long standing and most respected aged care and senior living providers.

He previously held executive positions in specialist and general hospitals in Victoria and New Zealand. Felix holds a Master in Health Administration, a Bachelor of Theology and a Diploma of Education. A Fellow of the Australian Institute of Management and of the Australasian College of Health Service Management, he is also Chair of Health Purchasing Victoria and a Board Director of LASA-Victoria and the Masonic Care Alliance. In 2014, Felix was appointed Honorary Consul of the Republic of the Philippines in Victoria.

Ms Anna Burgess

BSc (Hons), Grad Dip Health Services Management, Grad Dip Economics & Health Policy, FACHSM.

Anna Burgess was appointed to the HPV Board in July 2014. Anna is currently the Director of Health Service Programs in the Health Service Performance & Programs Division at the Department of Health & Human Services. She has more than 25 years' experience in the health system, including executive roles at a number of public health services and 10 years' experience as a board director of three community health services.



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 services 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

BCom

Rohan was appointed to the Board in July 2013. Rohan commenced as the Chief Executive at Western District Health Service in August 2014. He was previously the Chief Executive at Stawell Regional Health and has held senior management positions at Latrobe Regional Hospital and Central Gippsland Health Service. He is passionate about rural health and supporting communities to receive high quality services close to home. Prior to entering the health sector Rohan worked as an insolvency accountant.

Mr Tim Barta

MAICD, BA (Hons)

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

Mr Gareth Goodier

MB ChB MHA DHSc FRACMA FAFPHM

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.

Gareth Goodier resigned his position on the HPV Board in December 2014.

Dr Robyn Mason

MBBS, M.Admin, FRACMA, FAICD

Appointed to the Board in August 2011, Robyn has a medical degree and postgraduate 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

MHA, BHSM, Grad Certificate in Casemix, RN

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 was also Chief Executive of the Australian and New Zealand College of Anaesthetists.

Mr Geoff Swier

MCom (Econ)

Geoff was appointed to HPV's Board in July 2014. He is an experienced economic consultant and company director. Geoff has extensive experience in the electricity, gas, water and transport industries. He also has experience in health sector reform. Currently he is a director of Farrier Swier Consulting, a director of Trustpower (NZ) Ltd and a member of the National Electricity Market Dispute Resolution Panel. Previously he was policy director for the National Interim Provider Board established by the New Zealand government in 1992 to oversee the reform of the New Zealand public hospital system. Other previous roles include: member of the Australian Energy Regulator; director of VENCorp; and economic adviser to the New Zealand Minister of State Owned Enterprises (1990) and New Zealand Minister of Finance (1984-87).

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.

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.

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 over 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 2014-15

There were 11 Board meetings held between 1 July 2014 and 30 June 2015.

NAME	MEETINGS ELIGIBLE	NUMBER ATTENDED
Mr Felix Pintado (Chair)	11	10
Mr Tim Barta	11	10
Mr Simon Brewin	11	9
Ms Anna Burgess	11	9
Mr Rohan Fitzgerald	11	10
Mr Julian Glynn	11	11
Dr Gareth Goodier*	6	2
Ms Mary Malone	11	9
Dr Robyn Mason	11	10
Ms Linda Sorrell	11	11
Mr Geoff Swier	11	11
Mr Ian Quick	11	11

*resigned in December 2014

GOVERNANCE

BOARD SUB COMMITTEES

The following Committees provided advice to the HPV Board during 2014-15:

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.

Finance, Audit & Risk Management Committee

Chair: Ms Linda Sorrell (independent)

Deputy Chair: Ms Kathy Grigg (independent)

Ex Officio: Mr Felix Pintado

Members: Mr Tim Barta, Mr Lynton Norris (independent), Mr John Sutherland, Mr Rohan Fitzgerald, Mr Julian Glynn

The Finance, Audit & Risk Management Committee (FARMC) advise the Board in key areas of governance. The FARMC 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.

The Finance, Audit and Risk Management Committee was formerly known as the Audit and Risk Committee. The name changed formally on 20 November 2014.

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, Mr Jim Kirkup, Dr Robyn Mason

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's sourcing program (tenders and contracts).

RISK MANAGEMENT

HPV has a mature and operationally focused Risk Management Framework (RMF) which has been developed to support the requirements of the organisation over a period of growth. The RMF is based on the best practice principles as outlined in the International Standards Organisation (ISO) 31000:2009, *Risk management – Principles and guidelines*.

To support HPV's RMF and compliance requirements, the Victorian Auditor General's Office (VAGO) undertakes an annual audit and provides an independent opinion as to the financial report of HPV, as per enclosed within this Annual Report. In addition, during 2014-15, the Board appointed RSM to undertake the internal audit function at HPV and provide assurance to various targeted reviews addressing the risk profile of the organisation.

HPV is committed to embedding and integrating a risk management philosophy into the organisation's practices and culture so that risk becomes the "business of everyone". HPV's Risk Management strategy is to:

- Embed and integrate risk management processes into the organisations important practices such as, strategic planning, business planning, project management in order to maximise the ability to meet defined objectives.
- Clearly define staff roles and responsibilities with regards to risk management and provide education to staff on these.
- Improve the risk management culture at HPV by providing regular education on risk management to all levels of staff so that they are able to identify and address/escalate risks in accordance with the HPV Risk Framework.
- Provide risk reports to the Board and FARMC, and ELT to ensure regular monitoring of risk.
- Review the Risk Management Policy, Framework and Procedure to ensure alignment to Standards and other enhancements.

Integrated risk management is recognised by the HPV Board as an integral part of good management practice and an essential element of good corporate governance. HPV is committed to providing a workplace where an integrated risk management process ensures risk treatments are put in place to eliminate or manage the risks which may affect the organisation's ability to achieve its objectives.

ATTESTATIONS

ATTESTATION FOR COMPLIANCE WITH THE MINISTERIAL STANDING DIRECTION 4.5.5

I, Eileen Keane certify that Health Purchasing Victoria has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Health Purchasing Victoria Finance Audit and Risk Management Committee verifies this.



Ms Eileen Keane

Chief Executive Officer and Accountable Officer

Melbourne

20 August 2015

ATTESTATION ON DATA INTEGRITY

I, Eileen Keane, 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 Eileen Keane

Chief Executive Officer and Accountable Officer

Melbourne

20 August 2015

COMPLIANCE

This summary is provided in accordance with the Directions of the Minister for Finance.

HPV is an incorporated body established under Section 129 of the *Health Services Act 1988* and is regulated by the Act.

FREEDOM OF INFORMATION

HPV complies with all sections of the Victorian *Freedom of Information Act 1982*. Two requests for information under this Act were received during 2014-15.

PROTECTED DISCLOSURE

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

BUILDING ACT 1993

HPV leases its office space in the Casselden building via a sub-lease arrangement with the Department of Health and Human Services (DHHS) and complies with all building and maintenance provisions of the *Building Act 1993*. HPV's facilities are managed through site inspections, risk assessments and independent annual compliance reporting.

As part of the HPV tenancy arrangement, third party contracts are in place via ISPT Facilities Management to maintain and test all essential safety measures in to ensure compliance with regulatory requirements. Casselden undergoes an Annual Essentials Safety Measures Audit / Report (*Building Act 1993, Building Regulations 2006, Regulation 1209 & 1215*).

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 134O of the *Health Services Act 1988* exempts HPV from Section IV of the *Trade Practices Act 1974* to allow the Victorian public hospitals and health services to tender as a single entity. This section was reviewed in April 2014 to include additional protection specifically for health services.

IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2014-15, HPV **commenced** ten contracts that were subject to VIPP principles totalling approximately \$86.9 million in value (ex. GST). This is significantly less than the period 2013-14 (\$306 million) primarily due to two high value categories that commenced in 2013-14 (Agency Labour, and Haemodialysis machines and consumables) which combined represented \$217 million.

Each contract was lodged with the Industry Capability Network through their on-line portal and assigned an ICN Reference Number. Due to limited contestability, VIPP plans were only applicable to one state-wide category Beds and Mattresses. For this category 26 suppliers were panel listed, only one of these suppliers had more than 200 employees. VIPP plans committed to retaining 467 existing local jobs and the creation of a further 86 jobs whilst retaining 24 apprenticeships and creating 21 new apprenticeship opportunities.

Local content commitment for the Beds and Mattresses category averaged 53%. Two contracts that commenced in 2014-15 were 100% local content, of which one was regionally-based and the other state-wide, and seven contracts, all state-wide, were for imported product with an average 10% local content commitment through logistics and support.

During 2014-15, HPV **completed** (per request of the Minister) nine state-wide contracts to which the VIPP principles applied. Of these eight were for imported product, one was local content and where there was contestability the contract was a panel arrangement with no volume commitment throughout the term.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

Health Purchasing Victoria complies with the Financial Reporting Directions and statutory disclosure requirements under FRD 22F with regards to providing additional information on request as listed in section 6.17 of FRD 22F, subject to Freedom of Information.

STRATEGIC OBJECTIVES

PERFORMANCE SUMMARY

The following summary aligns with the Statement of Priorities between HPV and the Minister of Health and provides an overview of the strategic deliverables achieved in 2014-15.

STRATEGIC OBJECTIVE	DELIVERABLE 2014-15	OUTCOME
1. Increase the benefit to Victoria's health sector from collective procurement of goods and services	<ul style="list-style-type: none"> Maintain Weighted Average Benefits for Greenfield sourcing events – 10% for products and 5% for services 	<p>Achieved. HPV achieved 12.7% weighted average benefit for product greenfield sourcing events (Cranial Neurosurgery Prostheses & Associated Consumables and Natural Gas).</p> <p>Three additional Greenfield sourcing events for services were completed with a -0.23% weighted average benefit. This was significantly impacted by the exclusion of the Laundry, Bedding and Linen contract (per request of the Minister) which had a high anticipated benefit from the implementation of the contract.</p>
	<ul style="list-style-type: none"> Maintain annual weighted average cost growth to 2% below ABS Health index [ABS 6401.0 Consumer price index (Health) and (Food) at June] for re-sourcing events 	<p>Achieved. Re-sourcing events were completed for 22 categories. Re-sourcing events achieved a weighted average cost reduction of 10.2%. This is a result of 14.57% below the Health index for re-sourcing events.</p>
	<ul style="list-style-type: none"> Manage Value under HPV management (contracts plus sourcing in progress) to ensure value is \$690 million at 30 June 2015 	<p>Partially Achieved. Total value under HPV management at 30 June 2015 (contracts plus sourcing in progress) was \$685.7 million. This falls short of the target due to the exclusion of the Laundry, Bedding and Linen contract at a value of \$43.7 million.</p>
	<ul style="list-style-type: none"> Achieve \$59 million in total benefits in 2014-15 to comprise \$25 million in cost reductions, \$29 million in cost avoidance and \$5 million in further opportunities. 	<p>Achieved. Total actual benefits achieved was \$70.7 million with \$27.9 million in cost reductions, \$37.4 million in cost avoidance and \$5.4 million in further opportunities.</p>
	<ul style="list-style-type: none"> Achieve \$2 million* in additional cost reduction opportunities and establish Supplier Relationship Management process for top 20 suppliers to support category management 	<p>Partially Achieved. Cost reduction of \$0.26 million achieved through bringing additional electricity sites under new contract, \$0.08 million achieved in the Natural Gas contract due to lower than expected Consumer Price Index increases on new tariffs. \$1.04 million achieved through Best and Final Offer negotiations with Equipment suppliers. Review meetings and framework in place for top 20 suppliers.</p>
	<p>* this benefit was included in the \$70.7 million benefits achieved.</p>	
	<ul style="list-style-type: none"> Access granted to five additional non-mandated entities within scope of the <i>Health Services Act 1988</i> 	<p>Achieved. Six entities provided access to HPV contracts in the 2014-15 Financial Year with ten additional non-mandated entities expressing interest in opting in to HPV contracts. Additionally, a number of entities have expanded the scope of goods/services being purchased from HPV contracts.</p>

STRATEGIC OBJECTIVES

PERFORMANCE SUMMARY

STRATEGIC OBJECTIVE	DELIVERABLE 2014-15	OUTCOME
1. Increase the benefit to Victoria's health sector from collective procurement of goods and services	<ul style="list-style-type: none"> Assist in delivering any identified initiatives and further savings to deliver the Victorian Government objectives of achieving additional efficiency measures in the Health portfolio (As detailed in the 2014-15 Victorian Budget) 	Achieved. Agreed initiatives delivered.
2. Achieve economies of scale in equipment procurement	<ul style="list-style-type: none"> Ensure Value of Medical Equipment under HPV management (contracts plus sourcing in progress) is at least \$34 million at 30 June 2015 	Achieved. Value at 30 June 2015 estimated to be at \$38 million for Medical Imaging equipment and a further \$5.3 million for Beds and Mattresses and \$1.5 million for Pathology Equipment.
3. Drive measurable end-to-end supply chain efficiency	<ul style="list-style-type: none"> Ensure that 50% of resourcing events have a product and/or supplier rationalisation target from February 2015 and implement supply chain efficiency activities with health services as required 	<p>Achieved. A process for inclusion of rationalisation/optimisation targets with sourcing events has been developed and agreed. 100% of resourcing events from the Medical Consumables stream have been chosen to pilot the methodology (four in scope). Other supply chain efficiency activities completed include:</p> <ul style="list-style-type: none"> Contribution to the statewide General Ledger data mapping initiative. Supporting Melbourne Health to develop and review options for a potential warehouse management system solution.
4. Support procurement and probity practice improvement	<ul style="list-style-type: none"> Establish HPV Business Plan, resources and monitoring to align with legislative functions Ensure 100% of health services are engaged by HPV regarding procurement reform by June 2015 Health Purchasing Policy Monitoring Framework communicated to health services by February 2015 Probity oversight framework operationalised by June 2015 	<p>Partially achieved.</p> <ul style="list-style-type: none"> Cascading Business Plan established with direct alignment of all staff and divisional goals to HPV's legislative functions. 100% of mandated health service engaged with 400+ meetings conducted. 97% of health services have completed initial gap analysis, 84% completed high level spend and 70% have setup transition project plans. 91% of health services have appointed a Chief Procurement Officer. Board approved compliance framework (probity and policy) in April 2015. Probity oversight now incorporated in compliance framework. A detailed communication strategy has been developed and a pre-release has been shared with health service representatives. A more comprehensive compliance monitoring framework will commence after June 2016.

STRATEGIC OBJECTIVE

DELIVERABLE 2014-15

OUTCOME

4. Support procurement and probity practice improvement	<ul style="list-style-type: none">• 100% of sourcing events to be based on new Health Purchasing Policies from October 2014	Achieved. HPV procurement policy has been developed and all collective sourcing activities and strategic sourcing for HPV align to new framework.
5. Improve the integrity and availability of the information used to drive supply chain decisions	<ul style="list-style-type: none">• Common Catalogue information available to all mandated health services by June 2015• HPV Procurement Portal (e-procurement software) implemented by June 2015	On hold. In principle agreement reached between HPV CEO and HealthShare NSW CEO in late 2013; subsequent multiple personnel changes to the HealthShare NSW CEO and Director Procurement positions and multiple restructures have since hampered progress despite mutual desire to proceed. This initiative was not achieved in the 2014-15 FY. As an alternative way of approaching this initiative, HPV has discussed the initiative at a national level with the National electronic Health Transition Authority (NeHTA) and their partner GS1 with a view to incorporating requirements into the National Product Catalogue (NPC). Achieved. HPV Procurement Portal has been implemented and piloted successfully with two sourcing events. Five other sourcing activities are in progress using the Portal.
6. Build capability and capacity	<ul style="list-style-type: none">• Strategies implemented to ensure structure and capability in place to meet objectives• Improvement in survey responses regarding satisfaction with quality, clarity and relevance of HPV communications	Achieved. A number of deliverables completed or commenced to further strengthen HPV's corporate governance framework including pilot scorecard framework, HR Strategy and Communications Strategy. <ul style="list-style-type: none">• Interim Communications Strategy evaluation report submitted to Board in May 2015 indicating increased engagement (via newsletter opt-in and favourable average feedback at HPV events).

FUTURE DIRECTIONS

In line with HPV's strategic direction, the organisation will focus on continuing to drive category management for 2015-16. A new focus for the financial year ahead will be increasing HPV's influence in sustainable procurement in the broader health sector supply chain. For example, further enhancements to improving the integrity and

availability of supply chain data, and leveraging the benefits of procurement reform to deepen our engagement with the health sector.

In recognition of our broadening role and deeper stakeholder engagement, HPV will begin researching and developing its new Strategic Plan 2016-20.

HPV ANNUAL COMPLIANCE STATEMENT

HPV ANNUAL COMPLIANCE STATEMENT – MANDATED ENTITIES

Background

Section 131(d) of the *Health Services Act 1988* requires HPV to monitor compliance by hospitals and health services with HPV directions and purchasing policies and to report irregularities to the Minister for Health. For the purposes of this report, purchasing policy compliance is reported as hospitals and health services participating in HPV contracted agreements. Hospitals and health services that have been granted a formal exemption are regarded as being compliant with the policy or direction for the purpose of this report.

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.

HPV's Purchasing Policy

The Principal Purchasing Policy was replaced by the Health Purchasing Policies, which were gazetted in June 2014, and will be mandatory for health services to comply with from June 2016.

Current Year Statement

The hospital and health services' attestation covers the period 1 July 2014 through to 30 June 2015. The following table reports the results of the level of compliance from 2014 to 2015. A key trend in 2014-15 was an increase of 430 (22%) of participation and full compliance to HPV agreements – reflective of an increased availability of HPV agreements (twelve in total) and increased hospital and health service transition.

The marginal level of increase where exemptions have been sought relates to the Waste Management contract and was due to pre-existing contracts being in place and in the case of the Office Requisites contract, hospitals and health services have exemptions in place to support local business and SMEs.

There was also an **increased level of non-compliance to HPV agreements** i.e. 100 (2.8%) from a combination of 75 sites, 42 mandatory contract categories and six limited applicability contracts. Of these 100 instances:

- Fifty-five related to a hospital or health service transitioning to HPV contracts
- Seventeen related to assumptions made by the hospital or health service that exemption status would roll over from an old contract to a new contract, or that they had an exemption in place

- Four 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 support
- Twelve related to an exemption request in progress at time of reporting
- Twelve related to products being incorrectly ordered by health service staff or one-off purchases being made. Processes have been implemented at these health services to prevent this from recurring in the future.

The large amount of reported instances of 'not applicable' remains driven by three contracts with limited applicability:

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

Next Steps

HPV continues to work with hospitals and health services to improve their compliance to agreement under HPV contact.

Mandated Entities' Compliance Summary

Status	# Compliance		% Compliance	
	2013-14	2014-15	2013-14	2014-15
Fully Compliant	1,968	2,398	65.9%	66.7%
Exemption	10	15	0.3%	0.4%
Non-compliant	58	100	1.9%	2.8%
Not Applicable	949	1,083	31.9%	30.1%
	2,985	3,596	100.0%	100.0%

HPV ANNUAL COMPLIANCE STATEMENT – NON MANDATED ENTITIES

Background

Under the HPV remit to improve the procurement practices and provide the benefit of collective bargaining through economies of scale to health services, HPV have extended access to HPV agreements to non-mandated entities. Non mandated entities as defined within Part 1 Section 3 of the *Health Services Act 1988*, being inclusive to the "health or related service" as referenced in Part 6 of the *Health Service Act 1988*.

Current Year Statement

HPV routinely requires the submission of *Annual Compliance Statements* by all public hospitals and health services which are mandated to purchase from HPV contracts. As part of our Procurement Reform project, this year for the first time, HPV requested the submission of an *Annual Compliance Statement* by all customers including 'non-mandated' health services.

Similar to mandated services, the attestation covers the period 1 July 2014 through to 30 June 2015. The following table reports the results of the level of compliance from 2014 to 2015.

The results relate the reporting of 16 out of 17 participating entities, with the seven instances of non-compliance relating to:

- Two related with Surgical Dressings Tapes and Bandages – due to transition whilst ensuring the medical staff have the appropriate supplies and matching alternative products
- Two related with Hand Hygiene and Domestic Paper Products – supplies outside of contract utilised
- Sutures, Skin Staples and tissue Adhesives – due to the phasing out of the Sutures contract
- Pharmaceuticals and IV Fluids – due to arrangements with local SME
- Wound Care – supplies outside of contract utilised

Next Steps

We regard this activity as another opportunity for HPV to ensure health services are gaining maximum benefit from current access arrangements, also providing further opportunity to actively re-visit contract needs in comparison to HPV agreements.

Non-Mandated Entities' Compliance summary

Status	# Compliance	% Compliance
Compliant	70	90.9%
Non-compliant	7	9.1%
	77	100%

MANAGEMENT AND ORGANISATION

LEADERSHIP TEAM

Ms Megan Main

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

Chief Executive

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.

Ms Eileen Keane

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

Acting Chief Executive (appointed June 2015, Accountable Officer for Annual Report)

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 (now Procurement 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.

Mr Martin Edwards

MCSE, DipMgt, GAICD

Chief Information Officer

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.

Ms Alba Chliakhtine

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

Director Procurement

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.

Ms Sasha Oliver

B.Bus, CA, GAICD

Director Finance, Strategy and Governance (CFO)

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.

Mr John Delinaoum

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

Acting Director Finance, Strategy and Governance (CFO) (appointed March 2015)

John commenced as the Director Finance, Strategy & Governance in March 2015. Having been in the health sector nearly 20 years John has held senior leadership roles in Finance within public, private and aged care services.

John's most recent role prior to joining HPV was as the Director Finance Services at Northern Health where he established the Health & Operational Information Unit to deliver business intelligence and performance reporting for the health service. He also established the Private Practice Business Unit driving revenue growth of approx 15% annually over a 4 year period.

With extensive experience in business planning, systems technology design and implementation, John has been responsible for re-engineering processes to manage risk to deliver operational efficiency. John is also on the Board of the Australian Health Services Financial Management Association (AHSFMA) supporting professional development of staff within the Health Sector.

Mr Tom Truman

B.Com MBS

Acting Director Change and Innovation (appointed June 2015)

Tom joined HPV in February 2009 from a procurement and contract management role in a public health service. Tom has had more than 30 years' experience in the public

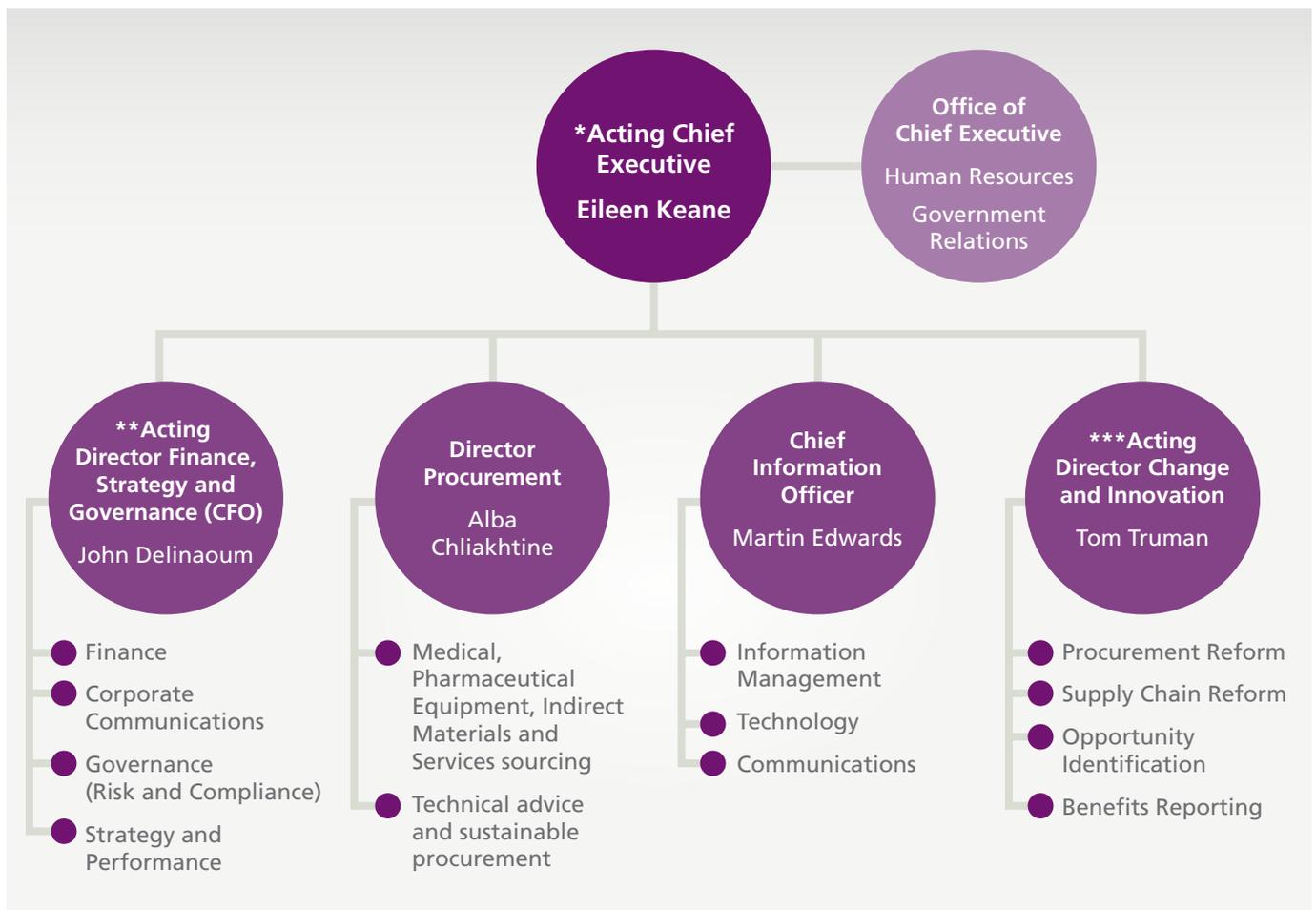
and private health sector in various management roles in hospital support services, procurement and contract management, including a period as a private consultant.

Tom has a degree in Commerce (Deakin) and a Master of Business Systems (Monash) and a keen interest in supply chain reform.

Prior to being appointed in the Acting Director role, Tom was in the Manager Process Improvement role where he led HPV's procurement reform transition program for the health services.

ORGANISATION CHART

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, Strategy and Governance.



Acting Officers disclosure:

* Eileen Keane was appointed Acting Chief Executive in June 2015 as Megan Main (CEO) was seconded to the Department of Health and Human Services until September 2015

** John Delinaoum was appointed Acting Director, Finance, Strategy and Governance (CFO) in March 2015 to replace Sasha Oliver (CFO) who is on maternity leave until November 2015

*** Tom Truman was appointed in the role of Acting Director Change of Innovation in June 2015 to replace Eileen Keane while she is in the Acting Chief Executive role

OUR PEOPLE: HUMAN RESOURCES AND DEVELOPMENT

WORKFORCE DATA

During 2014-15, an additional 15 people joined HPV as employees and as at the end of June 2015, 68 employees were employed by

HPV. This marks a 28% increase in headcount for the 2014-2015 year. A summary of HPV's workforce composition is detailed below.

	FY AVE 2013-14	FY AVE 2014-15	JUNE 2014	JUNE 2015	JUNE 2014	JUNE 2015
	FULL TIME EQUIVALENT		FULL TIME EQUIVALENT		HEAD COUNT	
Full Time	45.1	54.2	50.0	65.0	50	65
Part Time	2.3	2.8	2.3	2.3	3	3
Total number of all employees	47.4	57.0	52.3	67.3	53	68
Agency / Casual	4.0	5.1	8.0	5.4	9	6

SECONDMENTS

HPV has continued to engage a number of secondees from a range of Victorian health services over the 2014-2015 year. This has resulted in a number 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, supply chain and stakeholder management.

HPV welcomed six secondees from public health services and also sent an HPV employee on secondment to a public health service to directly support our legislative role of enhancing health service procurement capability.

OCCUPATIONAL HEALTH AND SAFETY

HPV proactively supports occupational health and safety (OH&S) through its staff OH&S Committee who contribute to the OH&S strategy, risk management and activities including an annual ergonomic assessment for all employees. During the period a full suite of OH&S policies and procedures were developed and endorsed by executive management.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

HPV UPDATE

a) the number of reported hazards/ incidents for the year per 100 full-time equivalent staff members;	One hazard/incident was reported in the 2014-15 year.	
b) the number of 'lost time' standard claims for the year per 100 full-time equivalent staff members;	There were no 'lost time' standard claims in the 2014-15 year.	
c) the average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe);	The average cost per claim for the 2014-15 year is \$0 as there were no claims in the period.	
d) a minimum of two prior years' data on these indicators and explanations for significant variations from one year to the next; and	Report Period Year	Claim Costs
	2013-14	\$0 as there were no claims in the period
	2012-13	\$95,322 Claim raised during the 12/13 year is now closed.
e) in the event of a fatality, a discussion of the circumstances that led to the fatality and the preventive measures that have been taken to prevent recurrence. If the fatality is under investigation or subject to an inquiry, a statement to that effect should be included.	There have been no fatalities.	

CARERS RECOGNITION ACT

HPV is compliant with the Carers Recognition Act 2012 as per the HPV Enterprise Agreement 2013 and management of leave entitlements.

DISABILITY POLICY AND ACTION PLAN

HPV is committed to fostering, cultivating and preserving a culture of diversity and respect. In this financial year, the existing Inclusivity Plan was reviewed, resulting in the development of the Diversity and Workplace Respect Policy and Procedure to support a merit-focused culture. The Flexible Working Arrangements policy was also developed during this time to further cement HPV's commitment to a progressive work culture.

The HPV Disability Policy and Disability Action Plan (DAP) also reflects this commitment, recognising that people with disabilities, like all members of the community, should have access to a range of programs, services, facilities and employment opportunities that support individual choices in enhancing quality of life.

The DAP was reviewed in the period resulting in the creation of a separate disability policy and action plan and some additions to the DAP. The DAP focuses on ensuring HPV's accessibility to people engaging with its services – from its office space through to its website and external documentation. A consultative approach was used to ensure that the documents were not only compliant but that best practices were being employed.

All actions within the DAP are currently on track for completion within the specified timeframe.

COMPLIANCE

A full review of all Human Resource policies and procedures has been undertaken during the period to ensure continued effective governance for the Human Resources division.

PEOPLE MATTERS SURVEY

HPV participated in the Victorian Public Sector Commission (VPSC) People Matters Survey 2015 with a 90% response rate from HPV employees.

There was a marked improvement in results from the 2014 survey for most categories including 100% scores in the following areas:

- **Integrity, Impartiality and Human Rights.**
- **Employment Principles:** Equal employment opportunity in the workplace in relation to gender, disability, age, cultural background and commitment to creating a diverse workforce.
- **Work Environment:** Helping and supporting people in the workgroup.
- **Awareness of organisational policies and processes:** in relation to giving and receiving of gifts or benefits, organisations programs to support wellbeing.

Furthermore, the Job Satisfaction measure in the survey increased from 63% satisfied in 2014 to 76% satisfied in 2015. The Engagement index increased from 66% in 2014 to 71% in 2015.

HPV have taken the opportunity to use the results from the survey to better understand employee views and have conducted comprehensive focus groups with employees to ensure concerns were addressed.

TRAINING AND DEVELOPMENT

Improving the capability of HPV employees has continued to be a focus area for 2014-15, recognising that HPV's employees are key enablers of HPV's success; in particular, enabling the delivery of the Strategic Plan 2012-2017 through Strategic Goal 6: Build Capability and Capacity.

During the period, a HPV Learning and Development Strategy (L&D strategy) was developed to ensure that HPV employees have the technical capabilities to deliver on the Strategic Plan 2012-2017 and annual Business Plan. The L&D strategy takes a whole-of-business approach and aims to create a learning culture through an integrated and sustainable L&D plan founded on best practice principles.

The L&D strategy defines different elements critical to the development of capability and capacity at HPV: leadership competencies; technical competencies; and the establishment of a Senior Management Representative Group (SMRG) whose purpose is to empower senior management and optimise business results as well as a number of other training initiatives.

The leadership competencies are the leadership skills and behaviours that contribute to HPV organisational performance. They are applicable to all HPV employees and will be integrated into Position Descriptions, Goals and Performance Review processes.

Some of the other training initiatives include customised training including an 'Effective Leadership Program' for senior executives, Probity, Negotiation Skills, Business Scorecard, Health and Safety, Diversity and Workplace Respect, Dimensional Modelling and Data Analysis, Problem Solving and Decision Making and Supplier Relationship Management training. HPV is in the process of undertaking a capability review and gap analysis to ensure the current organisational procurement technical capability is matched to the complexity level of the procurement undertaken.

SUSTAINABILITY

HPV'S OFFICE-BASED ENVIRONMENTAL IMPACTS

Environmental Data

As a statutory authority, HPV is encouraged to report consistent with FRD 24C Reporting of Office-based Environmental Data by Government Entities. Therefore HPV has begun to collect relevant data, where available, for reporting.

Energy Use

As HPV is a tenancy within an office block with shared services, it is not possible to report on its stationary energy use.

HPV occupies office space in Casselden, a CBD-based building. Key environmental attributes of Casselden are:

- 5-star Green Star Office Design (v3) rating
- NABERS 4.5 Star Base Building Energy rating

The Green Star design rating is equivalent to current best practice in office design. The NABERS rating corresponds to performance between 'Good' and 'Excellent' for an Australian office building.

All monitors purchased by HPV are ENERGY STAR® rated.

Waste Production

Waste disposal and recycling collections are mostly managed as part of a shared service provided by Casselden building management. Therefore waste volumes and % recycling data are not available for reporting.

Recycling collections occur for:

- Co-mingled paper and packaging
- Food organics for off-site composting
- Clean paper
- Security paper
- Batteries
- Toner Cartridges

In addition, 21.84 kg of toner cartridge waste was collected & recycled via recycling company Close the Loop in 2014-15.

Paper use

Paper use data is not available for reporting but will be monitored in the future.

All A4 paper used is 80% recycled content, and the virgin fibre component is certified under the Australian Forestry Standard. It is locally manufactured in Victoria.

A3 paper used is 10% recycled content, and also certified under the Australian Forestry Standard and locally manufactured.

Water consumption

As HPV is a tenancy within an office block with shared services, it is not possible to report on its water use. Casselden does have a NABERS 3.5 Star Water rating, which is above average performance.

TRANSPORTATION

HPV has a fleet of five cars (including two executive vehicles), for which fuel card usage is monitored. For 2014-15 the following vehicle data can be reported:

TOTAL ENERGY (MJ)	DISTANCE TRAVELLED (KM)	GREENHOUSE GAS EMISSIONS	
		(TONNES CO2-E)	(TONNES CO2-E PER 1,000 KM)
259,988	69,055	19.47	0.282

HPV's office location is readily accessible by public transport. Its building also provides excellent facilities to encourage staff cycling. Where possible, HPV also provides web-based video-conferencing capability to allow for remote access to meetings, particularly for regional stakeholders.

SUSTAINABLE PROCUREMENT

In 2014-15, HPV delivered a state-wide contract for Waste Management Services that included improvements in data reporting requirements. These improvements are expected to provide more visibility of waste costs and volumes of the various types of waste generated by service provision. Improved data will be an enabler of better management and decision-making at the next sourcing event for this category.

HPV'S SUSTAINABLE PROCUREMENT PROCESS

Analysis	What are the key impacts and risks that should be considered within the lifecycle of a procurement project?
Tendering	HPV evaluates, as part of its best value methodology, environmental management by respondents
Reporting	Managing Victorian health sector environmental impacts is assisted by data on consumption and trend analysis
Engagement	HPV's Sustainable Procurement Officer is available to advise health service on sustainable procurement and other supply chain environmental issues

DISCLOSURES OF CONSULTANCIES >\$10,000

CONSULTANCIES 2014-15

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2014-15 (EX GST)	FUTURE EXPENDITURE
Ernst & Young	Metropolitan Food Service commercial framework	Jun 2014	Sep 2014	\$215,000	\$183,451	\$0
Nous Group	Development of key messaging for the Supply Chain feasibility report	Jun 2014	Sep 2014	\$25,150	\$22,950	\$0
Portland Group	Develop a strategy for benchmarking to assist in leveraging value to HPV's collective sourcing activities	Jun 2014	Jul 2014	\$22,659	\$22,659	\$0
JCL Management	Advise and conduct a contract assessment for the provision of electricity services	Jul 2014	Jul 2014	\$15,000	\$15,000	\$0
JCL Management	Advise and conduct a contract assessment for the provision of natural gas services	Jul 2014	Jun 2015	\$15,000	\$15,000	\$0
The Faculty	Development of a strategy and documentation, in support of an RFT for the acquisition of a procurement technology platform	Jul 2014	Jul 2014	\$23,100	\$23,100	\$0
Deloitte Touche Tohmatsu	Independent assessment and recommendation to support the HPV Supply Chain feasibility study	Dec 2014	May 2015	\$156,363	\$156,363	\$0
Nous Group	Development of a HPV Balanced Scorecard reporting various metrics	Jan 2015	May 2015	\$23,500	\$23,500	\$0
Directors Australia	Review of HPV Board Governance process and associated documentation	Apr 2015	Jun 2015	\$29,700	\$29,700	\$0
Makar Consulting	Development of an information pack to support the spend within the Asset Finance category	May 2015	Jun 2015	\$16,000	\$11,600	\$0

In 2014-15, Health Purchasing Victoria engaged three consultants where the total fees payable to the consultant were less than \$10,000, these have a total expenditure of \$17,350 (exclusive of GST).

SUMMARY OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS AND COMPARISON TO LAST FOUR REPORTING PERIODS

YEAR	2014-15 \$'000	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000
Total Revenue	13,617	10,306	8,239	4,626	2,589
Total Expenses	12,263	9,740	6,429	3,590	2,502
Net Surplus	1,354	566	1,810	1,036	87
Retained Surplus	3,628	3,674	3,108	1,298	262
Total Assets	7,373	5,413	4,161	1,810	604
Total Liabilities	2,313	1,708	1,021	481	310
Total Equity	5,060	3,705	3,140	1,329	294

SUMMARY OF SIGNIFICANT CHANGES IN FINANCIAL POSITION

The Department of Health and Human Services provided additional funding to Health Purchasing Victoria during 2014-15 to support the delivery of initiatives as reported within the Statement of Priorities (SoP). This included increased funding within the sourcing program to achieve increased savings for the sector through procurement of goods and services, extending the Medical Equipment procurement stream and maturing our supply chain management to progress towards end-to-end procurement.

Over the last three years, HPV has recorded an average growth of approx. 45% year on year to deliver its remit as defined within the *Health Services Act 1988*.

The majority of the funded expenditure growth is within employment costs to support the delivery of functions that underpin its strategic initiatives, in brief:

- Increased field representation to support the implementation of the Health Purchasing Policies and procurement reform now sees HPV providing support to regions such as Gippsland, Hume, Loddon Mallee, Grampians, Barwon South West, in addition to the support within metropolitan Melbourne.
- Expansion of procurement activities into greenfield tenders covering mattresses, patient trolleys and

treatments chairs to support the increased volume of beds across health services. This in turn contributed to the increased costs of probity auditors to ensure that compliance to probity standards and practices were adhered to as part of the process. This also extended to increased legal fees to ensure due practice and conformity to legislation as we embarked on greenfield events.

- Better harnessing the ongoing requirement for data management and improving the quality and timeliness of information to support decision making such as developing business intelligence applications.
- Development of a feasibility study to deliver supply chain reform addressing the strategic goal of 'driving measurable end-to-end supply chain efficiencies'

HPV has a legislative obligation to ensure probity is maintained in the procurement processes of all health services. In pursuit of this HPV has invested in the delivery of a series of probity training courses covering 39 health services across the State and touching approx. 700 sector employees who are involved in procurement activities and/or are involved with overall governance and risk responsibility for procurement.

Increased capital funding was also provided to continue/commence large projects including the Victorian Product Catalogue System, National

Common Catalogue and a Strategic Sourcing Suite (BravoSolution HPV Procurement Portal).

The financial performance of HPV during the 2014-15 year is an improvement from the previous year reporting an operating surplus of \$0.01m (deficit \$0.23m in 2013-14) and a net surplus of \$1.35m (surplus \$0.57m in 2013-14) representing the capital income to purchase capital assets.

The performance against the SoP and strategic objectives has been reported in the Strategic Objectives Performance Summary section of this report.

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 June 2015.

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.

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 the Department's compliance with statutory disclosure requirements.

LEGISLATION REQUIREMENT		PAGE REF.
MINISTERIAL DIRECTIONS		
Report of Operations		
Charter and purpose		
FRD 22F	Manner of establishment and the relevant Ministers	OR:3
FRD 22F	Purpose, functions, powers and duties	OR:3, OR:15
FRD 22F	Initiatives and key achievements	OR:9-11
FRD 22F	Nature and range of services provided	OR:3
Management and structure		
FRD 22F	Organisational structure	OR:4
Financial and other information		
FRD 10	Disclosure index	OR:22-23
FRD 11A	Disclosure of ex gratia expenses	OR:20
FRD 12A	Disclosure of major contracts	FR:26
FRD 21B	Responsible person and executive officer disclosures	FR:27
FRD 22F	Application and operation of <i>Protected Disclosure</i> 2012	OR:8
FRD 22F	Application and operation of <i>Carers Recognition Act</i> 2012	OR:17
FRD 22F	Application and operation of <i>Freedom of Information Act</i> 1982	OR:8
FRD 22F	Compliance with building and maintenance provisions of <i>Building Act</i> 1993	OR:8
FRD 22F	Details of consultancies over \$10,000	OR:20
FRD 22F	Details of consultancies under \$10,000	OR:20
FRD 22F	Employment and conduct principles	OR:16-17
FRD 22F	Major changes or factors affecting performance	OR:9-11
FRD 22F	Occupational health and safety	OR:16
FRD 22F	Operational and budgetary objectives and performance against objectives	OR:21
FRD 24C	Reporting of office-based environmental impacts	OR:18-19
FRD 22F	Significant changes in financial position during the year	OR:21
FRD 22F	Statement on National Competition Policy	OR:8
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FRD 22F	Summary of the financial results for the year	OR:21
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FRD 25B	Victorian Industry Participation Policy disclosures	OR:8
FRD 29A	Workforce Data disclosures	OR:16
SD 4.2(g)	Specific information requirements	OR:9-11
SD 4.2(j)	Sign-off requirements	FR:1
SD 3.4.13	Attestation on data integrity	OR:7
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	OR:7
SD 4.5.5	Risk management compliance attestation	OR:7

PAGE REFERENCE KEY:

OR: Operating Report

FR: Financial Report

LEGISLATION	REQUIREMENT	PAGE REF.
Financial Statements		
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of changes in equity	FR:6
SD 4.2(b)	Comprehensive operating statement	FR:4
SD 4.2(b)	Balance sheet	FR:5
SD 4.2(b)	Cash flow statement	FR:7
Other requirements under Standing Directions 4.2		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	FR:8
SD 4.2(c)	Accountable officer's declaration	FR:1
SD 4.2(c)	Compliance with Ministerial Directions	FR:8
SD 4.2(d)	Rounding of amounts	FR:9
Legislation		
	<i>Freedom of Information Act 1982</i>	OR:8
	<i>Protected Disclosure Act 2001</i>	OR:8
	<i>Carers Recognition Act 2012</i>	OR:17
	<i>Victorian Industry Participation Policy Act 2003</i>	OR:8
	<i>Building Act 1993</i>	OR:8
	<i>Financial Management Act 1994</i>	FR:1

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Health Purchasing Victoria

ABN 28 087 208 309

Financial Statements & Accompanying Notes



**For the Year Ended
30 June 2015**

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FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Health Purchasing Victoria Annual Report 2014/2015

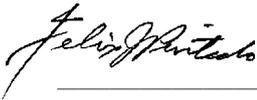
Board Chair, Accountable Officer's and Chief Finance & Accounting Officer's declaration

We certify that the attached financial report for Health Purchasing Victoria, has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable *Financial Reporting Directions*, Australian Accounting Standards, including 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, Cash Flow Statement and notes forming part of the financial report, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of Health Purchasing Victoria at 30 June 2015.

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

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



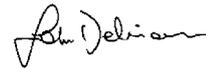
Mr Felix Pintado
Board Chair

Health Purchasing Victoria
20th August 2015



Ms Eileen Keane
Acting Chief Executive Officer

Health Purchasing Victoria
20th August 2015



Mr John Delinaoum
Acting Chief Financial & Accounting Officer

Health Purchasing Victoria
20th August 2015



Victorian Auditor-General's Office

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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 2015 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.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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 2015 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*.

MELBOURNE
25 August 2015



John Doyle
Auditor-General

**Health Purchasing Victoria
Comprehensive Operating Statement
For the Year Ended 30 June 2015**

	Note	2015 \$	2014 \$
Revenue from Operating Activities	2	11,934,809	9,161,790
Employee Expenses	3	(6,588,912)	(5,207,006)
Non Salary Labour Costs	3	(2,450,575)	(1,489,937)
Other Expenses	3	(2,880,694)	(2,690,375)
Net Result Before Capital & Specific Items		14,628	(225,528)
Capital Purpose Income	2	1,681,914	1,144,440
Capital Items Expensed	3	(32,126)	(49,165)
Depreciation and Amortisation	4	(310,276)	(303,749)
NET RESULT FOR THE YEAR		1,354,140	565,998
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Revaluation of non financial assets		-	-
COMPREHENSIVE RESULT		1,354,140	565,998

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

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Health Purchasing Victoria Annual Report 2014/2015

Health Purchasing Victoria Balance Sheet As at 30 June 2015

	Note	2015 \$	2014 \$
Current Assets			
Cash and Cash Equivalents	5	2,685,041	2,620,533
Trade and Other Receivables	6	236,086	133,217
Prepayments	7	243,770	89,857
Other Financial Assets	8	2,500,000	1,000,000
Total Current Assets		5,664,897	3,843,607
Non-Current Assets			
Trade and Other Receivables	6	118,137	-
Property, Plant & Equipment	9	739,069	1,007,566
Intangible Assets	10	850,879	562,235
Total Non-Current Assets		1,708,085	1,569,801
TOTAL ASSETS		7,372,982	5,413,408
Current Liabilities			
Trade & Other Payables	11	840,946	905,989
Provisions	12	1,279,841	703,166
Total Current Liabilities		2,120,787	1,609,155
Non-Current Liabilities			
Provisions	12	192,585	98,783
Total Non-Current Liabilities		192,585	98,783
TOTAL LIABILITIES		2,313,372	1,707,938
NET ASSETS		5,059,610	3,705,470
EQUITY			
Capital Projects Reserve	13a	1,400,027	-
Contributed Capital	13b	31,570	31,570
Accumulated Surplus	13c	3,628,013	3,673,900
TOTAL EQUITY		5,059,610	3,705,470
Commitments	17		
Contingent Assets and Contingent Liabilities	18		

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

**Health Purchasing Victoria
Statement of Changes in Equity
For the Year Ended 30 June 2015**

	Note	Capital Projects Reserve \$	Contributed Capital \$	Accumulated Surplus/ (Deficit) \$	Total \$
Balance at 1 July 2013		-	31,570	3,107,902	3,139,472
Net result for the year	13c	-	-	565,998	565,998
Transfer to Accumulated Surplus	13c	-	-	-	-
Balance at 30 June 2014		-	31,570	3,673,900	3,705,470
Net result for the year	13c	-	-	1,354,140	1,354,140
Transfer to Capital Projects Reserve	13a	1,400,027	-	-	1,400,027
Transfer from Accumulated Surplus	13c	-	-	(1,400,027)	(1,400,027)
		1,400,027	-	(45,887)	1,354,140
Balance at 30 June 2015		1,400,027	31,570	3,628,013	5,059,610

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

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Health Purchasing Victoria Annual Report 2014/2015

Health Purchasing Victoria Cash Flow Statement For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		11,235,330	9,106,290
Interest Received		104,804	95,745
Other Receipts		131,950	-
Total Receipts		11,472,084	9,202,035
Employee Benefits Paid		(8,602,914)	(6,588,136)
Payments for Supplies		(2,624,027)	(2,272,047)
Total Payments		(11,226,941)	(8,860,183)
Cash Generated from Operations		245,143	341,852
Capital Grants from Government		1,681,914	1,144,440
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	1,927,057	1,486,292
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(54,803)	(445,401)
Payments for Intangible assets		(307,746)	(149,050)
(Payments)/Proceeds for other financial assets		(1,500,000)	525,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,862,549)	(69,451)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		64,508	1,416,841
Cash and cash equivalents at beginning of financial year		2,620,533	1,203,692
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	5	2,685,041	2,620,533

This Statement should be read in conjunction with the accompanying notes

Note 1: Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Health Purchasing Victoria for the financial year ended 30 June 2015.

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.

(a) Statement of compliance

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

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

HPV is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" entities under AASs.

The annual financial statements were authorised for issue by the Board of Health Purchasing Victoria on 20th August 2015.

(b) Basis of accounting preparation and measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015, and the comparative information presented in these financial statements for the year ended 30 June 2014. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of Health Purchasing Victoria.

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

The financial statements are prepared in accordance with the historical cost convention, except for:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses; and
- the fair value of assets is generally based on their depreciated replacement value.

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

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

- the fair value of office equipment, computer equipment, furniture & fittings and leasehold improvements, (refer to Note 1(j));
- assumptions for employee benefit provision are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(k)).

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

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

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

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

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

(c) Reporting Entity

The financial statements include all the controlled activities of Health Purchasing Victoria.

Health Purchasing Victoria's principal address is:

Health Purchasing Victoria
Level 34, Casselden Place
2 Lonsdale Street
Melbourne Vic 3000

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

Objectives and funding

HPV is predominantly funded by accrual based grant funding for the provision of outputs.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Notes To and Forming Part of the Financial Statements
Health Purchasing Victoria Annual Report 2014/2015

Note 1: Summary of Significant Accounting Policies (continued)

(d) Scope and presentation of financial statements

Fund Accounting

Health Purchasing Victoria operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Health Purchasing Victoria's Capital and Specific Purpose Funds include unspent capital receipts for targeted expenditure.

Comprehensive operating statement

The comprehensive operating statement includes the subtotal entitled 'net result before capital & specific items' to enhance the understanding of the financial performance of Health Purchasing Victoria.

This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, expenditure using capital purpose income and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is made to enhance the matching of income and expenses so as to facilitate the comparability and consistency of results between years. The 'net result before capital & specific items' is used by the management of Health Purchasing Victoria, the Department of Health and Human Services and the Victorian Government to measure the ongoing operating performance of Health Purchasing Victoria.

Balance sheet

Assets and liabilities are categorised either as current or non-current (non-current being those assets or liabilities expected to be recovered/settled more than 12 months after reporting period).

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income.

Cash flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

Rounding

All amounts shown in the financial statements are expressed to the nearest dollar unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

(e) Change in accounting policies

Since the end of the previous financial year the application of the following accounting standards has had a significant impact on the health sector. HPV has considered the application of these accounting standards and impact on its accounting policies as follows:

AASB 10 Consolidated financial statements

AASB 10 provides a new approach to determine whether an entity has control over another entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- The investor has power over the investee;
- The investor has exposure, or rights to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, Health Purchasing Victoria has reviewed the existing arrangements to determine if there are any entities that need to be consolidated to create a group.

Health Purchasing Victoria does not require any additional entities to be consolidated.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

Health Purchasing Victoria has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11.

Health Purchasing Victoria does not have any joint venture arrangements.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 *Disclosure of Interests in Other Entities* prescribes the disclosure requirements for an entity's interests in subsidiaries, associates and joint arrangements; and extends to the entity's association with unconsolidated structured entities.

Health Purchasing Victoria has no interests in associates and joint ventures.

(f) Income from transactions

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to Health Purchasing Victoria and the income can be reliably measured at fair value.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and taxes.

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

In accordance with AASB 1004 Contributions, government grants and other transfers of income (other than contributions by owners) are recognised as income when Health Purchasing Victoria gains control of the underlying assets irrespective of whether conditions are imposed on the entity's use of the contributions.

Contributions are deferred as income in advance when Health Purchasing Victoria has a present obligation to repay them and the present obligation can be reliably measured.

Indirect Contributions from the Department of Health and Human Services

Insurance is recognised as revenue following advice from the Department of Health and Human Services.

Rent is recognised as revenue following advice from the Department of Health and Human Services.

Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013.

Interest Revenue

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

Sale of investments

The gain/loss on the sale of investments is recognised when the investment is realised.

Note 1: Summary of Significant Accounting Policies (continued)

(g) Expense recognition

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

Employee expenses

Employee expenses include:

- wages and salaries;
- annual leave;
- accrued days off;
- sick leave;
- long service leave; and
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Defined contribution superannuation plans

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

Defined benefit superannuation plans

Currently there are no employees of Health Purchasing Victoria who are entitled to receive superannuation benefits and where Health Purchasing Victoria would need to contribute to the defined benefit and defined contribution plans.

Depreciation

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

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

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

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

	2015	2014
Computer Hardware	2.5 Years	2.5 Years
Furniture & Fittings	5.3 Years	5.3 Years
Office Equipment	2.5 Years	2.5 Years
Leasehold Improvements	7 Years	7 Years

Amortisation

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

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

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over 5 years (2014: 5 years).

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Health Purchasing Victoria currently does not have in place any Finance Lease arrangements.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

Supplies and consumables

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred.

Bad and doubtful debts

Refer to Note 1 (i) *Impairment of financial assets*.

(h) Other comprehensive income

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/ (loss) on non-financial assets

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

Net gain/ (loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

Net gain/ (loss) on financial instruments

Net gain/ (loss) on financial instruments includes:

- o realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- o impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1 (i)); and
- o disposals of financial assets and derecognition of financial liabilities.

Other gains/ (losses) from other comprehensive income

Other gains/ (losses) include:

- o the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- o transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Notes To and Forming Part of the Financial Statements
Health Purchasing Victoria Annual Report 2014/2015

Note 1: Summary of Significant Accounting Policies (continued)

(i) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Health Purchasing Victoria's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by Health Purchasing Victoria based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other comprehensive income. Any dividend or interest on a financial asset is recognised in the net result for the year.

Receivables

Receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost using the effective interest method, less any impairment.

Receivables category includes cash and deposits (refer to Note 1(j)), term deposits with maturity greater than three months, trade receivables, and other receivables, but not statutory receivables.

Financial liabilities at amortised cost

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

Financial instrument liabilities measured at amortised cost include Health Purchasing Victoria's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

(j) Assets

Cash and Cash Equivalents

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

Receivables

Receivables consist of:

- contractual receivables, which includes mainly debtors in relation to goods and services, accrued investment income; and
- statutory receivables, which includes predominantly amounts owing from the Department of Health and Human Services and net Goods and Services Tax ("GST") recoverable.

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

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

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

Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity;
- loans and receivables; and
- available-for-sale financial assets.

Health Purchasing Victoria classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

Health Purchasing Victoria assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Non-financial physical assets classified as held for sale

Non-financial physical assets and disposal groups and related liabilities are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset's sale (or disposal group) is expected to be completed within 12 months from the date of classification, and the asset is available for immediate use in the current condition.

Non-financial physical assets (including disposal groups) classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs of disposal, and are not subject to depreciation or amortisation.

Note 1: Summary of Significant Accounting Policies (continued)

Property, plant and equipment

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

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 9 *Property, plant and equipment*.

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

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Intangible assets

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

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

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

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.

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.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement. Refer to note 1(h) – 'other comprehensive income'.

Impairment of non-financial assets

Intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other non-financial assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount.

Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

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

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

Impairment of financial assets

At the end of each reporting period Health Purchasing Victoria assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and the allowance for doubtful debts are classified as 'other comprehensive income' in the net result.

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

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

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Note 1: Summary of Significant Accounting Policies (continued)

(k) Liabilities

Payables

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to Health Purchasing Victoria prior to the end of the financial year that are unpaid, and arise when Health Purchasing Victoria becomes obliged to make future payments in respect of the purchase of those goods and services. The credit terms for accounts payable are usually Nett 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.

Provisions

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

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

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

Employee benefits

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

Wages and salaries, annual leave, sick leave and accrued days off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accrued days off are recognised in the provision for employee benefits as 'current liabilities', because Health Purchasing Victoria does not have an unconditional right to defer settlement of these liabilities.

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

- undiscounted value – if Health Purchasing Victoria expects to wholly settle within 12 months; or
- present value – if Health Purchasing Victoria does not expect to wholly settle within 12 months.

Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where Health Purchasing Victoria does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if Health Purchasing Victoria expects to wholly settle within 12 months; or
- present value – if Health Purchasing Victoria does not expect to wholly settle within 12 months.

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

Any gain or loss from the revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

Termination benefits

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

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

On-costs

Provision for on-costs, such as workers compensation and superannuation are recognised together with the provision for employee benefits.

Superannuation liabilities

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

(l) 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.

Finance leases

Health Purchasing Victoria does not hold any finance lease arrangements with other parties as a lessor or lessee.

Operating leases

Entity as lessee

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

Lease Incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received by the lessee to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset is diminished.

Leasehold Improvements

The cost of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Note 1: Summary of Significant Accounting Policies (continued)

(m) Equity

Contributed capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119A *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 to or distributions by owners that have been designated as contributed capital are also treated as contributed capital.

Transfers of net assets arising from administrative restructurings are treated as contributions by owners. Transfers of net liabilities arising from administrative restructures are to go through the comprehensive operating statement.

Capital projects reserve

A capital projects reserve is established where Health Purchasing Victoria has possession or title to funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(n) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 17) at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(o) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of note (refer to note 18) and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(p) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

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

(q) Income Tax

Health Purchasing Victoria is exempt from income tax under the Income Tax Assessment Act 1997.

(r) Events after the reporting period

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

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure (refer to note 23) is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period are considered to be of material interest.

(s) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

(t) AASs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2015 reporting period. The Department of Treasury and Finance (DTF) assesses the impact of these new standards and advises Health Purchasing Victoria of their applicability and early adoption where applicable.

As at 30 June 2015, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Health Purchasing Victoria 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 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1-Jan-18	The 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. The introduction of this standard will not have an impact on the Financial Statements of Health Purchasing Victoria.

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Note 1: Summary of Significant Accounting Policies (continued)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on:	Impact on Financial Statements
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1-Jan-17 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening accumulated surplus if there are no former performance obligations outstanding. The introduction of this standard will not have an impact on the Financial Statements of Health Purchasing Victoria.
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> [AASB 116 & AASB 138]	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: · establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; · prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1-Jan-16	The assessment has indicated that there is no expected impact on the Financial Statements of Health Purchasing Victoria as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1-Jan-16	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

Health Purchasing Victoria have also considered the impact of other Australian accounting standards namely, AASB 14 *Regulatory Deferral Accounts*, AASB 1056 *Superannuation Entities*, AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128] and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049].

When considering the application of the introduction of these standards, Health Purchasing Victoria have currently assessed these not to be relevant when they become operative.

(u) Accounting error

There have been no accounting errors that require additional reporting or disclosure for the year ended 30 June 2015.

(v) Going Concern

The going concern basis was used to prepare the financial statements. The Department of Health and Human Services has provided assurances to support the ongoing operations and financial requirements of Health Purchasing Victoria and to provide Health Purchasing Victoria with adequate cash flow support to enable Health Purchasing Victoria to meet its current and future obligations as and when these fall due.

Notes To and Forming Part of the Financial Statements
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Note 2: Revenue

	2015 \$	2014 \$
Revenue from Operating Activities		
Government Grants - DHHS	10,933,997	8,468,313
Interest	116,678	95,745
Other Income	168,943	678
Indirect Contributions by Department of Health and Human Services (i)		
- Insurance	8,000	8,000
- Office Lease	589,054	589,054
- Long Service Leave	118,137	-
Total Revenue from Operating Activities	11,934,809	9,161,790
Capital Purpose Income		
Capital Government Grant - DHHS		
- Property Plant & Equipment	20,000	350,000
- IT Systems	1,661,914	794,440
Total Revenue from Capital Purposes	1,681,914	1,144,440
Total Revenue	13,616,723	10,306,230

(i) Indirect contributions by Department of Health & Human Services: The Department of Health and Human Services makes certain payments on behalf of Health Purchasing Victoria. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Note 3: Expenses

	2015 \$	2014 \$
Employee Expenses		
Salaries & Wages	5,666,424	4,523,438
Superannuation	585,585	440,630
Workcover	23,550	11,073
Payroll Tax	313,353	231,865
Total Employee Expenses	6,588,912	5,207,006
Non Salary Labour Costs		
Agency Costs	1,280,803	881,619
Long Service Leave Provision	255,296	54,656
Annual Leave Provision	647,389	363,411
Accrued Days Off Provision	267,087	190,251
Total Non Salary Labour Costs	2,450,575	1,489,937
Other Expenses		
Accounting	19,503	33,973
Advertising	11,820	18,864
Board Expenses	14,123	14,348
Software Licence & Support	526,613	648,875
Insurance	8,000	8,000
Legal Fees	274,489	176,353
Probity Audit Fees	187,747	160,063
Market Research and Analysis	13,984	67,907
Office Outgoings	39,493	39,481
Printing and stationary	26,973	25,857
Subscriptions	30,885	13,178
Rent	589,054	589,054
Recruitment	62,089	78,055
Consultant Fees	495,086	286,874
Telecommunication Costs	47,846	38,282
Vehicle and Travel Costs	149,368	164,553
Staff Development & Seminars	281,913	238,306
Audit Fees		
- VAGO	17,650	18,100
- Internal Audit	67,061	22,593
Bank Charges	2,911	1,217
Other	14,086	46,442
Total Other Expenses	2,880,694	2,690,375
Capital Expenses		
Depreciation & Amortisation (note 4)	310,276	303,749
Capital Items Expensed	32,126	49,165
Total Capital Expenses	342,402	352,914
Total Expenses	12,262,583	9,740,232

Note 9: Property, Plant & Equipment

(a) Gross carrying amount and accumulated depreciation

	2015 \$	2014 \$
Office Equipment		
Office Equipment at Fair Value	-	26,115
Less Acc'd Depreciation	-	(11,986)
Total Office Equipment	-	14,129
Computer Equipment		
Computer Equipment at Fair Value	371,296	366,615
Less Acc'd Depreciation	(300,047)	(167,694)
Total Computer Equipment	71,249	198,921
Furniture & Fittings		
Furniture & Fittings at Fair Value	18,746	9,829
Less Acc'd Depreciation	(4,875)	(1,490)
Total Furniture & Fittings	13,871	8,339
Leasehold Improvements		
Leasehold Improvements at Fair Value	918,111	918,111
Less Acc'd Depreciation	(283,878)	(131,934)
Total Leasehold Improvements	634,233	786,177
Assets Under Construction		
Assets Under Construction at Cost	19,716	-
Total Assets under Construction	19,716	-
Total Property Plant & Equipment	739,069	1,007,566

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

	Office Equipment \$	Computer Equipment \$	Furniture & Fittings \$	Leasehold Improvements \$	Assets Under Construction \$	Total \$
Balance at 1 July 2013	5,785	208,703	6,129	529,518	9,000	759,135
Additions	15,478	80,089	4,835	344,999	-	445,401
Net Transfers between classes	-	-	-	-	(9,000)	(9,000)
Assets Expensed	(246)	(2,972)	(945)	-	-	(4,163)
Depreciation (note 4)	(6,888)	(86,899)	(1,680)	(88,340)	-	(183,807)
Balance at 1 July 2014	14,129	198,921	8,339	786,177	-	1,007,566
Additions	-	26,170	8,917	-	19,716	54,803
Net Transfers between classes	(9,803)	-	-	-	-	(9,803)
Assets Expensed	(4,326)	(27,800)	-	-	-	(32,126)
Depreciation (note 4)	-	(126,042)	(3,385)	(151,944)	-	(281,371)
Balance at 30 June 2015	-	71,249	13,871	634,233	19,716	739,069

(c) Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015 \$	Fair value measurement at end of reporting		
		Level 1	Level 2	Level 3
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Office Equipment (i)	-	-	-	-
- Computer Equipment (i)	71,249	-	-	71,249
- Furniture & Fittings (i)	13,871	-	-	13,871
- Leasehold Improvements (i)	634,233	-	-	634,233
Total of plant, equipment at fair value	719,353	-	-	719,353

Note :

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

There were no changes in valuation techniques throughout the period to 30 June 2015.

There have been no transfers between levels during the period.

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

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Note 9: Property, Plant & Equipment (continued)

(d) Reconciliation of Level 3 fair value

	Computer Equipment \$	Furniture & Fittings \$	Leasehold Improvements \$	Office Equipment \$	Total \$
Opening Balance 1 July 2014	198,921	8,339	786,177	14,129	1,007,566
Purchases / (Disposals)	26,170	8,917	-	-	35,087
Net Transfers between classes	-	-	-	(9,803)	(9,803)
Transfers In / (Out) of Level 3	-	-	-	-	-
Gains or losses recognised in net result					
- Depreciation	(126,042)	(3,385)	(151,944)	-	(281,371)
- Assets Expensed	(27,800)	-	-	(4,326)	(32,126)
Subtotal	71,249	13,871	634,233	-	719,353
Items recognised in other comprehensive income					
- Revaluation	-	-	-	-	-
Subtotal	-	-	-	-	-
Unrealised gains/(losses) on non- financial assets	-	-	-	-	-
Closing Balance 30 June 2015	71,249	13,871	634,233	-	719,353

There have been no transfers between levels during the period.

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

Plant and equipment at fair value

	Valuation technique	Significant unobservable inputs	Range (Weighted Average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Office Equipment	Depreciated replacement cost	Useful life of PPE	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.
Computer Equipment	Depreciated replacement cost	Useful life of PPE	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.
Furniture Fixtures & Fittings	Depreciated replacement cost	Useful life of PPE	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.
Leasehold Improvements	Depreciated replacement cost	Useful life of PPE	7 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Note 10: Intangible Assets

	2015 \$	2014 \$
Intangible Assets		
Software at Cost	884,542	763,350
Less Acc'd Amortisation	(235,695)	(201,115)
Total Software Costs	648,847	562,235
Intangible Assets under Construction at cost	202,032	-
Total Intangible Assets	850,879	562,235

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

	Software \$	Assets under Construction \$	Total \$
Balance at 1 July 2013	569,129	-	569,129
Additions	149,050	-	149,050
Net Transfers Between Classes	9,000	-	9,000
Assets Expensed	(45,002)	-	(45,002)
Amortisation (note 4)	(119,942)	-	(119,942)
Balance at 1 July 2014	562,235	-	562,235
Additions	105,714	202,032	307,746
Net Transfers between classes	9,803	-	9,803
Amortisation (note 4)	(28,905)	-	(28,905)
Balance at 30 June 2015	648,847	202,032	850,879

Note 11: Trade and Other Payables

	2015 \$	2014 \$
CURRENT		
Contractual		
Trade Creditors ⁽ⁱ⁾	-	468,244
Accrued Expenses	258,298	249,310
Salaries & Wages Related Creditors	234,044	160,264
	492,342	877,818
Statutory		
Payroll Tax	37,121	19,132
Fringe Benefits Tax	11,483	9,039
Department of Health and Human Services ⁽ⁱⁱ⁾	300,000	-
	348,604	-
TOTAL CURRENT	840,946	905,989
NON CURRENT		
Contractual		
Income In Advance	-	-
Statutory		
Department of Health and Human Services	-	-
TOTAL NON CURRENT	-	-
Total Trade and Other Payables	840,946	905,989

(i) The average credit period is 30 days. No interest is charged on Trade Creditors.

(ii) Terms and conditions of amounts payable to the Department of Health and Human Services vary according to the particular agreement with the Department.

(a) Maturity analysis of Payables

Please refer to Note 16(c) for the ageing analysis of payables.

(b) Nature and extent of risk arising from Payables

Please refer to note 16(c) for the nature and extent of risks arising from payables.

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Note 12: Provisions

Current Provisions

Employee Benefits

Annual Leave

- Unconditional and expected to be settled within 12 months
- Unconditional and expected to be settled after 12 months

Long Service Leave

- Unconditional and expected to be settled within 12 months
- Unconditional and expected to be settled after 12 months

Accrued Days Off

- Unconditional and expected to be settled within 12 months
- Unconditional and expected to be settled after 12 months

Accrued Wages and Salaries

Provisions related to employee benefit on-costs

- Unconditional and expected to be settled within 12 months (nominal value)
- Unconditional and expected to be settled after 12 months (present value)

Total Current Provisions

Non-Current Provisions

Conditional Long Service Leave entitlements

Provisions related to employee benefit on-costs

Total Non-Current Provisions

Total Provisions

(a) Employee Benefits & Related On-Costs

Current Provisions

Unconditional LSL entitlements

Annual Leave entitlements

Accrued Wages and Salaries

Accrued Days Off

Non Current Provisions

Conditional Long Service Leave entitlements (present value)

Total Employee Benefits and Related On-Costs

(b) Movements in provisions

Movement in Long Service Leave:

Balance at start of year

Provision made during the year

- Revaluations
- Expense recognising employee service

Settlement made during the year

Balance at end of year

	2015 \$	2014 \$
Current Provisions		
Employee Benefits		
Annual Leave		
- Unconditional and expected to be settled within 12 months	392,372	204,827
- Unconditional and expected to be settled after 12 months	64,456	33,647
Long Service Leave		
- Unconditional and expected to be settled within 12 months	-	128,896
- Unconditional and expected to be settled after 12 months	333,661	71,495
Accrued Days Off		
- Unconditional and expected to be settled within 12 months	66,344	50,481
- Unconditional and expected to be settled after 12 months	10,899	8,293
Accrued Wages and Salaries	274,411	130,882
	1,142,143	628,520
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value)	68,211	57,631
- Unconditional and expected to be settled after 12 months (present value)	69,487	17,015
	137,698	74,646
Total Current Provisions	1,279,841	703,166
Non-Current Provisions		
Conditional Long Service Leave entitlements	163,948	85,898
Provisions related to employee benefit on-costs	28,637	12,885
Total Non-Current Provisions	192,585	98,783
Total Provisions	1,472,426	801,949
(a) Employee Benefits & Related On-Costs		
Current Provisions		
Unconditional LSL entitlements	391,943	230,449
Annual Leave entitlements	524,759	274,245
Accrued Wages and Salaries	274,411	130,882
Accrued Days Off	88,728	67,590
	1,279,841	703,166
Non Current Provisions		
Conditional Long Service Leave entitlements (present value)	192,585	98,783
	192,585	98,783
Total Employee Benefits and Related On-Costs	1,472,426	801,949
(b) Movements in provisions		
Movement in Long Service Leave:		
Balance at start of year	329,232	274,576
Provision made during the year		
- Revaluations	12,854	-
- Expense recognising employee service	242,442	54,656
Settlement made during the year	-	-
Balance at end of year	584,528	329,232

Note 13: Equity

(a) Capital Projects Reserve

Balance at the beginning of the reporting period

Transfer to Capital Projects Reserve

Balance at the end of the reporting period

(b) Contributed Capital

Balance at the beginning of the reporting period

Capital contribution received from Victorian Government

Capital repayments

Balance at the end of the reporting period

(c) Accumulated Surplus

Balance at the beginning of the reporting period

Net Result for the Year

Transfer to and from Capital Projects Reserve Surplus

Balance at the end of the reporting period

Total Equity at end of financial year

	2015 \$	2014 \$
(a) Capital Projects Reserve		
Balance at the beginning of the reporting period	-	-
Transfer to Capital Projects Reserve	1,400,027	-
Balance at the end of the reporting period	1,400,027	-
(b) Contributed Capital		
Balance at the beginning of the reporting period	31,570	31,570
Capital contribution received from Victorian Government	-	-
Capital repayments	-	-
Balance at the end of the reporting period	31,570	31,570
(c) Accumulated Surplus		
Balance at the beginning of the reporting period	3,673,900	3,107,902
Net Result for the Year	1,354,140	565,998
Transfer to and from Capital Projects Reserve Surplus	(1,400,027)	-
Balance at the end of the reporting period	3,628,013	3,673,900
Total Equity at end of financial year	5,059,610	3,705,470

Note 14: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	2015 \$	2014 \$
Net Result for the Year	1,354,140	565,998
Non cash movements		
Depreciation & Amortisation	310,276	303,749
Movements included in investing & financing activities		
Net (Gain)/Loss from Plant and Equipment	32,126	49,165
Net (Gain)/Loss from Sale of Investments	-	-
Movements in assets and liabilities		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Current Receivables	(102,869)	(48,113)
(Increase)/Decrease in Non Current Receivables	(118,137)	-
(Increase)/Decrease in Prepayments	(153,913)	-
Increase/(Decrease) in Payables	(65,043)	463,229
Increase/(Decrease) in Employee Benefits	670,477	152,264
Net Cash Inflow From Operating Activities	1,927,057	1,486,292

Note 15: Superannuation

	2015 \$	2014 \$
Total payments towards defined contribution plans.	585,585	440,630

Health Purchasing Victoria has an unpaid superannuation liability as at 30 June 2015 of \$82,076 (2014: \$44,215)

Details in relation to superannuation funds are as follows:

- Health Purchasing Victoria contributed on behalf of its employees and directors eligible for remuneration during the year ended 30 June 2015 to complying funds under the Superannuation Industry (Supervision) Act 1993.
- No loans exist between Health Purchasing Victoria and these superannuation funds.
- The total contributions paid by Health Purchasing Victoria 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 Health Purchasing Victoria are based on a percentage of the employee's salary. During the period these contributions were at the rate of 9.5% of gross salaries. Contributions made by Health Purchasing Victoria are in accordance with employer obligations and exclude salary sacrifice arrangements to the major employee superannuation funds are as reported.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Notes To and Forming Part of the Financial Statements
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Note 16: Financial Instruments

(a) Financial Risk Management Objectives and Policies

Health Purchasing Victoria's principal financial instruments comprise of:

- Cash Assets
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)

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

Health Purchasing Victoria's main financial risks include credit risk, liquidity risk and interest rate risk. Health Purchasing Victoria manages these financial risks in accordance with its financial risk management policy.

Categorisation of financial instruments

Financial Assets

Cash and cash equivalents

Receivables

Other Assets

Total Financial Assets ⁽ⁱ⁾

Financial Liabilities

Payables

Total Financial Liabilities ⁽ⁱⁱ⁾

Note	Carrying Amount 2015 \$	Carrying Amount 2014 \$
5	2,685,041	2,620,533
6	77,594	28,726
8	2,500,000	1,000,000
	5,262,635	3,649,259
11	492,342	877,818
	492,342	877,818

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable)

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

Net holding gain / (loss) on financial instruments by category

Financial Assets

Cash and cash equivalents ⁽ⁱ⁾

Receivables ⁽ⁱ⁾

Total Financial Assets

Financial Liabilities

Interest Bearing Liabilities ⁽ⁱⁱ⁾

Total Financial Liabilities

Net holding gain / (loss) 2015 \$	Net holding gain / (loss) 2014 \$
-	-
-	-
-	-
-	-
-	-
-	-

(i) For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in fair value of the assets, the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;

(ii) For interest bearing liabilities, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

Note 16: Financial Instruments (continued)

(b) Credit Risk

Credit risk arises from the contractual financial assets of Health Purchasing Victoria, which comprise cash and deposits, and non-statutory receivables. Health Purchasing Victoria's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to Health Purchasing Victoria. Credit risk is measured at fair value and is monitored on a regular basis.

Health Purchasing Victoria does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. It is Health Purchasing Victoria's policy to only deal with banks with high credit ratings.

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

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

	Financial institutions (A1+ credit rating)	Government agencies (AAA credit rating)	Government agencies (BBB credit rating)	Other (minimum BBB credit rating)	Total
	\$	\$	\$	\$	\$
2015					
Financial Assets					
Cash and Cash Equivalents	2,685,041	-	-	-	2,685,041
Receivables					
- Other receivables	77,594	-	-	-	77,594
Other financial assets	2,500,000	-	-	-	2,500,000
Total Financial Assets	5,262,635	-	-	-	5,262,635
2014					
Financial Assets					
Cash and Cash Equivalents	2,620,533	-	-	-	2,620,533
Receivables					
- Other receivables	28,726	-	-	-	28,726
Other financial assets	1,000,000	-	-	-	1,000,000
Total Financial Assets	3,649,259	-	-	-	3,649,259

The total amounts disclosed above excludes statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credits recoverable). It is impractical for Health Purchasing Victoria to disclose credit ratings in respect of receivables. Consequently receivables are disclosed under "Other" category.

Ageing analysis of financial asset as at 30 June

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired			Impaired Financial Assets
			Less than 1 Month	1-3 Months	3 months - 1 Year	
	\$	\$	\$	\$	\$	\$
2015						
Financial Assets						
Cash and Cash Equivalents	2,685,041	2,685,041	-	-	-	-
Receivables						
- Other receivables	77,594	77,594	-	-	-	-
Other financial assets	2,500,000	2,500,000	-	-	-	-
Total Financial Assets	5,262,635	5,262,635	-	-	-	-
2014						
Financial Assets						
Cash and Cash Equivalents	2,620,533	2,620,533	-	-	-	-
Receivables						
- Other receivables	28,726	28,726	-	-	-	-
Other financial assets	1,000,000	1,000,000	-	-	-	-
Total Financial Assets	3,649,259	3,649,259	-	-	-	-

Ageing analysis of financial assets excludes statutory financial assets (i.e. GST input tax credit)

There are no material financial assets which are individually determined to be impaired. Currently Health Purchasing Victoria does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

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FOR THE YEAR ENDED 30 JUNE 2015

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Note 16: Financial Instruments (continued)

(c) Liquidity Risk

Liquidity risk is the risk that Health Purchasing Victoria would be unable to meet its financial obligations as and when they fall due.

Health Purchasing Victoria's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The following table discloses the contractual maturity analysis for Health Purchasing Victoria's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

Maturity analysis of financial liabilities as at 30 June

	Carrying Amount \$	Contractual Cash Flows \$	Maturity Dates			
			Less than 1 Month \$	1-3 Months \$	3 months - 1 Year \$	1-5 Years \$
2015						
Financial Liabilities						
Payables	492,342	492,342	234,044	258,298	-	-
Total Financial Liabilities	492,342	492,342	234,044	258,298	-	-
2014						
Financial Liabilities						
Payables	877,818	877,818	628,508	249,310	-	-
Total Financial Liabilities	877,818	877,818	628,508	249,310	-	-

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

(d) Fair Value

Health Purchasing Victoria considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements 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. The aggregate net fair value of financial assets and liabilities, both recognised and unrecognised, at the balance date are equal to their carrying amount as per the balance sheet.

(e) Market Risk

Health Purchasing Victoria's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

Health Purchasing Victoria is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Currency Risk

Health Purchasing Victoria is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Health Purchasing Victoria has minimal exposure to cash flow interest rate risks through its cash and deposits that are at floating rate.

Health Purchasing Victoria manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank as financial assets that can be left at floating rate without necessarily exposing Health Purchasing Victoria to significant bad risk, management monitors movement in interest rates on a daily basis.

Other Price Risk

Health Purchasing Victoria's exposure to 'Other Price Risk' arises from its current investment portfolio. The investment portfolio has experienced a reduction in value due to the volatility of the global financial markets and there is an increasing expectation that due to the nature of these investments that the original face value may not be realised on maturity.

As a consequence of these events, Health Purchasing Victoria has taken all possible steps to strengthen its financial policies and internal controls relating to the investment of surplus funds.

Interest Rate Exposure of Financial Assets and Liabilities as at 30 June

	Weighted Average Effective Interest Rate (%)	Carrying Amount \$	Interest Rate Exposure		
			Fixed Interest Rate \$	Variable Interest Rate \$	Non-Interest Bearing \$
2015					
Financial Assets					
Cash and Cash Equivalents	1.84	2,685,041	-	2,685,041	-
Receivables ⁽ⁱ⁾					
- Trade debtors	0.00	-	-	-	-
- Other receivables	0.00	77,594	-	-	77,594
Other financial assets	2.97	2,500,000	2,500,000	-	-
		5,262,635	2,500,000	2,685,041	77,594
Financial Liabilities					
Payables ⁽ⁱ⁾	0.00	492,342	-	-	492,342
Other financial liabilities	0.00	-	-	-	-
		492,342	-	-	492,342
2014					
Financial Assets					
Cash and Cash Equivalents	2.46	2,620,533	-	2,620,533	-
Receivables ⁽ⁱ⁾					
- Trade debtors	0.00	-	-	-	-
- Other receivables	0.00	28,726	-	-	28,726
Other financial assets	3.70	1,000,000	1,000,000	-	-
		3,649,259	1,000,000	2,620,533	28,726
Financial Liabilities					
Payables ⁽ⁱ⁾	0.00	877,818	-	-	877,818
Other financial liabilities	0.00	-	-	-	-
		877,818	-	-	877,818

(i) The carrying amount excludes statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

Note 16: Financial Instruments (continued)

(e) Market Risk (cont)

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Health Purchasing Victoria believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia)

- A shift of +1% and -1% in market interest rates (AUD) from year-end rates of 2.25%
- A parallel shift of +1% and 1% in inflation rate from year-end rates of 4.44%

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

	Carrying Amount \$	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-5%		+10%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
2015									
Financial Assets									
Cash and Cash Equivalents ⁽ⁱ⁾	2,685,041	(26,850)	(26,850)	26,850	26,850	-	-	-	-
Other financial assets	2,500,000	(25,000)	(25,000)	25,000	25,000	-	-	-	-
	5,185,041	(51,850)	(51,850)	51,850	51,850	-	-	-	-
2014									
Financial Assets									
Cash and Cash Equivalents ⁽ⁱ⁾	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	-	-	-	-
	3,620,533	(36,205)	(36,205)	36,205	36,205	-	-	-	-

(i) eg. Sensitivity of cash and cash equivalents to +1% movement in interest rates: [\$5,185,041*0.0238]-[\$5,185,041*0.0138] = \$52,101. Similarly -1% movement in interest rate impact = \$(52,101)

The carrying amount excludes statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

Note 17: Commitments for Expenditure

Capital Expenditure Commitments

Intangibles - Finance System

Total Capital Expenditure Commitments

Not later than one year

Later than 1 year and not later than 5 years

Total

Other Expenditure Commitments

IT Services

Pool Cars

Internal Audit Services

Total Other Expenditure Commitments

Not later than one year

Later than 1 year and not later than 5 years

Total

Lease Commitments

Operating Leases (i)

Total Lease Commitments

Not later than one year

Later than 1 year and not later than 5 years

Total Operating Commitments

Total Commitments for expenditure (inclusive of GST)

less GST recoverable from the Australian Tax Office

Total commitments for expenditure (exclusive of GST)

	2015 \$	2014 \$
	87,761	-
	87,761	-
	87,761	-
	-	-
	87,761	-
	718,379	290,132
	79,667	93,918
	101,200	12,064
	899,246	396,114
	371,825	218,808
	527,421	177,306
	899,246	396,114
	1,158,249	1,585,701
	1,158,249	1,585,701
	663,774	596,091
	494,475	989,610
	1,158,249	1,585,701
	2,145,256	1,981,815
	(90,363)	(37,364)
	2,054,893	1,944,451

(i) 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 and Human Services (sub lease arrangement.)

Note 18: Contingent Assets and Contingent Liabilities

Health Purchasing Victoria is not aware of any contingent assets as at 30 June 2015. (2014: Nil)

Health Purchasing Victoria is not aware of any contingent liabilities as at 30 June 2015. (2014: Nil)

Note 19: Operating segments

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

Note 20: Ex gratia expenses

No ex gratia payments were made during the financial year ended 30 June 2015. (2014:Nil)

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FOR THE YEAR ENDED 30 JUNE 2015

Notes To and Forming Part of the Financial Statements Health Purchasing Victoria Annual Report 2014/2015

Note 21a: Responsible Persons Disclosures

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

Responsible Ministers

The Honourable Jill Hennessy, Minister of Health and Minister for Ambulance Services
The Honourable David Davis MLC, Minister for Health and Ageing

Governing Board

Mr Felix Pintado (Chair)
Mr Timothy Barta
Mr Simon Brewin
Ms Linda Sorrell
Ms Anna Burgess
Ms Mary Malone
Dr Robyn Mason
Mr Julian Glynn
Mr Ian Quick
Mr Gareth Goodier
Mr Rohan Fitzgerald
Mr Geoff Swier

Accountable Officers:

Ms Megan Main (CEO)

Remuneration of Responsible Persons

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

Income Band

Nil
\$0 - \$9,999
\$10,000 - \$19,999
\$20,000 - \$29,999
\$30,000 - \$39,999
\$50,000 - \$59,999
\$260,000 - \$269,999
\$340,000 - \$349,999

Total Numbers

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

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

Other Transactions of Responsible Persons and their Related Parties.

There were no other transactions of Responsible Persons and their Related Parties to report.

Note 21b: Executive Officers Disclosures

Executive Officers' Remuneration

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands.

The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. Executive Officers with remuneration packages in excess of \$100,000 who have commenced or ceased employment with Health Purchasing Victoria during the year are included in the following details.

	Total Remuneration		Base Remuneration	
	2015 No.	2014 No.	2015 No.	2014 No.
\$50,000 - \$59,999	1	0	1	0
\$80,000 - \$89,999	1	0	1	0
\$100,000 - \$109,999	1	0	1	0
\$150,000 - \$159,999	0	0	0	0
\$160,000 - \$169,999	0	1	0	2
\$170,000 - \$179,999	1	2	1	2
\$180,000 - \$189,999	2	1	2	0
Total Number of Executives	6	4	6	4
Total annualised employee equivalent (AEE) ^(a)	4.41	3.98	4.41	3.98
Total Remuneration	\$790,970	\$703,940	\$784,698	\$679,803

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

Note 22: Remuneration of Auditors

Victorian Auditor-General's Office
- Audit and review of financial statement
- Internal Audit Services
Total Remuneration of Auditors

2015 \$	2014 \$
17,650	18,100
67,061	22,593
84,711	40,693

Note 23: Events Occurring after the Balance Sheet Date

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

Note 24: Economic Dependency

The financial statements have been prepared on a going concern basis as at 30 June 2015. Health Purchasing Victoria has:

- A surplus from ordinary activities of \$1.35 million for the year ended 30 June 2015 (surplus of \$0.57 million for the year ended 30 June 2014).
- A working capital surplus of \$3.54 million as at 30 June 2015 (\$2.23 million as at 30 June 2014).

Health Purchasing Victoria is dependent on appropriations from the Department of Health and Human Services for its continued operations and ability to carry out its activities as defined within the Health Services Act 1988.



Health Purchasing Victoria

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