



HEALTH PURCHASING VICTORIA

ANNUAL REPORT 2015-16

WORKING WITH VICTORIA'S
HEALTH SECTOR TO ACHIEVE
BEST-VALUE SUPPLY CHAIN
OUTCOMES



CONTENTS

OPERATING REPORT

1	Report from HPV Board Chair and Chief Executive
4	About HPV
5	Governance
9	Strategic Objectives Performance Summary
12	Attestations
13	Compliance
14	HPV Annual Compliance Statement
16	Management and Organisation
18	Our People: Human Resources and Development
20	Sustainability
22	Disclosures of Consultancies
23	Summary of Financial Results
24	Disclosure Index

FINANCIAL REPORT

26	Board Member's, Accountable Officer's and Accounting Officer's Declaration
27	Independent Auditor's Report
29	Comprehensive Operating Statement
30	Balance Sheet
31	Statement of Changes in Equity
32	Cash Flow Statement
33	Notes to and forming part of the Financial Statements

REPORT FROM BOARD CHAIR AND CHIEF EXECUTIVE

Health Purchasing Victoria (HPV) has continued to expand expenditure under contract in 2015-16 – a continuous trend since its 2001 inception – while pursuing improved patient and health service outcomes by promoting the non-financial benefits of sound procurement practice.

The total value under HPV management at 30 June 2016 – including contracts in place and sourcing in progress – is \$776.9 million, a 15% increase on the 2014-15 total value of \$676.7 million in addition to record cost savings for the year.

Total benefits reached a record \$96.2 million this year, incorporating cost reduction, cost avoidance and further opportunities, to achieve a 36% increase on the \$70.7 million of benefits in 2014-15.

Central to HPV's procurement reform, 100% of hospitals and health services achieved a major milestone in successfully transitioning to and implementing the new Health Purchasing Policies. HPV worked alongside health services over the past two years to assist with advice, guidance, tools and templates. Health services' efforts will strengthen their expenditure visibility, enhance procurement governance, and improve sourcing outcomes over the long term.

In fulfilling its legislative responsibility under the *Health Services Act*, HPV supports hospitals and health services with a compliance framework and ongoing probity training, and by automating the annual compliance statement process.

HPV's supply chain reform (SCR) strategy is a transformative multi-year program to design and implement solutions to improve purchasing and supply chain information across Victorian health services. The SCR program will drive better value in the longer term and improve information and logistics.

HPV's supplier relationship management framework is a key driver of improved service delivery, customer engagement and innovation. Supporting Victoria's industry participation policy, HPV has appointed a number of local suppliers to regional procurement panels, improving local employment outcomes. We have also introduced a scorecard to measure supplier performance.

HPV has consolidated its equipment sourcing activities on behalf of hospitals by implementing framework supplier agreements to enable simplified request-for-quote activities. These activities have exceeded expectations in lowering the cost of medical equipment for the state.

Health service participation in the procurement process has increased with eight additional non-mandated health services opting in to HPV's collective contracts during 2015-16, bringing the total to 27 participating health services.

HPV's significant achievements in 2015-16 occurred at a time of organisational change, with long-standing Chief Executive Megan Main seconded to the Department of Health and Human Services (DHHS) in June 2015 during which time HPV Director of Change and Innovation Eileen Keane stepped up as acting Chief Executive. We are grateful to Eileen and the executive leadership team for ensuring a business-as-usual approach during Megan's secondment.

Following Megan's resignation, Monash Health executive John Fitzgerald was seconded to HPV as interim Chief Executive. HPV is grateful to John and Monash Health for the collaborative spirit in which this interim arrangement was entered into and the immeasurable assistance that it has provided to HPV and the sector as a whole.

We are also pleased to announce the appointment of Elaine Ko as the incoming Chief Executive. Elaine commenced with HPV on 8 August 2016.

We wish to thank Victorian health services and hospital staff and our dedicated team at HPV for contributing their considerable input and subject matter expertise to the achievements showcased in this report.

In particular, we gratefully acknowledge the contributions of key stakeholders who provided their ongoing commitment and support during 2015-16, principally the Minister for Health and Minister for Ambulance Services, the Hon. Jill Hennessy MP, the DHHS, and the dedicated staff of Victoria's public hospitals and public health services.

In addition, we would like to thank the 262 experts, many from health services, who participated in Executive Reference Groups and Product Reference Groups – including suppliers to Victoria's public health sector, HPV Board and Committee members and our own dedicated staff.

REPORT FROM BOARD CHAIR AND CHIEF EXECUTIVE (CONTINUED)

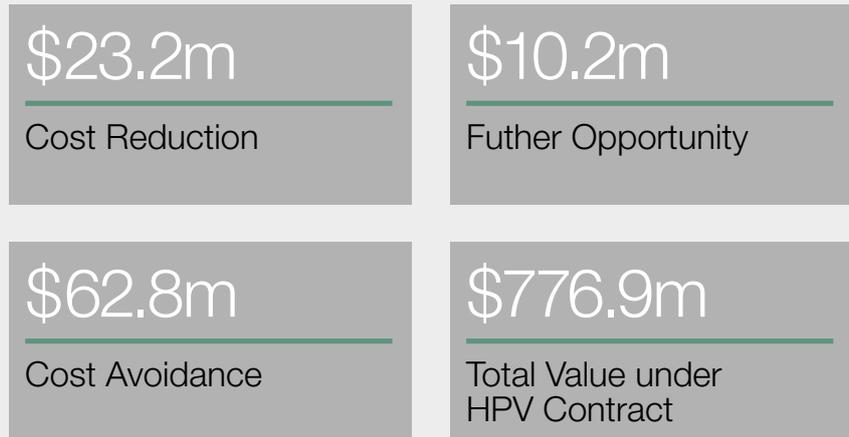
2015-16 FINANCIAL BENEFITS ACHIEVED FOR THE HEALTH SECTOR AS AT 30 JUNE 2016

Measurement

HPV measures the financial benefits it achieves for the health sector in a number of ways:

- > **Cost Reduction**, measured for the first 12 months of a contract
- > **Cost Avoidance**, measured by costs that are avoided – for example, fixing prices for a period of time
- > **Further Opportunity**, which refers to additional opportunities identified for even greater cost reduction through analysis of better value products or services on the contract.

2015-16 FINANCIAL BENEFITS ACHIEVED FOR THE VICTORIAN HEALTH SECTOR



KEY HIGHLIGHTS

- > Successful implementation of the HPV Health Purchasing Policies to enhance health services' expenditure visibility, procurement governance and sourcing outcomes
- > Launch of new compliance framework comprising compliance monitoring, support and prevention activities
- > Major supply chain reform project progress on delivery of measurable supply chain efficiencies and economies of scale in equipment procurement
- > Improved sustainability of HPV procurement practices, including supporting an open market for regional suppliers, resulting in successful tenders by smaller suppliers
- > HPV supplier scorecard introduced, providing improved visibility of HPV's supplier performance rating and consolidating the supplier relationship management process
- > Development of the HPV leadership program 'HPV LEAD' framework to support all employees in demonstrating leadership in their day-to-day work.

KEY HIGHLIGHTS

\$776.9m



Total value of contracts under HPV management in place at 30 June 2016, up 15% from \$676.9 million in 2014-15.

\$96.2m



Value of total benefits achieved in 2015-16 (incorporating cost reduction, cost avoidance and further opportunities) – a 36% increase on \$70.7 million in 2014-15.

100%



Health services that successfully transitioned to the HPV Health Purchasing Policies in 2015-16.

19



Increase in HPV's medical equipment 'request-for-quote' activity during 2015-16 – up from five in 2014-15.

27



Non-mandated health services that have opted in to HPV's collective contracts at 30 June 2016 – an increase of eight services from 2014-15.

310,000



Increase in the number of HPV and non-HPV items in the Victorian Product Catalogue System in 2015-16 – up from 280,000 in 2014-15.

RESPONSIBLE BODIES DECLARATION

In accordance with the *Financial Management Act 1994*, we are pleased to present HPV's Report of Operations for the year ending 30 June 2016.



Felix Pintado

Felix Pintado
Chair

Melbourne
18 August 2016



Elaine Ko

Elaine Ko
Chief Executive

Melbourne
18 August 2016

John Fitzgerald was appointed Interim Chief Executive following the resignation of Megan Main from HPV on 23 February 2016, serving until 7 August 2016. Elaine Ko commenced as Chief Executive on 8 August 2016.

Megan Main was seconded to the Department of Health and Human Services from 1 July to 18 December 2015. HPV Director Eileen Keane was appointed Acting Chief Executive during this period.

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 (DHHS).

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 48 contract categories. HPV aims to work closely with health services to achieve high-performing health supply chains.

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 Victorian Public Sector Commission.

HPV STRATEGIC GOALS

HPV's business plan will continue to focus on the following key strategic goals:

- > Significantly expand the state-wide 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 employees
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 the 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.

HPV Board composition during 2015-16 was as follows:

Mr Felix Pintado (Chair)

BTheol, Dip Ed, Grad Dip HSM, MHA, FCHSM, Certified Health Executive (CHE), FAIM, MAICD

Appointed as an HPV Board member in 2001 and Deputy Chair from 2001-2007, Felix Pintado has chaired HPV's Board since July 2007. He is Chief Executive of Royal Freemasons Ltd, one of Victoria's long-standing and most respected aged care and senior living providers. Felix previously held executive positions in specialist and general hospitals in Victoria and New Zealand.

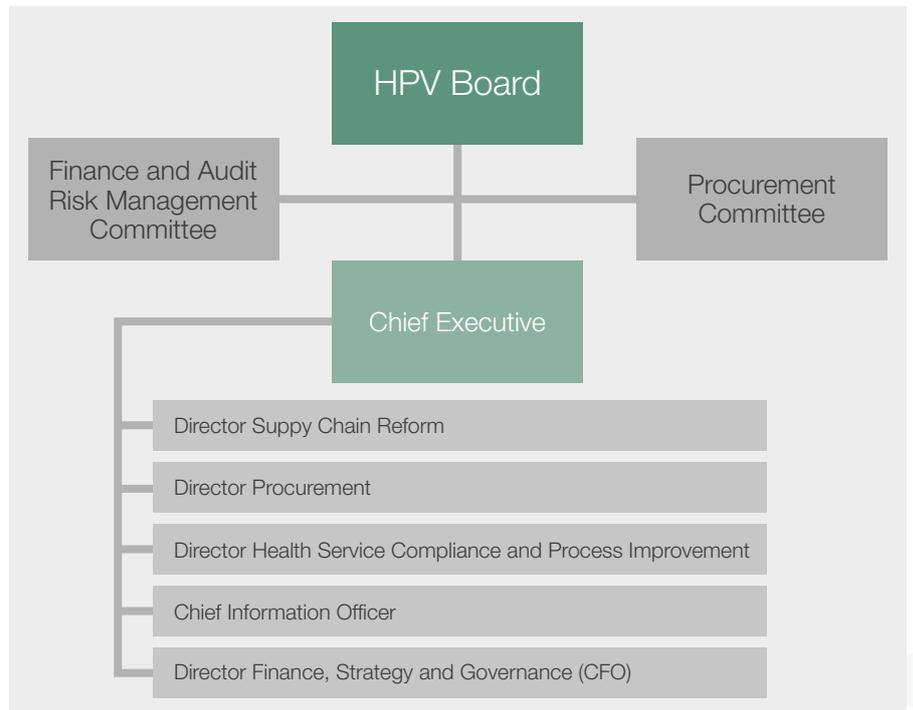
Felix holds a Master of Health Administration, a Bachelor of Theology and a Diploma of Education. He is a Fellow of the Australian Institute of Management and of the Australasian College of Health Service Management. Felix is also a Board Director of LASA-Victoria and the Masonic Care Alliance. In 2014, Felix was appointed Honorary Consul of the Republic of The Philippines in Victoria.

Mr Simon Brewin

BBus, Grad Dip HSM, Grad Cert H Econ, MBL, FCHSM

Appointed to the HPV Board in July 2008, Simon Brewin is the Acting Assistant Director, Capital Projects at the Department of Health and Human Services.

Simon's career in health services leadership and management spans some 35 years with previous senior appointments at Peninsula Health, Monash Health, Alfred Health, Mercy Hospital for Women, and other hospitals.



Ms Anna Burgess

BA (Hons), BSc (Hons), Grad Dip HSM, Grad Dip Econ and Health Policy, FACHSM

Anna Burgess was appointed to the HPV Board in July 2014. She is currently Director of Networks and Cancer & Specialty Programs in the Health Service Performance and Programs Division at the Department of Health and Human Services (DHHS).

Anna has over 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.

Ms Teresa Fels

BCom (Hons)/LLB, MCom (Hons), MA (Hons)

Teresa Fels was appointed to the HPV Board in July 2015. Teresa is Assistant Director of the Budget Division of the Department of Treasury and Finance.

Teresa's career at Treasury spans the Budget Division, with responsibility for DHHS portfolios and earlier work in the Economic Policy Division on revenue and intergovernmental matters. Prior to this, Teresa worked in the UK as a consultant on economic and industry matters in the field of competition policy. Teresa commenced her career as a lawyer at national law firm Freehills.

GOVERNANCE (CONTINUED)

Mr Rohan Fitzgerald

BCom

Rohan Fitzgerald was appointed to the HPV Board in July 2013. Rohan commenced as Chief Executive of Western District Health Service in August 2014. He was previously Chief Executive at Stawell Regional Health and has held senior management positions at Latrobe Regional Hospital and Central Gippsland Health Service.

Rohan 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.

Note: Mr Rohan Fitzgerald retired from the HPV Board on 30 June 2016. Mr Mark Perica was appointed to the HPV Board from 1 July 2016.

Ms Mary Malone

BBus

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

Mr Dale Fraser

BBus, MBA, FCPA, FHSM

Dale Fraser was appointed to the HPV Board in July 2015. Dale is Chief Executive Officer of Ballarat Health Services and responsible to the Board of Directors for the efficient and effective management of Ballarat Health Services. His prime responsibilities include the development and implementation of operational and strategic planning, maximising service efficiency, quality improvement and minimising risk.

Dale has worked within the regional Victorian healthcare sector for more than 20 years. He commenced his health career at Lakeside Psychiatric Hospital, then advanced through management roles including more recently as CEO of Goulburn Valley Health. Dale has held senior executive roles primarily in finance, and also has extensive experience in managing clinical care services.

Dale holds an MBA and is a graduate of the Department of Health and Human Service's Executive Link program.

Dr Robyn Mason

MBBS, MAdmin, FRACMA, FAICD

Appointed to the Board in August 2011, Dr Robyn Mason has an extensive background in health service management and has held senior leadership positions in the public and private sectors, including the roles of Secretary General of the Australian Medical Association (AMA) and CEO of AMA Victoria. Robyn is also a director of the Melbourne Primary Care Network and was the former chair of the Victorian Donors' Health Program.

Robyn has a degree in Medicine, a Master of Business Administration and Fellowships of the Royal Australasian College of Medical Administrators and the Australian Institute of Company Directors.

Mr Paul Slape

Appointed to the Board in September 2015, Paul Slape has a strong industrial relations background and has served on the Board of the Royal Women's Hospital. Prior, he was Chairman of the Victoria Grants Commission. Currently Paul consults to local government authorities on the investigation and mediation of complex HR and industrial relations issues.

Mr Geoff Swier

MCom (Econ)

Geoff Swier was appointed to HPV's Board in July 2014. Geoff is an experienced economic consultant and company director, and has extensive experience in the electricity, gas, water and transport industries. He also has experience in health sector reform.

Currently Geoff 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 Geoff 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).

BOARD ATTENDANCE 2015-16

There were nine Board meetings held between 1 July 2015 and 30 June 2016.

BOARD MEMBER	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Felix Pintado (Chair)	9	8
Mr Simon Brewin	9	8
Ms Anna Burgess	9	6
Ms Teresa Fels	9	7
Mr Rohan Fitzgerald	9	9
Mr Dale Fraser	9	8
Ms Mary Malone	9	8
Dr Robyn Mason	9	9
Mr Paul Slape	7	6
Mr Geoff Swier	9	8

BOARD SUB-COMMITTEES

The following Committees provided advice to the HPV Board during 2015-16:

Board Executive

Chair: Mr Felix Pintado

Members: Mr Simon Brewin, Ms Anna Burgess, Mr Rohan Fitzgerald, Dr Robyn Mason

The Board Executive facilitates 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 and Risk Management Committee

Chair: Mr Rohan Fitzgerald (CEO regional hospital)

Deputy Chair: Ms Kathy Grigg (independent, resigned December 2015)

Ex Officio: Mr Felix Pintado (HPV Board Chair)

Members: Mr Dale Fraser (CEO regional hospital), Ms Mary Malone (independent), Mr John Nolan (independent, appointed December 2015), Mr Lynton Norris (independent), Mr John Sutherland (health service)

The Finance, Audit and Risk Management Committee (FARMC) advises 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.

Procurement Committee

Chair: Dr Robyn Mason

Members: Mr Mark Berryman, Mr Simon Brewin, Ms Anna Burgess, Mr John Fitzgerald, Mr Jim Kirkup, Mr Joe Neill, Mr David Ray, Mr Paul Slape, Mr Geoff Swier, Ms Kim Wheeler

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

GOVERNANCE (CONTINUED)

RISK MANAGEMENT

HPV has in place a mature risk management framework to support organisational requirements during a significant period of growth.

HPV's risk management framework was significantly reviewed and updated in 2015 and is based on best practice principles outlined in the International Standards Organisation (ISO) 31000: 2009, *Risk management – Principles and guidelines*.

Key risks addressed by the risk management framework include (but are not limited to) confidentiality, fraud and corruption, and legislative compliance. The framework is audited annually by external auditors RSM, and assessed internally each quarter by HPV to ensure potential or emerging risks are captured. In addition, all HPV risk policies are reviewed annually.

HPV introduced a risk management software tool in 2015-16, which navigates users through the ISO 31000 risk management standard and assists in identifying, managing and addressing internal audit findings and complaints.

This year, HPV also developed an internal e-learning system designed to increase employee awareness of risk management in the key areas of fraud and corruption, occupational health and safety, and appropriate workplace behaviours. All HPV employees, including part-time and contract, are required to complete this training. HPV has achieved a pass rate of 95% by linking successful completion to employee performance evaluations.

To support HPV's risk management framework 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. VAGO's opinion is enclosed within this Annual Report.

HPV remains committed to embedding and integrating a risk management philosophy into the organisation's practices and culture so that risk is an intrinsic part of everyone's day-to-day work.

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 its ability to achieve its business objectives.

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 2015-16.

2015-16 DELIVERABLES	KEY ACHIEVEMENTS
STRATEGIC OBJECTIVE 1: Increase the benefit to Victoria's health sector from collective procurement of goods and services	
Achieve financial benefits of \$86 million in 2015-16 (\$18 million in cost reduction, \$57 million in cost avoidance and \$11 million in further opportunity).	Achieved. Total financial benefits of \$96.2 million achieved as at 30 June 2016. This comprises \$23.2 million in cost reduction, \$62.8 million in cost avoidance and \$10.2 million in further opportunity.
Achieve a total spend under HPV influence of \$841.7 million at 30 June 2016, including sourcing in progress.	Partially achieved. The total value under HPV management at 30 June 2016 is \$776.9 million, including sourcing in progress. This was due to a requirement to proceed carefully with complex categories, overstating some contract values, contract consolidation, and a recommendation against proceeding on one category.
Stretch target of additional benefits of \$5.5 million in 2015-16, comprising \$4.1 million in cost reduction and \$1.4 million in further opportunity. Subsequent target of additional total spend under HPV influence of \$94.8 million at 30 June 2016, including sourcing in progress.	Partially achieved. This stretch target has been realised as part of the \$10.2 million over-achievement in HPV's general confirmed annual sourcing program. The \$94.8 million value under contract stretch target is not yet realised due to HPV's priority on regional employment, a focus on necessary preliminary work to effectively manage a complex category, and some contract value being overstated.
100% of sourcing activities to have documented social or ethical procurement standards applied to the upstream supply chain.	In progress. HPV will adopt state-wide Victorian Government Purchasing Board (VGPB) social and ethical standards, following Minister for Finance approval expected in September 2016 with the release of the Code of Conduct. While awaiting the VGPB decision, HPV has implemented documented standards for 20% of sourcing activities ahead of VGPB confirmation.
100% of relevant sourcing activities to assess the potential to increase local employment as a direct impact of supplier award by HPV.	Achieved. 100% of sourcing activities include Victorian Industry Participation Policy (VIPP) considerations where required. A 10% VIPP expectation is now incorporated into HPV's Invitation To Supply (ITS) template.
15% increase in local content representation across total HPV collective agreements.	In progress. A 4% increase in local content has been achieved. There is limited scope to significantly increase local content as either 100% local service providers are already used, or categories are for fully imported products with no local manufacturing available. Local content will continue to be a challenge for the medical consumables and medical equipment categories as very little local content is available.
Achieve a 98% close rate for online customer helpdesk enquiry within four weeks.	Achieved. A 98% close rate has been delivered within the four-week timeframe.
STRATEGIC OBJECTIVE 2: Achieve economies of scale in equipment procurement	
Increase the return on investment (ROI) from the request-for-quote procurement model for equipment under HPV influence to a ratio of 2:1.	Achieved. A 3.5:1 ratio has been achieved. ROI costs were approximately \$600,000 and relevant benefits gained were \$2.1 million.

STRATEGIC OBJECTIVES PERFORMANCE SUMMARY (CONTINUED)

2015-16 DELIVERABLES	KEY ACHIEVEMENTS
STRATEGIC OBJECTIVE 3: Drive measurable end-to-end supply chain efficiency	
Increase the number of health services in a collaborative arrangement involving procurement or logistics.	Achieved. Supply Chain Reform (SCR) strategy formulated and supported by the Department of Health and Human Services (DHHS) and active SCR Program Steering Committee, with representation from over 10 health services, DHHS, Health Technology Solutions and the HPV Board. Other collaborative projects including HPV's procurement reform process and collaborations between Monash Health and Alfred Health have resulted in more effective procurement planning and efficiency improvements.
Rationalisation targets of at least 5% for products or 75% for suppliers of medical and surgical consumable re-sourcing events.	Achieved. At 30 June 2016, 100% of HPV's eligible medical and surgical categories have a rationalisation target in place, facilitating increased volume discounts and reducing costs.
100% of the 2015-16 project deliverables relating to the SCR strategy is achieved.	Achieved. 100% complete. High-level project deliverables for SCR's Purchasing and Logistics Improvement have been defined, and a timeline agreed and project documentation approved by the Steering Committee. Scoping is underway for the Collective Sourcing work stream, pending funding confirmation.
STRATEGIC OBJECTIVE 4: Support procurement and probity practice improvement	
75% of mandated health services to meet reform implementation milestones and have informed HPV of their readiness to transition by 30 June 2016.	Achieved. HPV has exceeded this target by achieving a 100% transition of health services to the new policy framework by 30 June 2016.
50% of employees who are identified as procurement practitioners at health services to have participated in HPV's probity training program.	In progress. HPV communicated probity guidelines alongside compliance guidelines to health services in June 2016. Online probity training modules will be released in September 2016 for health practitioner use. The 50% target is not yet achieved following a delay in the release of training modules due to content and IT development issues.
STRATEGIC OBJECTIVE 5: Improve the integrity and availability of the information used to drive supply chain decisions	
50% of health service accounts payable data to be available on a common database for HPV use.	Achieved. Agreed initiative delivered.
Suite of standard data reports defined and developed for HPV, health services and suppliers to support decision making.	Achieved. The suite of reports is complete.
Completion of the Victorian Product Catalogue System (VPCS) enhancement project.	Achieved. The VPCS enhancement project is complete.
50% of health services to be live on Recall Health online recall system.	Achieved. HPV achieved uptake of Recall Health by 50% of health services.

2015-16 DELIVERABLES

KEY ACHIEVEMENTS

100% of sourcing activities to be compliant with the National Product Catalogue (NPC) and 85% of sourcing activities with Recall Health requirements from relevant suppliers included in contract agreements.	Achieved. 100% of HPV sourcing activities include a requirement for NPC and Recall Health compliance. Ongoing supplier discussions are held to maintain compliance, via action plans developed through the supplier scorecard.
Have in place a solution to access common catalogue data.	Deferred. HPV deferred development of this solution due to the requirement for a common catalogue to be aligned with the SCR program of work.
STRATEGIC OBJECTIVE 6: Build capability and capacity	
100% of learning and development framework in place to support current profile of HPV.	Achieved. Learning and development (L&D) framework completed. L&D assessments are based on current complete HPV profile. HPV LEAD leadership program in development.
Implement planned human resource initiatives in line with HPV's Human Resources Strategy.	Achieved. HPV's Human Resources Strategy 2014-2017 sets out a strategic direction and framework for effective workforce planning at HPV. The strategy covers development of a strategic framework, evolving workplace culture and people, and enhancing core skills and people processes. HPV is tracking to plan and has completed the first year's deliverables in line with the strategy's implementation plan.
10% increase in Victorian Public Sector Commission (VPSC) survey results.	Not achieved. The 2016 survey response rate was 89%. The employee engagement index in 2015 was 71%, which decreased to 67% in 2016.
Achieve a rate of 70% satisfaction with HPV sourcing process by reference group participants.	In progress. HPV has developed a survey for reference group participants, to be released when resources allow.
5% increase in new Product Reference Group and Executive Reference Group member representation.	Achieved. Exceeded target to achieve 16% increase (or five of 30 members) in new health service participation. 61% (or 156 of 256 members) of current reference group participants comprise new members, indicative of turnover and employee development.
Achieve a 75% satisfaction rating on overall customer satisfaction and perception of HPV.	Achieved. Satisfaction rating of 83% achieved, with 79 responses received.
Achieve 50% of HPV internal balanced scorecard implemented for 2015-16 reporting.	Achieved. Pilot HPV internal scorecard implemented with 65% of all measures reported to the HPV Board in February 2016. Reporting will continue in 2016-17.
100% of health services provided with customised benefits report for consumables, services and equipment.	Achieved. HPV has constructed a detailed data depository of all benefits delivered to health services at contract level, and released the data to all health services.

FUTURE DIRECTIONS

In 2016-17, HPV will continue its focus on delivering supply chain excellence and benefits to the health sector through cost reduction, cost avoidance and further opportunity, while enhancing stakeholder engagement, supplier service delivery and innovation – key aspects of HPV's strategic direction.

HPV will provide ongoing support to health services to ensure procurement personnel are equipped with the necessary skills, knowledge

and expertise for success following their transition to the new Health Purchasing Policies.

Through key health service stakeholder partnerships, HPV's supply chain reform (SCR) program has formally commenced and is building on the success of procurement reform to progress improvements in procurement processes to deliver best value for the state's public health services.

The SCR program will facilitate projects to enhance supply chain collaboration and efficiency, and improve the sector's ability to access quality supply chain data. A business case to design and test new systems and processes in collaboration with the sector, aims to improve collaboration and supply chain efficiency and visibility.

ATTESTATIONS

ATTESTATION FOR COMPLIANCE WITH THE MINISTERIAL STANDING DIRECTION 4.5.5 Compliance with Australian/ New Zealand Risk Management Standard

I, Elaine Ko, 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 has verified this.



Ms Elaine Ko
Chief Executive Officer
and Accountable Officer

Melbourne
18 August 2016

ATTESTATION ON DATA INTEGRITY

I, Elaine Ko, 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 Elaine Ko
Chief Executive Officer
and Accountable Officer

Melbourne
18 August 2016

ATTESTATION FOR COMPLIANCE WITH THE AUSTRALIAN/ NEW ZEALAND RISK MANAGEMENT STANDARD

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



Ms Elaine Ko
Chief Executive Officer
and Accountable Officer

Melbourne
18 August 2016

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) DISCLOSURE

Consistent with FRD 22G (Section 6.18) the report of operations presents disclosure relating to information and communication technology (ICT) expenditure.

ICT expenditure represents an entity's costs in providing business-enabling ICT services and consists of the following cost elements:

- > Operating and capital expenditure (including depreciation)
- > ICT services (both internally and externally sourced)
- > Cost in providing ICT services (including personnel and facilities) across the agency, whether funded through a central ICT budget or through other budgets
- > Cost in providing ICT services to other organisations.

The total ICT expenditure incurred during 2015-16 is \$3.8 million (excluding GST), with the details shown below.

(a) Business-as-usual (BAU) ICT expenditure	\$2.3 million
(b) Non-Business-as-usual (non-BAU) ICT expenditure*	\$1.5 million

*Total = Operational expenditure of \$0.6 million and capital expenditure of \$0.9 million.

Note:

- (a) Business-as-usual (BAU) expenditure includes all remaining ICT expenditure other than non-BAU expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability.
- (b) Non-business-as-usual (non-BAU) expenditure is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects.

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 the Act were received during 2015-16.

PROTECTED DISCLOSURE

There were no matters referred to the Independent Broad-based Anti-corruption 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 HPV employees.

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 by auditors appointed by DHHS.

As part of the HPV tenancy arrangement, third-party contracts are in place by ISPT Facilities Management to maintain and test all essential safety measures to ensure compliance with regulatory requirements. Casselden undergoes an Annual Essential Safety Measures Audit/Report (*Building Act 1993, Building Regulations 2006, Regulations 1209 and 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* authorises HPV for the purposes of Part IV of the *Competition and Consumer Act 2010* to allow Victorian public hospitals and health services to tender as a single entity.

IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2015-16, HPV commenced 17 contracts that were subject to VIPP principles totalling approximately \$826.2 million in value, excluding GST. This is significantly more than the 2014-15 period, primarily due to an increase in the number of contracts commenced, as well as high-value categories that commenced this year including the medical imaging framework, and pharmaceutical products and IV fluids, which combined represent an estimated \$460 million.

Each contract was lodged with the Industry Capability Network (ICN) through their online portal and assigned an ICN Reference Number. Due to limited contestability,

VIPP plans were applicable to three state-wide categories; hand hygiene, disinfectants and chemical products, enteral feeding and oral nutrition support, and pharmaceutical products and IV fluids, for which multiple suppliers were panel listed. The associated VIPP plans committed to retaining 2,432 existing local jobs and 206 apprenticeships and the creation of a further 38 local job and 15 apprenticeship opportunities.

Local content commitment for these three categories averaged 65% for the hand hygiene, disinfectants and chemical products category, 54% for enteral feeding and oral nutrition support and 32% for pharmaceutical products and IV fluids. Two state-wide contracts commencing in 2015-16 involved 100% local content, and nine contracts, of which all but one were state-wide, were for imported product with an average 30% local content commitment through logistics and support. A further three contracts have not yet progressed far enough to know the local content commitment.

During 2015-16, HPV completed 32 state-wide contracts over six categories to which VIPP principles applied. These contracts have been running for a number of years and commenced prior to the introduction of the ICN contestability assessments for procurements. Three contracts involved 100% local content, and the remaining 28 contracts averaged 46% local content.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

HPV complies with the Financial Reporting Directions and statutory disclosure requirements under FRD 22G with regard to providing additional information on request as listed in section 6.19 of FRD 22G, subject to Freedom of Information legislation.

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.

HPV's Purchasing Policy and Compliance Framework

The HPV Principal Purchasing Policy is superseded by the HPV Health Purchasing Policies, which were gazetted in June 2014 and became mandatory for health services from 30 June 2016. All mandated health services successfully transitioned to the new policies following a two-year transition period supported by HPV's dedicated Regional Procurement Advisors, who worked alongside health services to provide advice, guidance, tools, and templates.

The Health Purchasing Policies provide the foundation for the new HPV Compliance Framework, which was approved by the HPV Board and strengthens HPV's approach to monitoring compliance and ensuring probity by health services. The framework is a multi-faceted approach consisting of compliance monitoring, support and prevention.

To complement the framework, HPV has released guidelines outlining health services' and HPV's probity and compliance obligations. In addition to the annual compliance self-assessment, HPV's compliance framework includes a rolling three-year compliance audit program, the submission of health service procurement activity plans and contract data, as well as the ongoing requirement to report non-compliance with the Health Purchasing Policies to HPV.

Annual compliance self-assessment

Compliance statements have been conducted annually since 2005. This report covers the compliance of mandated hospitals and health services with HPV-mandated agreements, as well as compliance with the Health Purchasing Policies, reflected by the transition to the policies from 30 June 2016.

From the 2015-16 financial year, the nominated Chief Purchasing Officer (CPO) for each health service is responsible for completing the self-assessment. The CEO is responsible for reviewing and submitting with the intent that information provided is a true and accurate reflection of compliance to HPV collective agreements and the Health Purchasing Policies.

Hospitals and health services that have been granted a formal exemption are regarded as being compliant with the policy or direction for the purposes of this report.

Current year statement – compliance self-assessment

The hospital and health services' self-assessment covers the period from 1 July 2015 to 30 June 2016. It is required for all 76 mandated hospitals and health services and covers a total of 49 mandated contracts across 41 categories, as well as an additional seven categories of limited applicability. The following table reports the results of the level of compliance for 2015-16.

A key trend in 2015-16 was an increase in participation and full compliance with HPV agreements – reflective of an increased availability of HPV agreements (13 mandated and two of limited applicability) and increased hospital and health service transition. In particular, compliance with HPV agreements increased by 2.9% from 2014-15 and participation in HPV contracts by 1.4%.

Regarding participation, the predominant reasons for reported instances of 'not applicable' is driven by five contracts with limited applicability.

There was a 1.4% decrease in non-compliance with HPV agreements compared to 2014-15. This relates to 40 sites and 15 mandatory contract categories. Of the reported instances of non-compliance:

- > 44 relate to hospitals or health services delaying their transition to HPV agreements
- > 11 relate to the use of local suppliers or supply issues in rural areas. HPV continues to liaise with health services regarding exemptions on the basis of local business support
- > Six relate to hospitals or health services being unable to transition to HPV contracts due to issues with the HPV contract with no HPV exemption in place. HPV continues to liaise with health services regarding exemptions
- > Two relate to hospitals or health services being unable to transition to HPV contracts due to pre-existing contracts with no HPV exemption in place
- > Two relate to products being incorrectly ordered by health service employees due to new staff not being aware they were unable to order certain products, or incorrect supplier lists. Health services are implementing changes to address these issues
- > Two relate to an exemption request in progress at the time of reporting.

Next steps

HPV continues to work with hospitals and health services to improve their compliance with agreements under HPV contract. Strengthening HPV's relationships with health services and providing guidance and information around compliance will assist in improving results.

Mandated Entities' Compliance Summary – HPV agreements

STATUS	NUMBER COMPLIANT		PERCENTAGE COMPLIANT	
	2014-15	2015-16	2014-15	2015-16
Fully compliant	2,398	2,843	66.7%	69.55%
Exemption	15	13	0.4%	0.32%
Non-compliant	100	59	2.8%	1.44%
Not applicable	1,083	1,173	30.1%	28.69%
	3,596	4,088	100.00%	100.00%

Mandated Entities Transition to HPV Health Purchasing Policies

HPV HEALTH PURCHASING POLICIES	NUMBER	PERCENTAGE
Policy 1 – Procurement Governance	76	100%
Policy 2 – Procurement Strategic Analysis	76	100%
Policy 3 – Market Approach	76	100%
Policy 4 – Contract Management and Asset Disposal	76	100%
Policy 5 – Collective Purchasing	76	100%

HPV ANNUAL COMPLIANCE STATEMENT – NON-MANDATED ENTITIES

Background

Under section 131(a) of the *Health Services Act 1988*, HPV is able to facilitate access by eligible non-mandated organisations to HPV collective agreements so that these organisations are able to share in the benefits and best-value terms of the collective agreements. Non-mandated organisations are 'health or related services' as defined by section 3 of the Act that have been approved to access one or more HPV collective agreements.

Current year statement

HPV is required to monitor the compliance of non-mandated organisations to the HPV collective agreements to which they have access. This is important to ensure the integrity of HPV procurement processes for both health services and suppliers and to ensure that the maximum benefit is derived from HPV agreements. Non-mandated organisations with access to HPV agreements are, along with public hospitals and health services,

required to complete an annual self-assessment of compliance to HPV collective agreements for which they have been granted access.

The compliance self-assessment covers the period 1 July 2015 to 30 June 2016. The following table reports the results for all 25 participating non-mandated organisations, with two instances of non-compliance:

- One relates to Catering Supplies due to products being ordered off the HPV contract from a local supplier.
- One relates to Hand Hygiene and Domestic Paper Products due to products being ordered that are not covered by the HPV agreement.

As with mandated entities, the compliance data indicates an increased level of access to and participation in HPV agreements by non-mandated entities, with the result that more health and health-related services in Victoria are able to access the benefits of HPV collective procurement.

Next steps

HPV continues to work with non-mandated organisations to ensure they optimise the benefits of using HPV collective agreements, and with additional non-mandated organisations to grant access. HPV will also work with those organisations that were not fully compliant in 2015-16 to ensure they become fully compliant.

Non-Mandated Entities' Compliance Summary

STATUS	NUMBER COMPLIANT		PERCENTAGE COMPLIANT	
	2014-15	2015-16	2014-15	2015-16
Compliant	70	118	90.9%	98.3%
Non-compliant	7	2	9.10%	1.7%
	77	120	100%	100%

MANAGEMENT AND ORGANISATION

LEADERSHIP TEAM

Ms Elaine Ko

BSc, BEng, MBA

Chief Executive
(appointed August 2016)

Elaine was appointed Chief Executive in August 2016. Before joining HPV Elaine was a senior executive at Mondelez International where she led a multidisciplinary team in developing and implementing an Asia Pacific regional sourcing strategy fully integrated with logistics and business operations. Elaine brings more than 16 years of international leadership experience in food and fast-moving consumer goods companies and expertise in business strategy, leadership, planning, strategic sourcing, marketing and brand management.

Elaine is APICS certified and has Lean Six Sigma Black Belt accreditation.

Mr John Fitzgerald

BBus (Bus Admin), Assoc Member Chartered Institute of Procurement and Supply (CIPS)

Interim Chief Executive
(appointed February 2016)

John joined HPV as interim Chief Executive in February 2016. Before joining HPV he was Director Procurement and Logistics at Monash Health, Victoria's largest public health service, where he implemented automated ward resupply technology and redesigned the in-hospital logistics service. Previously, John has held senior roles in the private sector with Spotless and Broadspectrum.

John is a senior procurement executive with a proven record of delivering increased organisational effectiveness by leading and transforming teams, reducing costs and enhancing value over large-scale expenditures for both materials and labour-based services.

Ms Eileen Keane

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

Director Supply Chain Reform

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).

Prior to joining HPV, Eileen worked in various manufacturing industries including automotive and aerospace. Eileen 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.

Eileen is also a qualified Six Sigma Black Belt.

Ms Alba Chliakhtine

MeBus, MBus (LogMgt), Grad Dip Purch and Mat Mgt, GAICD

Director Procurement

Alba's procurement career spans a wide range of industries including technology, aerospace, manufacturing, financial services and online sourcing services. Alba 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 has 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 McCallum

BBus, CA, GAICD

Director Health Service Compliance and Process Improvement

Sasha is a Chartered Accountant and joined HPV in April 2013. Prior to joining HPV, Sasha was the Director of Commercial Management at the Department of Health and Human Services (DHHS).

Previously, Sasha also worked at DHHS as a consultant project manager working on the Health Reform Program (High-Cost Project and Supply Chain Reform). Prior to her career in the public health sector, Sasha held positions in KPMG's taxation division and across a range of industries both nationally and internationally at companies including Asite, Computershare, Coles Myer, Origin Energy and ANZ.

Mr John Delinaoum

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

Director Finance, Strategy and Governance (CFO)

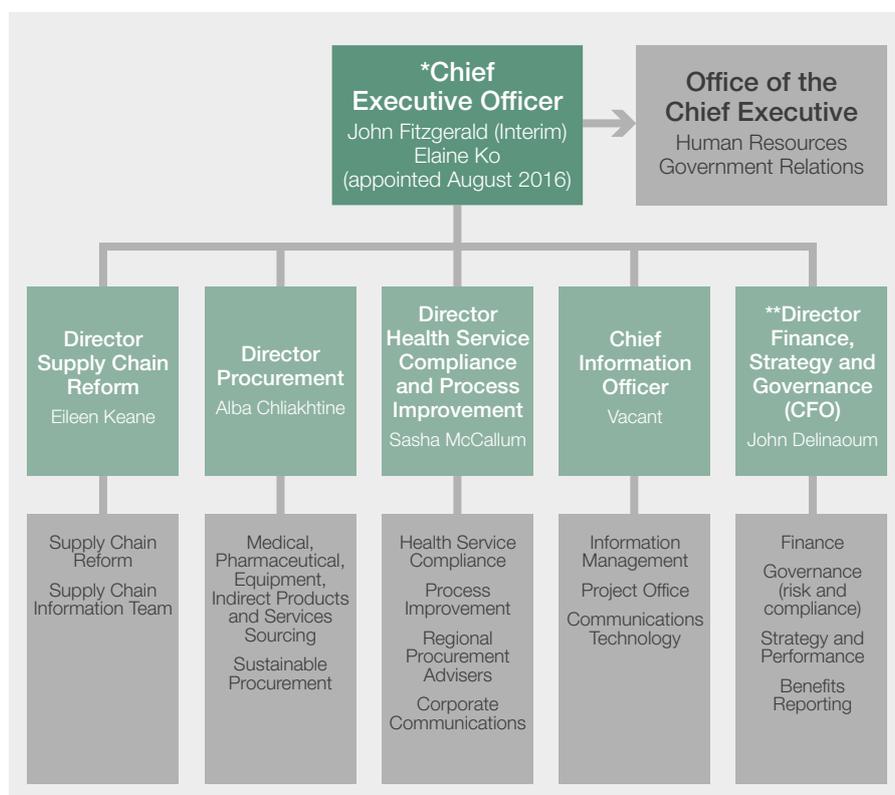
John commenced at HPV as the Director Finance, Strategy and Governance in March 2015. Having been in the health sector for almost 20 years John has held senior leadership roles in Finance within public, private and aged care services.

John's most recent role prior to joining HPV was as Director Finance Services at Northern Health.

With extensive experience in business planning, systems technology design and implementation, John is also a Board member of the Australian Health Services Financial Management Association supporting professional development within the health sector.

ORGANISATION CHART (AT 30 JUNE 2016)

The following chart details HPV's key organisational structure which comprises the following divisions: Office of the Chief Executive, Supply Chain Reform, Procurement, Health Service Compliance and Process Improvement, Chief Information Officer, and Finance, Strategy and Governance.



Acting Officers' disclosures

- * John Fitzgerald was appointed interim Chief Executive in February 2016 following the resignation of former Chief Executive Megan Main. Elaine Ko was appointed Chief Executive in August 2016.
- ** John Delinaoum was appointed acting Chief Information Officer in March 2016 following the resignation of former Chief Information Officer Martin Edwards.

OUR PEOPLE: HUMAN RESOURCES AND DEVELOPMENT

WORKFORCE DATA

During 2015-16, an additional eight employees joined HPV and as at 30 June 2016, 76 people were employed by HPV. This marks a 12% increase in the headcount for the 2015-16 year. A summary of HPV's workforce composition is detailed below.

	FY AVERAGE 2014-15	FY AVERAGE 2015-16	JUNE 2015	JUNE 2016	JUNE 2015	JUNE 2016
	FULL-TIME EQUIVALENT		FULL-TIME EQUIVALENT		HEAD COUNT	
Full-time	54.2	69.6	65	73	65	73
Part-time	2.8	2.3	2.3	1.8	3	3
Total number of all employees	57	71.9	67.3	74.8	68	76
Agency/casual	5.1	8.2	5.4	14.5	6	17
Total full-time employees	62.1	80.1	72.7	89.3	74	93

SECONDMENTS

HPV has continued to engage secondees from Victorian health services in 2015-2016, hosting six seconded employees during the year. HPV also welcomed two health management program interns from the Australasian College of Health Service Management (ACHSM) who each joined the organisation for a six-month placement.

Changes in HPV's executive management during 2015-16 included the secondment of Chief Executive Megan Main to DHHS in June 2015 for a six-month period, during which HPV Director Supply Chain Reform Eileen Keane acted as Chief Executive. Following Megan's resignation from HPV in early 2016, Monash Health Director Procurement and Logistics John Fitzgerald was seconded to HPV as Chief Executive from February 2016.

OCCUPATIONAL HEALTH AND SAFETY

HPV proactively supports occupational health and safety (OH&S) through its employee OH&S Committee. This committee contributes to HPV's OH&S strategy development, risk management and other activities, including an annual ergonomic assessment for all employees. In 2015-16 a full suite of OH&S policies and procedures was developed and endorsed by HPV executive management.

OCCUPATIONAL HEALTH AND SAFETY MATTERS	HPV UPDATE
a) the number of reported hazards/incidents for the year per 100 full-time equivalent employee members	Two minor hazards/incidents were reported in 2015-16, demonstrating HPV employees' proactive approach to OH&S.
b) the number of 'lost time' standard claims for the year per 100 full-time equivalent employee members	There were no lost time standard claims in the 2015-16 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 2015-16 year is \$0 as there were no claims during the period.
d) a minimum of two prior years' data on these indicators and explanations for significant variations from one year to the next	
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* (Commonwealth) 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. The HPV Diversity and Workplace Respect Policy underlines this commitment and ensures that employees and prospective employees are treated on the basis of merit rather than irrelevant characteristics.

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

HPV reviewed the DAP during 2015-16 to ensure that documents are compliant, up-to-date and employ best practice. All actions within the DAP are on track for completion within the specified timeframe.

OCCUPATIONAL VIOLENCE

HPV reports nil occupational violence incidents for the 2015-16 period.

Occupational violence is defined as any incident in which an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of, their employment.

HUMAN RESOURCE COMPLIANCE

A full review of all human resource policies and procedures was undertaken during 2015-16 to ensure continued effective governance for the human resources division.

PEOPLE MATTER SURVEY

HPV participated in the Victorian Public Sector Commission (VPSC) People Matter Survey 2016 with an 89% response rate from HPV employees, reflecting a 14% increase in the number of respondents compared to the 2015 survey.

The survey results showed greater than 85% agreement on public sector values, employment principles and a number of supporting measures. The employee engagement index decreased from 71% in 2014-15 to 67% in 2015-16.

Due to changes in the survey instrument, most results cannot be compared with previous surveys. HPV will utilise the full suite of information, including comparative benchmark data, to conduct an in-depth analysis of the survey response.

Based on this analysis, HPV will develop an employee-focused action plan early in 2016-17 for implementation as part of its continuous improvement framework.

LEARNING AND DEVELOPMENT

Improving HPV employee capability was a continuing focus during 2015-16, recognising that HPV's employees are key enablers of HPV's success, in particular HPV's Strategic Goal 6: Build Capability and Capacity, part of the Strategic Plan 2012-17.

During 2015-16, HPV commenced development of a two-year leadership initiative framework, HPV LEAD, as part of its Learning and Development Strategy. HPV LEAD will be implemented in 2016-17 and was introduced to support HPV employees' technical capability to deliver on HPV's annual business plan as well as the strategic plan 2012-17.

A further highlight during 2015-16 was the award of a Victorian Government executive leadership award to the-then HPV Chief Executive Megan Main. Megan received \$7,500 for a HPV leadership initiative, which has been used to fund a volunteering program for all HPV employees. The first employees to benefit from this initiative completed a volunteer day at a Victorian animal shelter in May 2016.

SUSTAINABILITY

HPV'S OFFICE-BASED ENVIRONMENTAL IMPACTS

ENVIRONMENTAL DATA

As a statutory authority, HPV is encouraged to report on its environmental impacts consistent with FRD 24C Reporting of Office-based Environmental Data by Government Entities. HPV collects relevant data, where available, for reporting. Available data is provided in detail below.

ENERGY USE

HPV occupies office space in Casselden, a Melbourne CBD-based building, as a tenancy with shared services.

The key environmental attributes of Casselden are:

- > a 5-star Green Star Office Design (v3) rating
- > NABERS 4.5-star Indoor Environment, Energy and Water rating.

The 5-star Green Star design rating for Casselden is equivalent to current best practice in office design. Casselden's 4.5-star NABERS rating corresponds with a rating of between 'Good' and 'Excellent' performance for an Australian office building.

Electricity is supplied under HPV's lease arrangement; the percentage of electricity purchased under a government-accredited Green Power scheme is 0%. Data on the greenhouse gas emissions associated with HPV's electricity use are not available.

All computer monitors and laptops purchased by HPV are ENERGY STAR® certified.

WASTE DISPOSAL AND RECYCLING

Waste disposal and recycling collections are primarily provided by Casselden building management as part of its shared service. Individual tenancy waste volumes and data for the percentage of materials that are recycled are currently not available for reporting.

During 2015-16, Casselden building management implemented changes in the recycling services it provides tenants. Services now provide updated signage and segregation information, reducing recycling contamination rates and service providers' rejection of recycling collections.

Recycling collections occur for:

- > Co-mingled paper and packaging
- > Food organics for off-site composting
- > Clean paper
- > Secure documents
- > Batteries
- > Mobile phones.

In addition, 12.3 kg of toner cartridge waste was collected and recycled via recycling company Close the Loop in 2015-16.

PAPER USE

HPV has commenced tracking its office paper use via printer data in 2015-16. For the current reporting period, 683 reams of A4-equivalent copy paper were used, which equates to 9.1 reams per full-time equivalent employee.

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

HPV uses A3 paper with 10% recycled content, which is certified under the Australian Forestry Standard and is locally manufactured.

WATER CONSUMPTION

As HPV is a tenancy within an office building with shared services, it is not possible to report on individual tenants' water use. Casselden has a NABERS 3.5-star Indoor Environment, Energy and Water rating.

TRANSPORTATION

HPV's office location is readily accessible by public transport. The office building also provides excellent facilities to support employee commuter cycling. Where possible, HPV also provides web-based video-conferencing capability, allowing for remote access to meetings, particularly for regional stakeholders.

As at 30 June 2016, HPV has a fleet comprising seven vehicles, including five pool and two executive cars, for which it monitors fuel card usage and odometer readings. These vehicles are powered by a mix of petrol and diesel fuels.

For 2015-16, HPV reports the following aggregated vehicle fleet data:

TOTAL ENERGY	DISTANCE TRAVELLED	GREENHOUSE GAS EMISSIONS	
(MJ)	(KM)	(TONNES CO ₂ -e)	(EMISSIONS INTENSITY: AVERAGE TONNES CO ₂ -e PER 1,000 KM)
340,285	111,284	23.34	0.21

This data reflects a 31% increase in total energy (MJ) and a 20% increase in greenhouse gas emissions (tonnes per CO₂-e) compared to 2014-15.

HPV also commenced tracking business air travel this year. For 2015-16, HPV business flights involved a total distance of 62,812 kilometres, which contributes an estimated 8.26 tonnes per CO₂-e of greenhouse gas emissions.

SUSTAINABLE PROCUREMENT

To support health services in improving the sustainability of their procurement practices, HPV has published guides on sustainable, environmental, and ethical and social procurement.

Procurement projects facilitated by HPV are expected to identify, where feasible, opportunities to manage environmental and social impacts. In 2015-16, HPV set sustainability objectives for key procurement projects, including the state-wide Catering Supplies and Office Requisites contract categories.

HPV continues to work to improve the implementation of sustainable procurement inside the collective procurement activities it undertakes. HPV has also undertaken an internal review of its sustainable procurement policies during 2015-16.

HPV'S SUSTAINABLE PROCUREMENT PROCESS

ANALYSIS	What are the key impacts and risks that should be considered within the life cycle 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 consumption data and trend analysis
ENGAGEMENT	HPV's Sustainable Procurement Officer is available to advise health services on sustainable procurement and other supply chain environmental issues

DISCLOSURE OF CONSULTANCIES

CONSULTANCIES GREATER THAN \$10,000 IN VALUE DURING 2015-16

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2015-16 (EX GST)	FUTURE EXPENDITURE
RSM	Develop a business continuity plan in accordance with AS/NZS 5050:2010 Business Continuity – Managing Disruption and Related Risk	April 2015	July 2015	\$15,000	\$15,000	\$0
Making Meaning	Design and develop a HPV leadership framework comprising two levels: employee leadership and manager leadership	February 2016	June 2016	\$99,000	\$99,000	\$0
Making Meaning	Develop specifications of the 16-module HPV leadership program and deliver the initial two modules	April 2016	June 2016	\$59,250	\$36,750	\$22,500
Prima Consulting	Develop a master data solution to ensure data integrity is maintained. Master data is created as a 'single source of truth' for key business data. It is generally non-transactional data that changes infrequently and should be treated as a corporate asset	December 2015	April 2016	\$49,200	\$49,200	\$0
Bliss Media	Improve the HPV website with a more robust framework to support end-user self-service for password re-sets and security groups. Develop an interactive blog/comment functionality for a more engaging experience, particularly for Reference Group members	December 2015	March 2016	\$22,950	\$22,950	\$0
Bliss Media	Enhance the HPV website to provide an electronic platform for health services to report their compliance and reference group nominations process	April 2016	June 2016	\$48,300	\$22,500	\$25,800
Bliss Media	Develop a single sign-on solution for the HPV website. Stakeholders can log in to www.hpv.org.au to access all HPV information, including the Procurement Portal (for suppliers and health services) and the Victorian Product Catalogue System (VPCS) for health services	February 2016	June 2016	\$55,040	\$55,040	\$0
Bizcaps	Configure the single sign-on solution for the VPCS and HPV website	March 2016	June 2016	\$25,420	\$25,420	\$0
Data 3	SharePoint upgrade project to replace HPV's current intranet, providing a structured approach to document libraries to assist categorisation and document management. The upgrade also supports HPV compliance to Public Records Office of Victoria (PROV) standards	December 2015	June 2016	\$138,621	\$0	\$138,621

In 2015-16, Health Purchasing Victoria engaged one consultant where the total fees payable to the consultant was less than \$10,000. This consultancy involved a total expenditure of \$8,955 (exclusive of GST).

SUMMARY OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS AND COMPARISON TO THE LAST FOUR REPORTING PERIODS

YEAR	2015-16 \$'000	2014-15 \$'000	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000
Total revenue	13,837	13,617	10,306	8,239	4,626
Total expenses	14,168	12,263	9,740	6,429	3,590
Net surplus/(deficit)	(331)	1,354	566	1,810	1,036
Retained surplus	4,486	3,628	3,674	3,108	1,298
Total assets	7,413	7,373	5,413	4,161	1,810
Total liabilities	2,685	2,313	1,708	1,021	481
Total equity	4,728	5,060	3,705	3,140	1,329

SUMMARY OF SIGNIFICANT CHANGES IN HPV'S FINANCIAL POSITION

The 2015-16 financial year saw HPV consolidate much of the Department of Health and Human Services' (DHHS) capital investment from previous years. Driving the benefits of the Victorian Product Catalogue System (VPCS) and a strategic sourcing site (the BravoSolution HPV procurement portal) has also supported growth in HPV's procurement activities.

The majority of HPV's funded expenditure growth, averaging \$2.6 million year-on-year, relates to employment costs to support delivery of the functions that underpin HPV's strategic initiatives. In brief, these are:

- Partnering with Melbourne Health to deliver supply chain reforms to address strategic drivers including more efficient logistics. These reforms include developing an e-commerce technology solution for state-wide implementation to improve the end-to-end procurement cycle.
- Operationalising the strategic sourcing suite to improve the effectiveness and efficiency of category management and logistics across an increasing number of in-sourcing activities and contracts.
- Improving the quality and timeliness of information to

support decision making, by developing business intelligence applications that support supplier sales data and the VPCS.

- Investing in field representation to support implementation of the new HPV Health Purchasing Policies. Procurement reform has established a structure for 100% of mandated health services to successfully transition to the new framework.
- The HPV Human Resources Strategy 2014-17 has seen the development of the HPV LEAD program to build the capability and capacity of HPV people to ensure all employees have the necessary skills to deliver on the business plan.
- Developing an overarching HPV policy compliance framework to clarify HPV's legislative functions and to assist health services in ensuring policy compliance involving:
 - Compliance monitoring activities: annual compliance self-assessments, compliance audits and submission of a procurement activity plan and contracts register, with monitoring of corrective actions and escalation of non-compliance
 - Support and prevention activities: education, training, advice, guidance, and selective intervention in health services' procurement events.
- HPV's policy compliance framework details the required

processes, compliance activities and the consequences of non-compliance. The resource is to assist health services to achieve improved procurement practices across the Victorian health sector.

HPV's financial performance during 2015-16 is an operating surplus of \$0.02 million, consistent with 2014-15, as any surplus funds are subject to *recall*. The net deficit of \$0.3 million is predominantly the result of depreciation, which remains unfunded by DHHS. Prior year surpluses are the direct impact of capital purpose income.

HPV's performance against the Statement of Priorities and strategic objectives has been reported in earlier sections of this annual report.

FINANCIAL MANAGEMENT COMPLIANCE FRAMEWORK

HPV is compliant with the 33 directives established by the Minister for Finance which is reviewed annually as part of the internal audit plan.

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. This was last reviewed in February 2016.

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 Department of Health and Human Services (DHHS) compliance with statutory disclosure requirements.

LEGISLATION	REQUIREMENT	PAGE REFERENCE
Ministerial Directions		
Report of Operations		
Charter and purpose		
FRD 22G	Manner of establishment and the relevant Ministers	4
FRD 22G	Purpose, functions, powers and duties	4
FRD 22G	Initiatives and key achievements	9-11
FRD 22G	Nature and range of services provided	4
Management and structure		
FRD 22G	Organisational structure	5
Financial and other information		
FRD 10A	Disclosure index	24-25
FRD 11A	Disclosure of ex gratia expenses	62
FRD 12B	Disclosure of major contracts	61
FRD 21B	Responsible person and executive officer disclosures	62-63
FRD 22G	Application and operation of <i>Protected Disclosure 2012</i>	13
FRD 22G	Application and operation of <i>Carers' Recognition Act 2012</i>	19
FRD 22G	Application and operation of <i>Freedom of Information Act 1982</i>	13
FRD 22G	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	13
FRD 22G	Details of consultancies over \$10,000	22
FRD 22G	Details of consultancies under \$10,000	22
FRD 22G	Employment and conduct principles	19
FRD 22G	Major changes or factors affecting performance	9-11
FRD 22G	Occupational health and safety	18
FRD 22G	Operational and budgetary objectives and performance against objectives	23
FRD 24C	Reporting of office-based environmental impacts	20-21
FRD 22G	Significant changes in financial position during the year	23
FRD 22G	Statement on National Competition Policy	13
FRD 22G	Subsequent events	64
FRD 22G	Summary of the financial results for the year	23
FRD 22G	Workforce Data Disclosures including a statement on the application of employment and conduct principles	18-19
FRD 25B	Victorian Industry Participation Policy disclosures	13
FRD 29A	Workforce Data disclosures	18
SD 4.2(g)	Specific information requirements	9-11
SD 4.2(j)	Sign-off requirements	26
SD 3.4.13	Attestation on data integrity	12
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	12
SD 4.5.5	Risk management compliance attestation	12

LEGISLATION	REQUIREMENT	PAGE REFERENCE
Financial Statements		
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of changes in equity	31
SD 4.2(b)	Comprehensive operating statement	29
SD 4.2(b)	Balance sheet	30
SD 4.2(b)	Cash flow statement	32
Other requirements under Standing Directions 4.2		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	33
SD 4.2(c)	Accountable officer's declaration	26
SD 4.2(c)	Compliance with Ministerial Directions	33
SD 4.2(d)	Rounding of amounts	34
Legislation		
	<i>Freedom of Information Act 1982</i>	13
	<i>Protected Disclosure Act 2001</i>	13
	<i>Carers' Recognition Act 2012</i>	19
	<i>Victorian Industry Participation Policy Act 2003</i>	13
	<i>Building Act 1993</i>	13
	<i>Financial Management Act 1994</i>	26

FINANCIAL STATEMENTS & ACCOMPANYING NOTES

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 and financial position of Health Purchasing Victoria at 30 June 2016.

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

18 August 2016

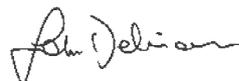


Ms Elaine Ko

Chief Executive Officer

Health Purchasing Victoria

18 August 2016



Mr John Delinaoum

Chief Financial & Accounting Officer

Health Purchasing Victoria

18 August 2016



Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
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Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Health Purchasing Victoria

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Health Purchasing Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the board chair, accountable officer's and chief finance & accounting officer's declaration.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

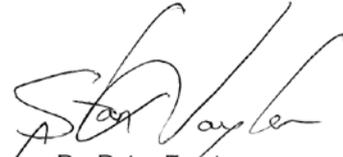
Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Health Purchasing Victoria as at 30 June 2016 and 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
23 August 2016



Dr. Peter Frost
Acting Auditor-General

COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
Revenue from Operating Activities	2	13,837,270	11,934,809
Employee Expenses	3	(8,479,696)	(6,588,912)
Non-Salary Labour Costs	3	(2,277,359)	(2,437,721)
Other Expenses	3	(3,055,221)	(2,880,694)
Net Result Before Capital and Specific Items		24,994	27,482
Capital Purpose Income	2	-	1,681,914
Capital Items Expensed	3	-	(32,126)
Depreciation and Amortisation	4	(402,658)	(310,276)
Net Result After Capital and Specific Items		(377,664)	1,366,994
Other Economic Flows included in Net Result			
Revaluation of Long Service Leave		46,408	(12,854)
Total Other Economic Flows included in Net Result		46,408	(12,854)
NET RESULT FOR THE YEAR		(331,256)	1,354,140
Other Comprehensive Income		-	-
COMPREHENSIVE RESULT		(331,256)	1,354,140

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

BALANCE SHEET

AS AT 30 JUNE 2016

	NOTE	2016 \$	2015 \$
Current Assets			
Cash and Cash Equivalents	5	2,207,421	2,685,041
Trade and Other Receivables	6	227,602	236,086
Prepayments	7	339,241	243,770
Other Financial Assets	8	3,000,000	2,500,000
Total Current Assets		5,774,264	5,664,897
Non-Current Assets			
Trade and Other Receivables	6	-	118,137
Property, Plant and Equipment	9	603,604	739,069
Intangible Assets	10	1,035,829	850,879
Total Non-Current Assets		1,639,433	1,708,085
TOTAL ASSETS		7,413,697	7,372,982
Current Liabilities			
Trade and Other Payables	11	1,149,430	840,946
Provisions	12	1,255,842	1,279,841
Total Current Liabilities		2,405,272	2,120,787
Non-Current Liabilities			
Provisions	12	280,071	192,585
Total Non-Current Liabilities		280,071	192,585
TOTAL LIABILITIES		2,685,343	2,313,372
NET ASSETS		4,728,354	5,059,610
EQUITY			
Capital Projects Reserve	13a	210,850	1,400,027
Contributed Capital	13b	31,570	31,570
Accumulated Surplus	13c	4,485,934	3,628,013
TOTAL EQUITY		4,728,354	5,059,610
Commitments	17		
Contingent Assets and Contingent Liabilities	18		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	CAPITAL PROJECTS RESERVE \$	CONTRIBUTED CAPITAL \$	ACCUMULATED SURPLUS/ (DEFICIT) \$	TOTAL \$
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)
Balance at 30 June 2015		1,400,027	31,570	3,628,013	5,059,610
Net Result for the year	13c	-	-	(331,256)	(331,256)
Transfer from Capital Projects Reserve	13a	(1,189,177)	-	-	(1,189,177)
Transfer to Accumulated Surplus	13c	-	-	1,189,177	1,189,177
		(1,189,177)	-	857,921	(331,256)
Balance at 30 June 2016		210,850	31,570	4,485,934	4,728,354

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		13,140,740	11,235,330
Capital Grants from Government		-	1,681,914
Interest Received		138,799	104,804
GST Received from/(paid to) Australian Tax Office		199,978	-
Other Receipts		355,076	131,950
Total Receipts		13,834,593	13,153,998
Employee Benefits Paid		(10,653,641)	(8,602,914)
Payments for Supplies		(2,754,429)	(2,624,027)
Total Payments		(13,408,070)	(11,226,941)
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	426,523	1,927,057
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant and Equipment		(62,356)	(54,803)
Payments for Intangible Assets		(341,787)	(307,746)
Payments for Other Financial Assets		(500,000)	(1,500,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(904,143)	(1,862,549)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(477,620)	64,508
Cash and Cash Equivalents at beginning of Financial Year		2,685,041	2,620,533
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	5	2,207,421	2,685,041

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for Health Purchasing Victoria for the financial year ended 30 June 2016.

Health Purchasing Victoria (HPV; the Authority) is an independent statutory authority established on 1 July 2001 to implement centralised procurement arrangements on behalf of health services. The *Health Services Act 1988* establishes Health Purchasing Victoria as a separate entity and outlines the functions, powers and membership criteria of Health Purchasing Victoria. 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), including 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.

Health Purchasing Victoria 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 18th August 2016.

(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 2016, and the comparative information presented in these financial statements for the year ended 30 June 2015. 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 and fittings and leasehold improvements, (refer to note 1(i));
- 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(j)).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Health Purchasing Victoria'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

Health Purchasing Victoria is predominantly funded by accrual-based grant funding for the provision of outputs.

(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 and 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, other economic flows 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 and 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 the 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) Income from transactions

Income is recognised in accordance with AASB 118 *Revenue* and is recognised 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 Department of Health and Human Services.

Rent is recognised as revenue following advice from 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.

(f) 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.

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.

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 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.

	2016	2015
Computer Hardware	2.5 Years	2.5 Years
Furniture and Fittings	5.3 Years	5.3 Years
Office Equipment	2.5 Years	2.5 Years
Leasehold Improvements	7 Years	7 Years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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 3-5 years (2015: 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 debt**
Refer to note 1 (i) *Impairment of financial assets*.

(g) Other economic flows included in the net result

Other economic flows are changes in the 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:
 - > realised and unrealised gains and losses from revaluations of financial instruments at fair value;
 - > impairment and reversal of impairment for financial instruments at amortised cost (refer to note 1 (h)); and
 - > disposals of financial assets and derecognition of financial liabilities.

> Other gains/(losses) from other comprehensive income

Other gains/(losses) include:

- > the revaluation of the present value of the long service leave liability due to changes in the bond interest rates, this will also include the impact of changes related to the impact of moving from the 2004 long service leave model to the 2008 long service leave model; and
- > transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

(h) 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(i)), 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.

(i) 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 include mainly debtors in relation to goods and services, accrued investment income; and
- statutory receivables, which include predominantly amounts owing from 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.

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; and
- loans and receivables.

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 are subject to annual review for impairment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (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

Prepayments 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(g) – ‘other economic flows included in the net result’.

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 asset concerned is tested as to whether its carrying value exceeds its 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 reserve 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 assets 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 assets is impaired. All financial instrument assets 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*.

(j) 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 GST 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 are 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where 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.

(k) 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.

(l) 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 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.

(m) 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.

(n) 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.

(o) 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.

(p) Income Tax

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

(q) 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 and are considered to be of material interest.

(r) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

(s) Australian Accounting Standards (AAS) issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2016 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 2016, 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 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 January 2018	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.
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 January 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 licences 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 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on the balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.

STANDARD / INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON:	IMPACT ON FINANCIAL STATEMENTS
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: <ul style="list-style-type: none"> > 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 January 2016	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 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.
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 January 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

Health Purchasing Victoria has also considered the impact of other Australian accounting standards, namely: AASB 14 *Regulatory Deferral Accounts* and AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128].

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

(t) Accounting error

There have been no accounting errors that require additional reporting or disclosure for the year ended 30 June 2016.

(u) Going Concern

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

NOTE 2: REVENUE

	2016 \$	2015 \$
Revenue from Operating Activities		
Government Grants – Department of Health and Human Services	12,790,740	10,933,997
Interest	141,560	116,678
Other Income	353,555	168,943
Indirect Contributions by Department of Health and Human Services ⁽ⁱ⁾		
- Insurance	10,375	8,000
- Office Lease	659,177	589,054
- Long Service Leave	(118,137)	118,137
Total Revenue from Operating Activities	13,837,270	11,934,809
Capital Purpose Income		
Capital Government Grant – Department of Health and Human Services		
- Property Plant & Equipment	-	20,000
- IT Systems	-	1,661,914
Total Revenue from Capital Purposes	-	1,681,914
Total Revenue	13,837,270	13,616,723

(i) Indirect contributions by Department of Health and 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

	2016 \$	2015 \$
Employee Expenses		
Salaries and Wages	7,262,986	5,666,424
Superannuation	766,735	585,585
Workcover	31,711	23,550
Payroll Tax	418,264	313,353
Total Employee Expenses	8,479,696	6,588,912
Non-Salary Labour Costs		
Agency Costs	1,151,343	1,280,803
Long Service Leave Provision	148,043	242,442
Annual Leave Provision	633,786	647,389
Accrued Days Off Provision	344,187	267,087
Total Non-Salary Labour Costs	2,277,359	2,437,721
Other Expenses		
Accounting	6,594	19,503
Advertising	28,670	11,820
Software Licence and Support	743,350	526,613
Insurance	10,375	8,000
Legal Fees	332,412	274,489
Probity Audit Fees	102,626	187,747
Office Outgoings	50,170	53,616
Printing and Stationery	52,167	26,973
Subscriptions	39,418	30,885
Rent	659,177	589,054
Recruitment	138,763	62,089
Consultant Fees	275,405	495,086
Telecommunication Costs	78,221	47,846
Vehicle and Travel Costs	126,799	149,368
Staff Development and Seminars	288,864	281,913
Audit Fees		
- Victorian Auditor-General's Office (VAGO)	24,150	17,650
- Internal Audit	36,800	67,061
Bank Charges	3,048	2,911
Other	58,212	28,070
Total Other Expenses	3,055,221	2,880,694
Capital Expenses		
Depreciation and Amortisation (note 4)	402,658	310,276
Capital Items Expensed	-	32,126
Total Capital Expenses	402,658	342,402
Total Expenses	14,214,934	12,249,729

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: DEPRECIATION AND AMORTISATION

	2016 \$	2015 \$
Depreciation		
Computer Equipment	59,246	126,042
Furniture and Fittings	7,219	3,385
Leasehold Improvements	131,356	151,944
Total Depreciation	197,821	281,371
Amortisation		
Intangible Assets	204,837	28,905
Total Amortisation	204,837	28,905
Total Depreciation and Amortisation	402,658	310,276

NOTE 5: CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash assets include cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts. (Note that Health Purchasing Victoria does not maintain an overdraft facility.)

	2016 \$	2015 \$
Cash at Bank	2,207,421	2,685,041
Total Cash and Cash Equivalents	2,207,421	2,685,041

NOTE 6: TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
CURRENT		
Contractual		
Accrued Revenue	84,419	77,594
Other Receivables	26,821	-
	111,240	77,594
Statutory		
GST Receivable	116,362	158,492
	116,362	158,492
	227,602	236,086
NON CURRENT		
Statutory		
Long Service Leave – Department of Health and Human Services	-	118,137
	-	118,137
Total Trade and Other Receivables	227,602	354,223

(a) Ageing analysis of receivables

Please refer to note 16(b) for the ageing analysis of receivables.

(b) Nature and extent of risk arising from receivables

Please refer to note 16(b) for the nature and extent of credit risk arising from receivables.

NOTE 7: PREPAYMENTS

	2016 \$	2015 \$
CURRENT		
Prepayments	339,241	243,770
Total Prepayments	339,241	243,770

NOTE 8: OTHER FINANCIAL ASSETS

	2016 \$	2015 \$
CURRENT		
Bank Term Deposits	3,000,000	2,500,000
Total Other Assets	3,000,000	2,500,000

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

(a) Gross carrying amount and accumulated depreciation

	2016 \$	2015 \$
Office Equipment		
Office Equipment at Fair Value	-	-
Less Accumulated Depreciation	-	-
Total Office Equipment	-	-
Computer Equipment		
Computer Equipment at Fair Value	346,458	371,296
Less Accumulated Depreciation	(272,099)	(300,047)
Total Computer Equipment	74,359	71,249
Furniture and Fittings		
Furniture and Fittings at Fair Value	38,462	18,746
Less Accumulated Depreciation	(12,094)	(4,875)
Total Furniture and Fittings	26,368	13,871
Leasehold Improvements		
Leasehold Improvements at Fair Value	918,111	918,111
Less Accumulated Depreciation	(415,234)	(283,878)
Total Leasehold Improvements	502,877	634,233
Assets Under Construction		
Assets Under Construction at Cost	-	19,716
Total Assets under Construction	-	19,716
Total Property Plant and Equipment	603,604	739,069

(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.

	AT FAIR VALUE (LEVEL 3) OFFICE EQUIPMENT ⁽ⁱ⁾ \$	AT FAIR VALUE (LEVEL 3) COMPUTER EQUIPMENT ⁽ⁱ⁾ \$	AT FAIR VALUE (LEVEL 3) FURNITURE & FITTINGS ⁽ⁱ⁾ \$	AT FAIR VALUE (LEVEL 3) LEASEHOLD IMPROVEMENTS ⁽ⁱ⁾ \$	ASSETS UNDER CONSTRUCTION \$	TOTAL \$
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 1 July 2015	-	71,249	13,871	634,233	19,716	739,069
Additions	-	62,356	-	-	-	62,356
Net Transfers between classes	-	-	19,716	-	(19,716)	-
Assets Expensed	-	-	-	-	-	-
Depreciation (note 4)	-	(59,246)	(7,219)	(131,356)	-	(197,821)
Balance at 30 June 2016	-	74,359	26,368	502,877	-	603,604

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 2016.

There have been no transfers between levels during the current or prior period.

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

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

PLANT AND EQUIPMENT AT FAIR VALUE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS
Office Equipment	Depreciated replacement cost	Useful life of PPE
Computer Equipment	Depreciated replacement cost	Useful life of PPE
Furniture Fixtures and Fittings	Depreciated replacement cost	Useful life of PPE
Leasehold Improvements	Depreciated replacement cost	Useful life of PPE
Assets Under Construction	Depreciated replacement cost	Useful life of PPE

Health Purchasing Victoria has early adopted AASB 2015-7 *Fair Value Disclosures of Not-for-Profit Public Sector Entities*, which provides an exemption from disclosing quantitative information of 'significant unobservable inputs' and the 'sensitivity analysis' as assets are held primarily for their current service potential.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10: INTANGIBLE ASSETS

	2016 \$	2015 \$
Intangible Assets		
Software at Cost	1,418,421	884,542
Less Accumulated Amortisation	(438,157)	(235,695)
Total Software Costs	980,264	648,847
Intangible Assets under Construction at Cost	55,565	202,032
Total Intangible Assets	1,035,829	850,879

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 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 1 July 2015	648,847	202,032	850,879
Additions	334,222	55,565	389,787
Net Transfers between Classes	202,032	(202,032)	-
Assets Expensed	-	-	-
Amortisation (note 4)	(204,837)	-	(204,837)
Balance at 30 June 2016	980,264	55,565	1,035,829

NOTE 11: TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
CURRENT		
Contractual		
Trade Creditors ⁽ⁱ⁾	60,225	-
Accrued Expenses	267,374	258,298
Salaries and Wages Related Creditors	94,757	234,044
	422,356	492,342
Statutory		
Payroll Tax	68,035	37,121
Fringe Benefits Tax	9,039	11,483
Department of Health and Human Services ⁽ⁱⁱ⁾	650,000	300,000
	727,074	348,604
TOTAL CURRENT	1,149,430	840,946
Total Trade and Other Payables	1,149,430	840,946

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

(ii) Terms and conditions of amounts payable to 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12: PROVISIONS

	2016 \$	2015 \$
Current Provisions		
Employee Benefits		
Annual Leave		
- Unconditional and expected to be settled within 12 months	436,771	392,372
- Unconditional and expected to be settled after 12 months	72,070	64,456
Long Service Leave		
- Unconditional and expected to be settled within 12 months	-	-
- Unconditional and expected to be settled after 12 months	221,237	333,661
Accrued Days Off		
- Unconditional and expected to be settled within 12 months	82,336	66,344
- Unconditional and expected to be settled after 12 months	13,602	10,899
Accrued Wages and Salaries	305,869	274,411
	1,131,885	1,142,143
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months (nominal value)	77,190	68,211
- Unconditional and expected to be settled after 12 months (present value)	46,767	69,487
	123,957	137,698
Total Current Provisions	1,255,842	1,279,841
Non-Current Provisions		
Conditional Long Service Leave Entitlements	242,738	163,948
Provisions related to Employee Benefit On-Costs	37,333	28,637
Total Non-Current Provisions	280,071	192,585
Total Provisions	1,535,913	1,472,426

(a) Employee Benefits and Related On-Costs

Current Provisions		
Unconditional Long Service Leave Entitlements	255,264	391,943
Annual Leave Entitlements	584,506	524,759
Accrued Wages and Salaries	305,869	274,411
Accrued Days Off	110,203	88,728
	1,255,842	1,279,841
Non Current Provisions		
Conditional Long Service Leave Entitlements (present value)	280,071	192,585
	280,071	192,585
Total Employee Benefits and Related On-Costs	1,535,913	1,472,426

(b) Movements in Provisions

	2016 \$	2015 \$
Movement in Long Service Leave:		
Balance at start of year	584,528	329,232
Provision made during the year		
- Revaluations	(46,408)	12,854
- Expense recognising employee service	148,043	242,442
Settlement made during the year	(150,828)	-
Balance at end of year	535,335	584,528

NOTE 13: EQUITY

(a) Capital Projects Reserve

	2016 \$	2015 \$
Balance at the beginning of the reporting period	1,400,027	-
Transfer to/(from) Accumulated Surplus ⁽ⁱ⁾	(1,189,177)	1,400,027
Balance at the end of the reporting period	210,850	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	3,628,013	3,673,900
Net Result for the year	(331,256)	1,354,140
Transfer (to)/from Capital Projects Reserve	1,189,177	(1,400,027)
Balance at the end of the reporting period	4,485,934	3,628,013
Total Equity at end of financial year	4,728,354	5,059,610

(i) \$810,000 in capital funding for the hardware, software and development costs relating to constructing a common catalogue has been repurposed to the supply chain reform project.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2016 \$	2015 \$
Net Result for the year	(331,256)	1,354,140
Non-cash movements		
Depreciation and Amortisation	402,658	310,276
Movements included in investing & financing activities		
Net (Gain)/Loss from Plant and Equipment	-	32,126
Movements in assets and liabilities		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Current Receivables	8,483	(102,869)
(Increase)/Decrease in Non-Current Receivables	118,137	(118,137)
(Increase)/Decrease in Prepayments	(95,471)	(153,913)
Increase/(Decrease) in Payables	260,485	(65,043)
Increase/(Decrease) in Employee Benefits	63,487	670,477
Net Cash Inflow From Operating Activities	426,523	1,927,057

NOTE 15: SUPERANNUATION

	2016 \$	2015 \$
Total payments towards defined contribution plans	766,735	585,585

Health Purchasing Victoria has an unpaid superannuation liability as at 30 June 2016 of \$60,273 (2015: \$82,076).

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 2016 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 as reported.

NOTE 16: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Health Purchasing Victoria's principal financial instruments comprise:

- 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

	NOTE	CARRYING AMOUNT 2016 \$	CARRYING AMOUNT 2015 \$
Financial Assets			
Cash and Cash Equivalents	5	2,207,421	2,685,041
Receivables	6	111,240	77,594
Other Financial Assets	8	3,000,000	2,500,000
Total Financial Assets ⁽ⁱ⁾		5,318,661	5,262,635
Financial Liabilities			
Payables	11	422,356	492,342
Total Financial Liabilities ⁽ⁱⁱ⁾		422,356	492,342

(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 payable).

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

	NET HOLDING GAIN / (LOSS) 2016 \$	NET HOLDING GAIN / (LOSS) 2015 \$
Financial Assets		
Cash and Cash Equivalents ⁽ⁱ⁾	61,905	68,717
Receivables ⁽ⁱ⁾	-	-
Other Financial Assets ⁽ⁱ⁾	79,655	47,961
Total Financial Assets	141,560	116,678
Financial Liabilities		
Interest-Bearing Liabilities ⁽ⁱⁱ⁾	-	-
Total Financial Liabilities	-	-

(i) For cash and cash equivalents and receivables, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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 (NON-RATED HEALTH SERVICES) \$	TOTAL \$
2016					
Financial Assets					
Cash and Cash Equivalents	2,207,421	-	-	-	2,207,421
Receivables					
- Other Receivables	27,742	-	-	83,498	111,240
Other Financial Assets	3,000,000	-	-	-	3,000,000
Total Financial Assets	5,235,163	-	-	83,493	5,318,661
2015					
Financial Assets					
Cash and Cash Equivalents	2,685,041	-	-	-	2,685,041
Receivables					
- Other Receivables	24,982	-	-	52,612	77,594
Other Financial Assets	2,500,000	-	-	-	2,500,000
Total Financial Assets	5,210,023	-	-	52,612	5,262,635

The total amounts disclosed above exclude statutory amounts (e.g. amounts owing from the 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 the '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 \$	
2016						
Financial Assets						
Cash and Cash Equivalents	2,207,421	2,207,421	-	-	-	-
Receivables						
- Other Receivables	111,240	111,240	-	-	-	-
Other Financial Assets	3,000,000	3,000,000	-	-	-	-
Total Financial Assets	5,318,661	5,318,661	-	-	-	-
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	-	-	-	-

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

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 \$
2016						
Financial Liabilities						
Payables	422,356	422,356	94,757	327,599	-	-
Total Financial Liabilities	422,356	422,356	94,757	327,599	-	-
2015						
Financial Liabilities						
Payables	492,342	492,342	234,044	258,298	-	-
Total Financial Liabilities	492,342	492,342	234,044	258,298	-	-

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 is equal to its 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. The objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

Currency Rate 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 that cash at bank as financial assets can be left at floating rate without necessarily exposing Health Purchasing Victoria to significant negative risk. Health Purchasing Victoria 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 global financial markets. There is an increasing expectation that due to the nature of these investments, 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 \$
2016					
Financial Assets					
Cash and Cash Equivalents	2.00	2,207,421	-	2,207,421	-
Receivables ⁽ⁱ⁾					
- Trade Debtors	0.00	-	-	-	-
- Other Receivables	0.00	111,240	-	-	111,240
Other Financial Assets	2.76	3,000,000	3,000,000	-	-
		5,318,661	3,000,000	2,207,421	111,240
Financial Liabilities					
Payables ⁽ⁱ⁾	0.00	422,356	-	-	422,356
Other Financial Liabilities	0.00	-	-	-	-
		422,356	-	-	422,356
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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Market Risk (continued)

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 the year-end rate of 2.25%
- > A parallel shift of +1% and 1% in inflation rates from the year-end rate of 4.44%

The following table discloses the impact on the 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 \$
2016									
Financial Assets									
Cash and Cash Equivalents ⁽ⁱ⁾	2,207,421	(22,074)	(22,074)	22,074	22,074	-	-	-	-
Other Financial Assets	3,000,000	(30,000)	(30,000)	30,000	30,000	-	-	-	-
	5,207,421	(52,074)	(52,074)	52,074	52,074	-	-	-	-
2015									
Financial Assets									
Cash and Cash Equivalents	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	-	-	-	-

(i) For example, sensitivity of cash and cash equivalents to +1% movement in interest rates:
 $[\$5,207,421 \times 0.02] - [\$5,207,421 \times 0.01] = \$52,074$.

Similarly -1% movement in interest rate impact = \$(52,074).

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

NOTE 17: COMMITMENTS FOR EXPENDITURE

	2016 \$	2015 \$
Capital Expenditure Commitments		
Intangibles	152,483	87,761
Total Capital Expenditure Commitments	152,483	87,761
Not later than one year	152,483	87,761
Later than one year and not later than five years	-	-
Total	152,483	87,761
Other Expenditure Commitments		
IT Services	553,341	718,379
Pool Cars	85,199	79,667
Internal Audit Services	58,960	101,200
Total Other Expenditure Commitments	697,500	899,246
Not later than one year	461,333	371,825
Later than one year and not later than five years	236,167	527,421
Total	697,500	899,246
Lease Commitments		
Operating Leases ⁽ⁱ⁾	457,622	1,121,396
Total Lease Commitments	457,622	1,121,396
Not later than one year	457,622	663,774
Later than one year and not later than five years	-	457,622
Total Operating Commitments	457,622	1,121,396
Total Commitments for Expenditure (inclusive of GST)	1,307,605	2,108,403
Less GST recoverable from the Australian Tax Office	(77,271)	(87,013)
Total commitments for Expenditure (exclusive of GST)	1,230,334	2,021,390

(i) The property lease is a non-cancellable lease and expires on 28 February 2017 with a five-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 2016 (2015: Nil).

Health Purchasing Victoria is not aware of any contingent liabilities as at 30 June 2016 (2015: Nil).

NOTE 19: OPERATING SEGMENTS

Health Purchasing Victoria 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, the functions being procurement and supply chain support for the health sector.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20: EX GRATIA EXPENSES

No ex gratia payments were made during the financial year ended 30 June 2016 (2015:Nil).

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.

	PERIOD
Responsible Ministers	
The Honourable Jill Hennessy, Minister of Health and Minister for Ambulance Services	1/07/2015 - 30/06/2016
Governing Board	
Mr Felix Pintado (Chair)	1/07/2015 - 30/06/2016
Mr Simon Brewin	1/07/2015 - 30/06/2016
Ms Anna Burgess	1/07/2015 - 30/06/2016
Ms Mary Malone	1/07/2015 - 30/06/2016
Dr Robyn Mason	1/07/2015 - 30/06/2016
Ms Teresa Fels	1/07/2015 - 30/06/2016
Mr Paul Slape	1/09/2015 - 30/06/2016
Mr Dale Fraser	1/07/2015 - 30/06/2016
Mr Rohan Fitzgerald	1/07/2015 - 30/06/2016
Mr Geoff Swier	1/07/2015 - 30/06/2016
Accountable Officers:	
Ms Megan Main (CEO)*	1/07/2015 - 23/02/2016
Mr John Fitzgerald (Interim CEO)	24/02/2016 - 30/06/2016

* Ms Megan Main was seconded to the Department of Health and Human Services from 30 June 2015 to 18 December 2015. Ms Eileen Keane was the Acting CEO during this period.

Remuneration of Responsible Persons

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

	2016 NO.	2015 NO.
Income Band		
Nil	5	5
\$0 - \$9,999	0	0
\$10,000 - \$19,999	4	6
\$20,000 - \$29,999	1	1
\$80,000 - \$89,999	1	0
\$110,000 - \$119,999	1	0
\$190,000 - \$199,999	1	0
\$340,000 - \$349,999	0	1
Total Numbers	13	13
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	\$491,338	\$442,189

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au/publications/register-of-interests.

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 of 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	
	2016 NO.	2015 NO.	2016 NO.	2015 NO.
\$50,000 - \$59,999	0	1	0	1
\$80,000 - \$89,999	2	1	2	1
\$90,000 - \$99,999	0	0	0	0
\$100,000 - \$109,999	1	1	1	1
\$140,000 - \$149,999	0	0	1	0
\$160,000 - \$169,999	0	0	0	0
\$170,000 - \$179,999	0	1	0	1
\$180,000 - \$189,999	0	2	0	2
\$190,000 - \$199,999	1	0	1	0
\$200,000 - \$209,999	2	0	1	0
Total Number of Executives	6	6	6	6
Total Annualised Employee Equivalent (AEE) ^(a)	4.16	4.41	4.16	4.41
Total Remuneration	\$871,779	\$790,970	\$817,425	\$784,698

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22: REMUNERATION OF AUDITORS

	2016 \$	2015 \$
Victorian Auditor-General's Office		
- Audit and Review of Financial Statement	24,150	17,650
- Internal Audit Services	36,800	67,061
Total Remuneration of Auditors	60,950	84,711

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 2016. Health Purchasing Victoria has:

- > A deficit from ordinary activities of \$0.33 million for the year ended 30 June 2016 (surplus of \$1.35 million for the year ended 30 June 2015).
- > A working capital surplus of \$3.37 million as at 30 June 2016 (\$3.54 million as at 30 June 2015).

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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