

The logo for Health Purchasing Victoria, featuring a purple triangle pointing downwards above the text "HEALTH PURCHASING VICTORIA" in white, which is set against a dark green horizontal bar.

HEALTH PURCHASING VICTORIA

# ANNUAL REPORT 2016–17

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



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Front cover: HPV Chief Executive Elaine Ko at work.

# REPORT FROM HPV BOARD CHAIR AND CHIEF EXECUTIVE

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In 2016–17, Health Purchasing Victoria (HPV) increased its focus on collaboration with Victoria's public health services and hospitals, as well as suppliers, in advancing safe, affordable and sustainable healthcare for all Victorians.

At 30 June 2017, HPV exceeded its targeted objective to reach \$915 million of spend under contract – including sourcing in progress. This reflects HPV's partnership with Victoria's public health services, together with improved procurement practices and efficiencies, to better support them in enhancing their collective procurement opportunities.

Throughout the year, HPV implemented a series of pilot projects to improve its value in supporting local sustainability objectives and regional suppliers. HPV embedded a locally-based regional procurement professional to assist South West Healthcare in demonstrating the benefits of cluster sourcing to improve local outcomes.

A HPV spend data and analysis project in 2016–17 helped drive increased visibility of health service spend and identify procurement collaboration opportunities. This initiative is a solid base for HPV's work to tailor this information and better meet health service needs.

In 2016 HPV conducted its most successful supplier briefing featuring keynote speaker Dr Stephen Duckett, author of the Victorian Government's review of hospital safety and quality assurance, whose outcomes are a key driver of HPV's focus on clinical engagement and redefining value to support optimal patient outcomes.

A key achievement this year has been the creation of a customer engagement division within HPV in response to stakeholder feedback. The team comprises field-based customer relationship managers supported by a dedicated health services helpdesk and was well-received, with the helpdesk achieving 100% customer satisfaction results in an early survey.

The customer engagement team has also supported health services in their first year of requirements under the new Health Purchasing Policies and HPV's compliance framework, strengthening our approach to ensuring health service probity under the *Health Services Act 1988*.

The HPV customer engagement team had also assisted health services on a range of issues including the roll-out of a new Victorian Government Supplier Code of Conduct to foster ethical procurement.

Internally, HPV has enhanced its internal capability with the launch of the HPV LEAD leadership program initiative offering extensive on-site learning.

We acknowledge and value the collaborative efforts of Victoria's health services and hospital staff, together with the suppliers of critical products and services, who have worked closely with the HPV team throughout the year. This support has been particularly invaluable across HPV's strategic sourcing program and in assisting us to establish the new customer engagement team. Their help has been key to HPV's success over the past 12 months.

We also acknowledge the commitment and contribution of key stakeholders in 2016–17: the Minister for Health and Minister for Ambulance Services, the Hon. Jill Hennessy MP; the Department of Health and Human Services, and other stakeholders from the government and health sectors.

We are also grateful to outgoing Board members Ms Mary Malone and Mr Simon Brewin, whose terms concluded at 30 June 2017 after six and nine years of service respectively. Their dedication and hard work has been immeasurable in contributing to our success this year.

Finally, we would like to thank the clinical, procurement and supply chain experts, many from health services, who participated in HPV's Executive and Product Reference Groups, as well as Victoria's public health sector suppliers, HPV's Board and Committee members, and our own dedicated staff. Their collaborative effort is helping transform the organisation to deliver increased value to health services and improve patient outcomes.

# REPORT FROM HPV BOARD CHAIR AND CHIEF EXECUTIVE

## 2016–17 FINANCIAL BENEFITS ACHIEVED FOR THE HEALTH SECTOR AS AT 30 JUNE 2017

### 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 further opportunities identified to generate additional cost reduction by analysing better-value products or services on the contract.

In 2017–18, HPV will revise the measurement methodology used to quantify health service benefits, in line with HPV’s five-year procurement strategy. This strategy focuses on expanding the definition of value ‘benefits’ beyond cost reduction to include patient-focused outcomes such as improved clinical results or a more efficient supply chain.

## 2016–17 FINANCIAL BENEFITS ACHIEVED FOR VICTORIA’S PUBLIC HEALTH SECTOR

**\$914.7m**

Total Value under HPV contract

**\$30.4m**

Cost Reduction

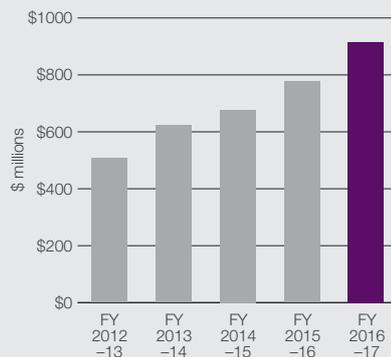
**\$16.5m**

Further Opportunity

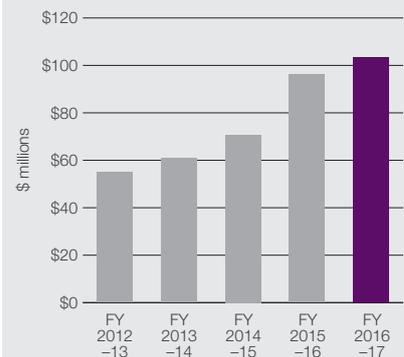
**\$56.4m**

Cost Avoidance

**Total value under HPV contract for the past five years**



**Total financial benefits for the past five years**



## KEY HIGHLIGHTS

93.3%



Percentage of mandated health services to have successfully implemented the HPV Health Purchasing Policies in 2016–17, enhancing their expenditure visibility, procurement governance and sourcing outcomes.

80%



Percentage of health services to have engaged with HPV's online e-sourcing solution, helping them manage their procurement, contracts and suppliers.

36



Number of non-mandated health services that have opted in to HPV's collective contracts at 30 June 2017 – a 20% increase compared to 2015–16.

82%



Percentage of HPV employees to have engaged with the Victorian Public Sector Commission's People Matter Survey.

350



Number of health services personnel to have completed HPV's online probity training.

315,000



Number of items in the Victorian Product Catalogue System at 30 June 2017, up from 310,000 in 2015–16 and 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 2017.



*Felix Pintado*

**Felix Pintado**  
Chair

Melbourne  
17 August 2017



*Elaine Ko*

**Elaine Ko**  
Chief Executive

Melbourne  
17 August 2017

# 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 by achieving 'best value' outcomes in the procurement of health-related goods, services and equipment. HPV works closely with health services to achieve high-performing health supply chains.

## OBJECTIVES

Advancing safe, affordable and sustainable healthcare for all Victorians, HPV works in partnership with Victoria's public health services and hospitals to understand their requirements and support high-quality patient outcomes. HPV facilitates strategic procurement and manages 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'S STRATEGIC GOALS FOR 2017-18

HPV's 2017-18 business plan focuses on the following key strategic goals:

- Deliver best-value healthcare outcomes
- Increase customer engagement
- Support procurement and probity practice improvement
- Improve the integrity and availability of the information used to drive supply chain decisions
- Enhance capability and capacity.

## OUR VALUES

HPV's growth is guided by the following values:

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

# 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 2016–17 was as follows:

### MR FELIX PINTADO (Board Chair, Chair of Board Executive)

*FCHSM, Certified Health Executive (CHE), FAIM, MAICD, MHA, GDHSM, DipEd, BTheol*

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 most respected aged care and senior living providers. Felix previously held executive positions in specialist and general hospitals in Victoria and New Zealand.

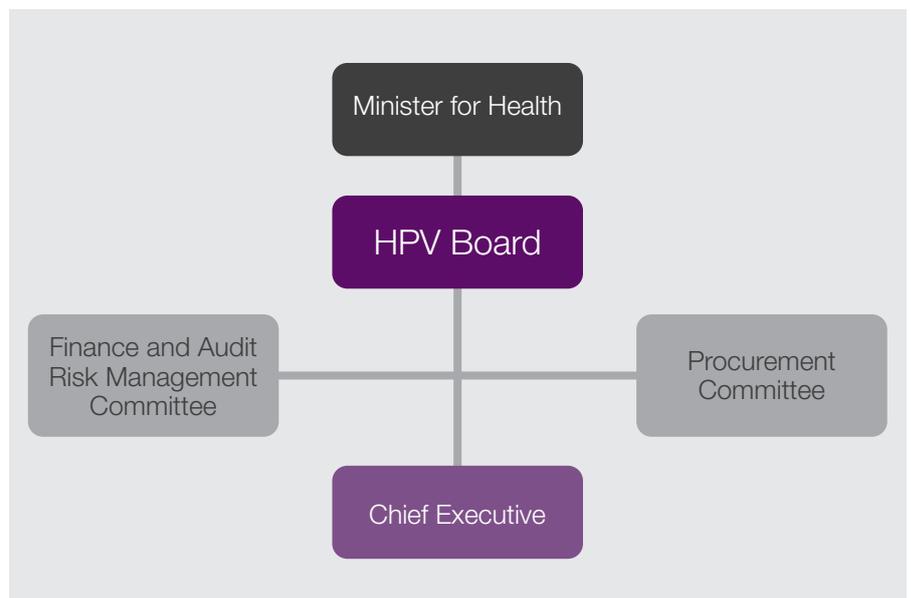
Felix holds a Master of Health Administration, a Bachelor of Theology and a Diploma of Education. He is a Fellow of the Australian Institute of Management and of the Australasian College of Health Service Management. In 2014, Felix was appointed Honorary Consul of the Republic of The Philippines in Victoria.

### 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. Anna is currently Director Cancer, Specialty Programs, Medical Research and International Health in the Health and Wellbeing Division of the Department of Health and Human Services.

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 Director of the Budget Division of the Department of Treasury and Finance.

Teresa’s career at the Department of Treasury and Finance spans the Budget Division, with responsibility for Department of Health and Human Services 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

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### MR DALE FRASER

*MBA, FCPA, BBus, 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. During this time, Dale has held senior executive roles primarily in finance, and also has extensive experience in managing clinical care services.

Dale holds a Master of Business Administration and is a graduate of the Department of Health and Human Services' Executive Link program.

### 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.

### DR ROBYN MASON (Chair of Procurement Committee)

*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 roles as 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 a 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 MARK PERICA

*BJuris, LLB MA, LLM*

Appointed to the HPV Board in July 2016, Mark has practised as a lawyer specialising in labour law for 30 years. Mark has practised in Western Australia and Victoria, has appeared in most Australian jurisdictions, and in international forums creating and enforcing international labour rights.

Over his career Mark has held directorships in industry super funds and community organisations and has advised on matters of corporate governance, risk management, and compliance.

### MR PAUL SLAPE

Appointed to the HPV 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, Paul was Chairman of the Victoria Grants Commission. Currently, he consults to local government authorities on the investigation and mediation of complex human resources 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, Trustpower (NZ) Ltd, and Tilt Renewables, 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 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 2016–17

There were 10 Board meetings held between 1 July 2016 and 30 June 2017.

BOARD MEMBER	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Felix Pintado (Chair)	10	9
Mr Simon Brewin*	10	8
Ms Anna Burgess	10	10
Ms Teresa Fels	10	7
Mr Dale Fraser	10	8
Ms Mary Malone*	10	9
Dr Robyn Mason	10	7
Mr Mark Perica	10	8
Mr Paul Slape	10	8
Mr Geoff Swier	10	8

\* The HPV Board acknowledges the contribution of outgoing Board members Ms Mary Malone and Mr Simon Brewin, whose terms concluded at 30 June 2017 after six and nine years respectively.

## BOARD SUB-COMMITTEES

The following Committees provided advice to the HPV Board during 2016–17:

### BOARD EXECUTIVE

**Chair:** Mr Felix Pintado

**Members:** Mr Simon Brewin, Ms Anna Burgess, 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.

### FINANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

**Chair:** Ms Mary Malone (Independent)

**Ex Officio:** Mr Felix Pintado (HPV Board Chair)

**Members:** Mr Dale Fraser (CEO regional hospital), Mr John Nolan (independent), Mr Lynton Norris (independent), Mr Mark Perica (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 and 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:** Ms Kim Bennetts (appointed August 2016), Mr Mark Berryman, Mr Simon Brewin, Ms Anna Burgess, Mr Brendan Coulton (appointed August 2016), Mr Jim Kirkup, Mr Joe Neill, 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

### RISK MANAGEMENT

Risk management is an important and fundamental component of HPV's governance system. HPV is committed to embedding and integrating a risk management philosophy into the organisation's practices and culture so that risk becomes everyone's business.

HPV's risk management framework integrates all foreseeable risks, including financial, health and safety, and environmental, and is based on best practice principles outlined in the International Standards Organisation (ISO) 31000: 2009, Risk management – Principles and guidelines.

The framework applies to all HPV staff and describes HPV strategy and assists HPV to effectively

identify, assess and manage its risks through the application of risk management policies and procedures. Risk information is reported and used as a basis for decision-making and accountability at all levels.

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 internal auditors RSM, and reviewed each quarter by HPV to ensure potential or emerging risks are captured.

HPV last significantly reviewed and updated the risk management framework in 2015, introducing a risk management software tool to assist in identifying, managing and addressing internal audit findings and complaints.

In addition, all HPV risk policies are reviewed annually. To support enhanced employee awareness and understanding of risk management in the key areas of fraud and corruption, occupational health and safety, and appropriate workplace behaviours, HPV has an internal e-learning system in place.

All HPV employees, including part-time and contract staff, are required to complete this training. HPV has achieved a consistently high pass rate 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 annual opinion as to the financial report of HPV. VAGO's opinion is enclosed within this Annual Report.

### ADDITIONAL INFORMATION AVAILABLE ON REQUEST

Consistent with FRD 22H (Section 6.19), the report of operations confirms that details in respect of the items listed below have been retained by Health Purchasing Victoria and are available to the relevant Ministers, Members of Parliament and the public on request, subject to Freedom of Information requirements as applicable:

- (a) Declarations of pecuniary interests have been duly completed by all relevant officers
- (b) Details of shares held by senior officers as nominee or held beneficially
- (c) Details of publications produced by the entity about itself, and how these can be obtained
- (d) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- (e) Details of major promotional, public relations and marketing activities undertaken by the health service to develop community awareness of the health services and its services.

### FINANCIAL MANAGEMENT COMPLIANCE FRAMEWORK

The Standing Directions of the Minister for Finance (2016 Directions) replaced the 2003 Directions on 1 July 2016. Under Direction 3.7.1, HPV is required to provide an annual attestation of compliance with risk management and insurance requirements in its Annual Report.

As at 30 June 2017, HPV is compliant with the 2016 Directions established by the Minister for Finance which are reviewed annually as part of the internal audit plan. The internal audit review included ensuring the adequacy of processes and controls to support the attestation.

### 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 June 2017.

# 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 2016–17.

2016–17 DELIVERABLES	KEY ACHIEVEMENTS
<b>STRATEGIC OBJECTIVE 1: Increase the benefit to Victoria’s health sector from collective procurement of goods and services</b>	
Achieve financial benefits of \$82 million in 2016–17.	<b>Achieved.</b> Financial benefits of \$103 million achieved as at 30 June 2017, including \$30 million in cost reduction.
Achieve a total spend under HPV influence of \$903 million including sourcing in progress at 30 June 2017.	<b>Achieved.</b> The total value under contract is at \$915 million at 30 June 2017, exceeding the target by \$12 million or 7.3%.
Engage five new non-mandated entities to access HPV agreements.	<p><b>Achieved.</b> Six new non-mandated health services were able to secure an executed HPV Access Deed in 2016–17:</p> <ul style="list-style-type: none"> <li>➤ Gippsland Lakes Community Health</li> <li>➤ Castlemaine District Community Health</li> <li>➤ Euroa Health (bush nursing service)</li> <li>➤ Northern District Community Health Service</li> <li>➤ Harrow Bush Nursing Centre</li> <li>➤ Otway Health.</li> </ul> <p>There are 15 new non-mandated entities at the evaluation stage, and three non-mandated health services have been granted an extension of their scope of access.</p>
Deliver health services Helpdesk customer service at a 90% response rate.	<p><b>Partially achieved.</b> The average closure rate for ticketed queries is 86% within two weeks and 97% within four weeks. The response rate was affected by the inclusion of queries on contract variation and access to HPV contracts which take longer to close.</p> <p>100% of queries are acknowledged within 24 hours and 97% of priority queries are addressed within three business days.</p>
Achieve 90% (supplier) and 80% (health service) adoption of Recall Health live status.	<b>Partially achieved.</b> HPV achieved a 91% supplier adoption rate for Recall Health. 78% of health services are currently live on Recall Health, equating to 96% of mandated health services.
<b>STRATEGIC OBJECTIVE 2: Achieve economies of scale in equipment procurement</b>	
Achieve cost reduction target of \$2 million through group buy activity.	<b>Achieved.</b> By 30 June 2017 a \$2.7 million cost reduction was achieved through ‘group buy’ activity.
<b>STRATEGIC OBJECTIVE 3: Drive measurable end-to-end supply chain efficiency</b>	
Develop a sector consultation paper on the proposed approach to implementing the procurement governance and collective sourcing element of supply chain reform.	<b>Achieved.</b> Sector-wide consultation was conducted in April–May 2017 through Chief Procurement Officer (CPO) forums as part of the Procurement Strategy development. The recommendation to implement procurement governance groups across the sector was endorsed in the Procurement Strategy approved in June 2017.

# STRATEGIC OBJECTIVES PERFORMANCE SUMMARY

2016-17 DELIVERABLES	KEY ACHIEVEMENTS
<b>STRATEGIC OBJECTIVE 3: Drive measurable end-to-end supply chain efficiency</b>	
Develop a set of business requirements to deliver a common purchasing and logistics technology solution.	<p><b>Achieved.</b> Requirements have been gathered and finalised for a high-level design for both an order delivery hub and a catalogue technology concept. Specific requirements have also been gathered for a warehouse management system.</p> <p>All have been included in the Request For Proposal (RFP) finalised in December 2016.</p>
Develop a strategy for the opt-in roll-out of an online e-sourcing platform across the sector.	<p><b>Achieved.</b> Licence agreement approved by the HPV Board and Supply Chain Reform Steering Committee. HPV is currently working with committed partners Melbourne Health and Northern Health to plan implementation, and a regional approach is being investigated for the South West and Gippsland.</p> <p>80% of health services have been presented the online e-sourcing solution as a recommended system to manage procurement, contracts and suppliers. A promotional campaign to increase interest in the e-sourcing solution has included demonstration websites and presentations at Chief Procurement Officer forums and metro health services.</p>
Develop a business case for purchasing and logistics technology implementation at Melbourne Health with recommended technology provider(s), representing a state-wide solution.	<p><b>Achieved.</b> HPV has developed a business case and is in discussion with the Department of Health and Human Services.</p>
<b>STRATEGIC OBJECTIVE 4: Support procurement and probity practice improvement</b>	
Engage with 26 health services to ensure Compliance Audit reports are completed and submitted.	<p><b>Achieved.</b> All 26 health services have been notified of audits and HPV has commenced engagement with health services to offer assistance and guidance as required.</p>
Develop, promote and implement the new communications strategy.	<p><b>Achieved.</b> A new HPV Communication Strategy commencing in 2017 has been endorsed by the HPV Board. The strategy focuses on enabling effective communication of HPV's strategic objectives, enhancing HPV's external positioning and stakeholder engagement, and improving internal capability to deliver a professional communications function.</p>
Online probity training to be completed by 300 health service staff.	<p><b>Achieved.</b> As at 30 January 2017 approximately 350 health service employees have completed training.</p>

2016–17 DELIVERABLES

KEY ACHIEVEMENTS

**STRATEGIC OBJECTIVE 5: Improve the integrity and availability of the information used to drive supply chain decisions**

Develop a set of business requirements for a common catalogue and associated policy.	<b>Achieved.</b> Definition of attributes and proposal stakeholder consultation occurred in January 2017. Catalogue Policy Phase 1 was approved by the Project Board in May 2017.
Improve digital records and Public Record Office Victoria (PROV) compliance through establishment of SharePoint.	<b>Partially achieved.</b> 12 months' worth of HPV documents has been migrated to the new SharePoint environment. Two HPV divisions are yet to be migrated.  Work to ensure document categorisation to meet data classification standards and enable compliance to PROV standards continues.

**STRATEGIC OBJECTIVE 6: Build capability and capacity**

Implementation of Strategic Plan for 2017–20 completed.	<b>Partially achieved.</b> Draft strategic plan in development and aligned with the HPV Board-endorsed Procurement and Customer Engagement Strategy. The final strategic plan is expected by October 2017.
Achieve a sustainability ratio (working capital) of two.	<b>Achieved.</b> The year-to-date sustainability ratio as at 30 June 2017 is 2.
100% of health services provided with customised benefits report.	<b>Achieved.</b> During 2016–17, all health services were provided with a customised benefits report for consumables, services and equipment.  This provision is extended to include the health service contribution to HPV's value under contract.
Achieve a 5% increase in employee engagement, measured by the Victorian Public Sector Commission (VPCS) survey result.	<b>Partially achieved.</b> HPV achieved a 70% engagement index on the VPSC survey in 2017, reflecting a 3% increase on last year's index score of 67%.  HPV also implemented a 'temperature check' survey; last quarter results indicate a 71% engagement index score, an improvement of more than 5%.

**FUTURE DIRECTION**

In order to deliver more for Victoria's public health services, HPV's five-year strategy for 2017–22 focuses on redefining its value proposition beyond cost reduction.

HPV is expanding its focus across five key areas:

- > Improved stakeholder engagement and customer service
- > Redefining the value HPV delivers to health services by improving clinical engagement and outcomes, increasing internal efficiency and productivity, and enhancing patient care
- > Improving the integrity and availability of health sector data to support improved patient outcomes and continue to drive a best-value supply chain
- > Providing ongoing support for health service probity and compliance
- > Enhancing capability and capacity.

# ATTESTATIONS

## ATTESTATION FOR COMPLIANCE WITH THE MINISTERIAL STANDING DIRECTION 3.7.1

### COMPLIANCE WITH AUSTRALIAN/ NEW ZEALAND RISK MANAGEMENT STANDARD

I, Elaine Ko, certify that Health Purchasing Victoria has complied with the Ministerial Standing Direction 3.7.1 – 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

17 August 2017

## 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 reflect 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

17 August 2017

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) DISCLOSURE

Consistent with FRD 22H (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.

(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 capability, usually run as projects.

The total ICT expenditure incurred during 2016–17 is \$4.73 million (excluding GST) with details shown below:

BUSINESS AS USUAL (BAU) ICT EXPENDITURE (TOTAL) (EXCLUDING GST)	NON-BUSINESS AS USUAL (NON-BAU) ICT EXPENDITURE (TOTAL = OPERATIONAL EXPENDITURE AND CAPITAL EXPENDITURE) (EXCLUDING GST)	TOTAL OPERATIONAL EXPENDITURE (EXCLUDING GST)	TOTAL CAPITAL EXPENDITURE (EXCLUDING GST)
\$3.04 million	\$1.69 million	\$0.55 million	\$1.14 million

# COMPLIANCE

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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 ACT 1982**

HPV complies with all sections of the Victorian *Freedom of Information Act 1982*. Two requests for information under the Act were received in 2016–17.

## **PROTECTED DISCLOSURE ACT 2012**

There were no matters referred to the Independent Broad-based Anti-corruption Commission (IBAC) under the *Protected Disclosure Act 2012*. IBAC is a public body that can receive and investigate protected disclosures. Information on 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 tenancy arrangement, third-party contracts implemented by ISPT Facilities Management are in place to maintain and test all essential safety measures to ensure compliance with relevant regulations. 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 to the community of the restriction as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

HPV 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.

## **VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003**

HPV remains committed to pursuing procurement outcomes that provide local industry with fair opportunity to compete against foreign suppliers.

During 2016–17, HPV commenced work on 12 categories that were subject to Victorian Industry Participation Policy (VIPP) principles. These categories totalled approximately \$490 million in value, excluding GST.

Each category was lodged with the Industry Capability Network (ICN). No categories required VIPP plans to be submitted, and HPV continues to uphold the VIPP principles. Five categories were provided by mostly local suppliers and involved limited contestability; seven categories were for medical devices for which there is no local manufacturing and limited contestability. These categories were panel listed with an average local content commitment of 40% through logistics and support.

During 2016–17, HPV completed 39 state-wide contracts across 10 categories to which VIPP principles applied. One of these contracts, which commenced after the ICN contestability assessments were introduced, was 100% local in nature. The remaining contracts have been running for a number of years and commenced before the introduction of the ICN contestability assessments for procurement. Three categories did not generate any contracts with a value of more than \$3 million in the metro region or over \$1 million in regional areas.

Of the remaining six categories, one was mostly local in nature with more than 90% local content achieved. The remaining categories involved primarily imported products with local content between 12% and 45% achieved. Across all completed contracts 1,895 existing jobs have been retained in 2016–17 and 35 new jobs created.

# HPV ANNUAL COMPLIANCE STATEMENT

## HPV'S PURCHASING POLICY AND COMPLIANCE FRAMEWORK

HPV has functions under the *Health Services Act 1988* (Vic) to develop and implement policies and practices to promote best value and probity, and to monitor the compliance of Schedule 1 and 5 'mandated' health services to the policies. HPV also has a role to ensure that probity is maintained in public hospitals' purchasing, tendering and contracting activities.

The HPV Policy Compliance Framework outlines HPV's approach to monitoring compliance and supporting health services to implement the HPV Health Purchasing Policies that became effective on 26 June 2016.

Amendments to the HPV policies were published in the *Victoria Government Gazette* on 25 May 2017 to ensure their continued alignment to Victorian Government Purchasing Board policies, and to emphasise the importance of health services in ensuring probity in their procurement functions and the confidentiality of commercially sensitive information. The amendments include a new requirement for mandated health services to attest their compliance to the HPV policies in their annual report of operations.

Core to HPV's Policy Compliance Framework is a three-year rolling audit program which commenced in the 2016–17 financial year, with a third of mandated health services required to complete an audit to HPV's policies each year and report the outcomes to HPV.

To support health services in improving their compliance with the HPV policies and ensure probity in their procurement functions, HPV delivered online probity training to 350 procurement, clinical, operational and executive health service staff in 2016–17, and launched its new face-to-face probity training series. HPV also developed a new suite of documents and guidance to support health services in understanding core policy and probity requirements.

## ANNUAL COMPLIANCE SELF-ASSESSMENT

### MANDATED POLICY COMPLIANCE

Mandated public hospitals and health services are required to comply with the HPV Health Purchasing Policies. For 2015–16, 100% of health services confirmed they had transitioned to the new reporting framework effective from 26 June 2016. For the 2016–17 period, health services were asked to self-assess their compliance with the five policies.

While compliance levels are high, the results identify the following areas for improvement:

- > **Procurement governance:** establishment of a governance framework including clearly defined roles and responsibilities; adequacy of policies, procedures and documentation; and systems in place for monitoring and reporting.
- > **Procurement strategic analysis:** undertaking complexity assessments for procurement activities, ensuring appropriate capability to manage procurements, and determining the approach to market.
- > **Market approach:** inconsistent catalogue management; consistent and well-documented sourcing processes; gaps in invitation to supply documentation; inadequate systems to support sourcing processes.
- > **Contract management and asset disposal:** issues in purchasing processes including lack of interdepartmental training; inadequate purchasing and contract management systems; catalogue management; monitoring of contract performance; use of non-HPV contracted suppliers; monitoring of contract performance.
- > **Collective purchasing:** gaps in reporting and compliance requirements; use of non-HPV contracted suppliers; exemptions not sought where required; non-compliance due to interdepartmental spend.

STATUS	POLICY 1 – PROCUREMENT GOVERNANCE (%)	POLICY 2 – PROCUREMENT STRATEGIC ANALYSIS (%)	POLICY 3 – MARKET APPROACH (%)	POLICY 4 – CONTRACT MANAGEMENT AND ASSET DISPOSAL (%)	POLICY 5 – COLLECTIVE PURCHASING (%)	TOTAL COMPLIANCE TO HEALTH PURCHASING POLICIES
Compliant	89.3%	93.3%	96.0%	92.0%	96.0%	93.3%
Non-compliant	10.7%	6.7%	4.0%	8.0%	4.0%	6.7%

## MANDATED CONTRACT COMPLIANCE

Mandated health services' compliance with HPV contracts is slightly lower compared to 2015–16. The slight increase in non-compliance reflects efforts by HPV's Compliance and Customer Engagement (CE) teams working with health services to ensure the correct identification and reporting of compliance levels for each HPV contract and policy. Health services have also expressed concern about their ability to transition within the timeframes for HPV collective agreements. HPV's CE team continues to work with health services to become compliant.

The following trends are observable in the non-compliance issues reported:

- Suppliers' lack of capacity to deliver as contracted
- Health service preference for regional suppliers, especially for service-oriented agreements
- Regional imperatives to support regional jobs
- Delays transitioning to HPV contracts resulting from required change management timeframes
- Ad hoc purchases off-contract to meet hospital priorities and timeframes, or due to a need for enhanced inter-departmental compliance training
- Resourcing challenges for smaller regional health services
- Inadvertent non-compliance due to error, resourcing issues or lack of data transparency
- Difficulties in maintaining non-contracted spend under allowable contracted thresholds due to devolved purchasing processes, clinical preferences, and/or lack of data transparency
- Lack of clinical input at reference group stage resulting in items omitted from contract
- Existing agreements with non-HPV suppliers or novation of existing agreement after HPV contract awarded.

STATUS	2015–16 TOTALS*	2015–16 (%)	2016–17 TOTALS*	2016–17 (%)
Compliant	2,843	97.5%	2,801	97.0%
Non-compliant	53	2.0%	73	2.5%
Exemption	13	0.5%	14	0.5%

## NON-MANDATED CONTRACT COMPLIANCE

Compliance levels for non-mandated customers accessing HPV contracts is high. The increased compliance in 2016–17 reflects the greater number of non-mandated health services accessing HPV contracts from 30 non-mandated health services in 2015–16 to 36 entities at 30 June 2017. The few instances of non-compliance relate to ad hoc supply issues and delays in transitioning to HPV contracts.

STATUS	2015–16 TOTALS*	2015–16 (%)	2016–17 TOTALS*	2016–17 (%)
Compliant	118	98.3%	144	97.3%
Non-compliant	2	1.7%	4	2.7%

\* Please note the figures for mandated and non-mandated contract access exclude 'not applicable' totals, where an HPV collective agreement is not applicable to a health service or where a health service has not required an HPV contract in the current reporting period.

# MANAGEMENT AND ORGANISATION

## MS ELAINE KO

*BSc, BEng, MBA, GAICD*

### Chief Executive

(Appointed August 2016)

Elaine Ko brings 16 years of senior leadership experience in international supply chain and strategic sourcing management across the Asia-Pacific.

Elaine has held senior roles in fast-moving consumer good companies Mondelez International and Kraft Foods, delivering significant product growth and world-class sourcing strategies. This success has yielded 180-degree improvements in customer service, substantial cost reductions, and increased stakeholder collaboration.

With experience at senior management and board level, Elaine has expertise across the entire integrated supply chain, as well as in marketing and strategic sourcing disciplines.

Elaine holds a Masters of Business Administration, degrees in Manufacturing Engineering (Hons) and Science, and is a graduate of the Australian Institute of Company Directors.

## 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 an 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 SASHA MCCALLUM

*BBus, CA, GAICD*

### Director Customer Engagement

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 DELINAOU

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

### Director Finance, Risk 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 Healthcare Financial Management Association supporting professional development within the health sector.

## MR ROB SETINA

*B.Com, LLB, Grad Dip (Applied Finance), MBA, AAICD*

### Director Data and Systems

Rob is a senior IT manager with over 15 years of consulting experience with Accenture, responsible for business development, solution architecture and delivery.

Most recently IT program manager at Telstra, Rob oversaw the delivery of more than 10 IT projects simultaneously. Rob holds bachelor degrees in Commerce and Law, a graduate diploma of Applied Finance and an executive MBA, and is also an affiliate of the Australian Institute of Company Directors.

## MS ANGELA MALONE

*DipAppSc, Cert Training&Assessment,  
Cert OHPrac, Lean Six Sigma Green Belt*

### Director People and Culture

Angela joined HPV in March 2014 following an extensive career in human resources and industrial relations management. Angela's recruitment and consulting experience includes senior roles

across the commercial and not-for-profit sectors, including as Human Resources Manager at Ford Australia's Melbourne head office.

Across her career, Angela has a consistent record of success in working closely with management and other stakeholders to develop and implement effective human resource solutions. Angela's

collaborative approach, strong business acumen and focus on strategic HR planning, often in complex and challenging environments, has been key to organisations achieving their business objectives.

Angela has qualifications in Applied Science, and has completed a range of management programs and Six Sigma Green Belt accreditation.

## ORGANISATION CHART

The following chart details HPV's key organisational structure which comprises the following divisions: Office of the Chief Executive, Procurement and Value Delivery, Customer Engagement, Data and Systems, Finance, Risk and Governance, and People and Culture.



\* Following an organisational review in July 2017, the Supply Chain Reform function is now restructured into the Procurement and Value Delivery and Data and Systems divisions.

\* Ms Eileen Keane resigned from HPV in July 2017.

# OUR PEOPLE: HUMAN RESOURCES AND DEVELOPMENT

## WORKFORCE DATA

During 2016–17, an additional 14 employees joined HPV, and as at 30 June 2017, 90 people were employed by HPV. This marks an 18% increase in the headcount for the 2016–17 year. A summary of HPV’s workforce composition is detailed below.

	FY AVERAGE 2015–16	FY AVERAGE 2016–17	JUNE 2016	JUNE 2017	JUNE 2016	JUNE 2017
	FULL-TIME EQUIVALENT		FULL-TIME EQUIVALENT		HEAD COUNT	
Full-time	69.6	78.7	73.0	86.2	73	87
Part-time	2.3	2.1	1.8	1.7	3	3
Agency/casual	8.2	9.6	14.5	11.1	17	13
<b>Total full-time employees</b>	<b>80.1</b>	<b>90.3</b>	<b>89.3</b>	<b>99</b>	<b>93</b>	<b>103</b>

## SECONDMENTS

HPV continues to engage secondees from across Victoria’s metropolitan and regional hospitals as part of its focus on strengthening health service links. In 2016–17, HPV’s secondment benefits include improved health service relationships, enhanced clinical expertise and deep capability in the areas of strategic sourcing, supply chain, and stakeholder management to support HPV’s operational environment.

As well as appointing expert secondees, HPV participated in the Health Finance Graduate Program in 2016–17. Funded by the Department of Health and Human Services in partnership with consulting firm EY, HPV hosted a graduate intern from January to June 2017, providing practical experience and high-quality learning opportunities to help build the capacity and expertise of Victoria’s health sector finance workforce.

## OCCUPATIONAL HEALTH AND SAFETY

HPV is proactive in supporting occupational health and safety (OH&S) initiatives through its employee-focused 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.

### 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 2016–17, reflecting HPV employees’ proactive approach to OH&S matters.
b) The number of ‘lost time’ standard claims for the year per 100 full-time equivalent employee members	Not applicable. There were no ‘lost time’ standard claims reported in the 2016–17 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 2016–17 year is \$0 as there were no claims during the reporting period.
d) A minimum of two years’ data on these indicators and explanations for significant variations from one year to the next	Between 2013–14 and 2016–17, there were no claims during the reporting period.
e) In the event of a fatality, a discussion of the circumstances that led to the fatality and the preventative 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.

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## CARERS' RECOGNITION ACT 2012

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 supporting a culture of diversity and respect for all employees in the workplace. 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) reflect this commitment, and recognise 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. The DAP includes measurable targets to assess and report on the effectiveness and/or progress towards our workplace inclusion targets.

The DAP was reviewed by the Victorian Government Office for Disability and has been updated in 2016–17 to ensure all criteria meet current legislative requirements.

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

- The annual accessibility audit of HPV's office floor and Casselden premises has been completed.
- HPV commissioned an independent audit of HPV's website accessibility to provide an indication of HPV's compliance with requirements of the

W3C Web Content Accessibility Guidelines Version 2.0 (WCAG2), Level AA; the audit confirmed HPV's revised website to be launched in 2017 will conform to the AA rating.

The Disability Action Plan has been lodged and registered with the Australian Human Rights Commission, and is available on the HPV website.

## OCCUPATIONAL VIOLENCE

HPV reports nil occupational violence incidents for the 2016–17 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 2016–17 to ensure all appropriate legislative obligations are referenced and all applicable entitlements have been included in the best interest of HPV employees.

## PEOPLE MATTER SURVEY

HPV participated in the Victorian Public Sector Commission (VPSC) People Matter Survey 2017 with an 82% response rate from HPV employees.

HPV has again taken the opportunity to use the survey results to better understand employee views in order to make the organisation a better place to work, with a key finding being that the engagement index increased from a satisfaction rate of 67% in 2016 to 70% in 2017.

Results reflect an upward trend for most indicators compared to the 2016 survey, most visibly in areas relating to the provision of strategic direction, communication, and human rights and responsibilities.

The survey also indicated areas of continued focus for HPV. These include: motivating and inspiring employees to achieve objectives, recognising achievements and accomplishments, and employee engagement.

The results confirm that continuing implementation of HPV's human resources strategic initiatives is vital to support ongoing improvements in employee capability and our capacity to deliver on our business objectives.

## LEARNING AND DEVELOPMENT

During 2016–17, HPV successfully introduced HPV LEAD, a two-year leadership initiative framework as part of its learning and development strategy. The focus of the internal management program aims to build leadership capability for HPV's employees to enable the effective delivery of HPV's Strategic Plan 2012–2017, principally Strategic Goal 6: Build Capability and Capacity.

HPV employees have successfully completed HPV LEAD Module 1, the first of eight consecutive, integrated modules designed to meet HPV's strategic requirements in accordance with best-practice adult learning methodologies.

Managers and employees reported high levels of engagement in module activities, and see positive influences for HPV as a whole, while implementing continuous improvement initiatives to increase employee engagement, workshop effectiveness and skills development.

# 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 are 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:

- > 4.5-star NABERS Energy base building certification
- > 3.5 star NABERS Water certification
- > 5-star Green Star – Office Design v3 certified 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 Energy base building certification 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, which includes online training to improve tenant understanding of waste recycling activities. Individual tenancy waste volumes and data for the percentage of materials that are recycled are currently not available for reporting.

Recycling collections occur for:

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

In addition, recycling company Close the Loop collected and recycled 10.0 kg of HPV's printer consumable waste in 2016–17.

### PAPER USE

HPV commenced tracking its office paper use via printer data in 2015–16. For the current reporting period, 364 reams of A4-equivalent copy paper were used, which equates to 3.5 reams per full-time equivalent employee.

	A4-EQUIVALENT COPY PAPER USAGE (REAMS)	NUMBER OF REAMS USED PER FULL-TIME EQUIVALENT EMPLOYEE
2015–16	683	9.1
<b>2016–17</b>	<b>364</b>	<b>3.5</b>

All A4 paper used by HPV comprises 100% recycled content which is processed chlorine-free under the ISO 14001:2004 Environmental Management System. It is also certified under the Programme for the Endorsement of Forestry Certification.

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 Water rating and provides onsite sewage processing, and high-efficiency water fixtures and fittings.

### TRANSPORTATION

HPV's office location is readily accessible by public transport. The Casselden office building also provides excellent facilities to support employee commuter cycling.

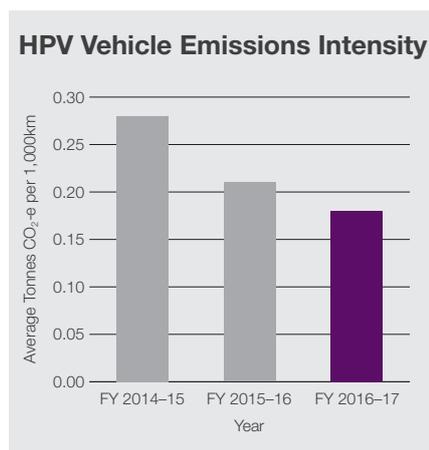
HPV provides web-based video-conferencing capability, allowing for remote access to meetings, particularly for regional stakeholders.

As at 30 June 2017, HPV has a fleet comprising 13 vehicles, including seven used for customer engagement activity, for which it monitors fuel card usage and odometer readings. These vehicles are powered by a mix of unleaded petrol and diesel fuels.

For 2016–17, HPV reports the following aggregated vehicle fleet data:

TOTAL ENERGY (MJ)	DISTANCE TRAVELLED (KM)	TONNES CO <sub>2</sub> -e	GREENHOUSE GAS EMISSIONS EMISSIONS INTENSITY: AVERAGE TONNES CO <sub>2</sub> -e PER 1,000 KM)
351,061	121,273 km	22.19 tonnes	0.18

These data reflect a 3% increase in total energy (MJ) and a 4.9% decrease in greenhouse gas emissions (tonnes per CO<sub>2</sub>-e) compared to 2015–16. HPV’s vehicle emissions intensity in recent years is illustrated below.



HPV also continues to track its business air travel. For 2016–17, HPV business flights involved a total distance of 79,676 kilometres, which contributes an estimated 10.48 tonnes per CO<sub>2</sub>-e of greenhouse gas emissions.

## SUSTAINABLE PROCUREMENT AT HPV

Procurement projects facilitated by HPV are expected to identify, where feasible, opportunities to manage environmental and social impacts. In 2016–17, HPV set sustainability objectives for key procurement projects, including the state-wide Catering Supplies and Workplace Supplies contract categories.

To further support health services in improving the sustainability of their procurement practices, HPV has published guides on sustainable, environmental, and ethical and social procurement. In 2016–17 HPV has been active in developing supporting information and fact sheets on solar power to assist health services considering alternative energy sources.

HPV continues to work to improve the implementation of sustainable procurement inside its collective contracts, and is assisting health services in the Gippsland region with an energy efficiency and solar photovoltaic panel procurement project.

HPV has also initiated renewable certificate purchasing as part of its routine electricity contracting, and also contributed to a working party and forward electricity contracts are using large generation certificates.

In 2016–17, Western Health and HPV facilitated an environmental sustainability workshop to explore the implications of new DHHS requirements and share with health services practical ideas for saving money while improving organisational sustainability.

HPV’s procurement initiatives in this space have been implemented in collaboration with the Department of Health and Human Services’ ‘greener government’ program.

## PV’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	To advise health services on sustainable procurement and other supply chain environmental issues

# DISCLOSURE OF CONSULTANCIES

## CONSULTANCIES GREATER THAN \$10,000 IN VALUE DURING 2016–17

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2016–17 (EX GST)	FUTURE EXPENDITURE
Making Meaning*	Develop specifications of the modules to support the HPV Leadership Program.	April 2016	June 2016	\$59,250	\$22,500	\$0
Infosys Portland Group	Develop a Procurement Strategy for 2017–22 to set a clear vision for HPV in the procurement sector. The strategy articulates the procurement value proposition to increase efficiency and meet the demands of a complex and changing environment.	April 2017	June 2017	\$227,273	\$227,273	\$0
Data 3*	SharePoint upgrade project to replace HPV's current intranet and provide a structured approach to document libraries. Improved categorisation and document management supports HPV's compliance with the requirements of the Public Record Office Victoria (PROV) standards.	December 2015	June 2016	\$138,621	\$138,621	\$0

\* Consultancy activity carried over from 2015–16.

In 2016–17, HPV engaged two additional consultants where the total fees payable to the consultant were less than \$10,000. This reflected a total expenditure of \$10,900 (exclusive of GST).

# SUMMARY OF FINANCIAL RESULTS

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

YEAR	2016-17 \$'000	2015-16 \$'000	2014-15 \$'000	2013-14 \$'000	2012-13 \$'000
Total Revenue	16,334	13,837	11,935	9,162	7,633
Total Expenses	16,312	13,812	11,908	9,437	6,177
Operating Surplus/(Deficit)*	22	25	27	(275)	1,456
Capital and Other economic flows**	(480)	(356)	1,327	841	354
Net Surplus/(Deficit)	(458)	(331)	1,354	566	1,810
Total Assets	7,581	7,413	7,373	5,413	4,161
Total Liabilities	3,311	2,685	2,313	1,708	1,021
Net Assets	4,270	4,728	5,060	3,705	3,140
Total Equity	4,270	4,728	5,060	3,705	3,140

\* The Operating surplus/(deficit) is the result for which the service is monitored in its Statement of Priorities, also referred to as the Net result before capital and specific items.

\*\* Capital and Other economic flows represent the cost of depreciation, any capital revenue for the purchase of assets or the impact of changes in bond and inflation factors related to the long service leave liability.

## SUMMARY OF SIGNIFICANT CHANGES IN HPV'S FINANCIAL POSITION

In 2016-17, HPV expanded its activities across a number of service delivery initiatives to support improved health service outcomes.

The majority of HPV's funded expenditure growth relates to the following initiatives:

- HPV Strategic Plan 2017-22
- Procurement Redesign
- Compliance and Probity
- Customer Engagement
- Building Capacity.

A major function supporting HPV's new Strategic Plan for 2017-22 is the Procurement Strategy aimed at providing a new approach to HPV's current collective procurement activities. The strategy aims to redefine HPV's value proposition and how we calculate benefits to health services, and improve our clinical engagement.

HPV implemented a mechanism to deliver an online strategic sourcing suite and drive significant operational benefits by automating health service procurement activity to increase spend visibility, establishing a state-wide enterprise agreement providing:

- A shared supplier database to improve supplier access to health sector opportunities, reduce health service overheads and increase governance.
- A common e-sourcing platform to support health service procurement.
- A standardised contract management system to support compliance with HPV Health Purchasing Policies.

HPV also delivered an overarching policy compliance framework to clarify HPV's legislative functions and to assist health service compliance with HPV Health Purchasing Policies involving support and prevention (education, training and advice) and compliance monitoring activities.

The Customer Engagement team supports HPV's probity and compliance function to assist Victoria's health services in improving procurement practices and governance, while focusing on strengthening HPV and health service relationships. The team also works to maximise the benefits of HPV's contracts, and assist health services with category management and high-risk or high-value procurement activities.

2016-17 also saw an increased focus on improving HPV's business-as-usual activities, supported by HPV's LEAD program to build employee capability and capacity to deliver on the business plan, while the implementation of SharePoint supported HPV's intranet and Public Record Office Victoria compliance.

HPV's performance against its Statement of Priorities and strategic objectives is reported earlier in this Annual Report.

# DISCLOSURE INDEX

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

LEGISLATION REQUIREMENT		PAGE REFERENCE
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
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
<b>Management and structure</b>		
FRD 22G	Organisational structure	17
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# FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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## BOARD CHAIR, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial report for Health Purchasing Victoria, has been prepared in accordance with Standing Direction 5.2 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 2017 and financial position of Health Purchasing Victoria at 30 June 2017.

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

17 August 2017

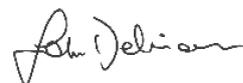


**Ms Elaine Ko**

Chief Executive Officer

Health Purchasing Victoria

17 August 2017



**Mr John Delinaoum**

Chief Financial & Accounting Officer

Health Purchasing Victoria

17 August 2017

## Independent Auditor's Report

### To the Board of Health Purchasing Victoria

<b>Opinion</b>	<p>I have audited the financial report of Health Purchasing Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• board chair, accountable officer's and chief finance and accounting officer's declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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MELBOURNE  
22 August 2017



Charlotte Jeffries  
*as delegate for the Auditor-General of Victoria*

# COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
Revenue from Operating Activities	2.1	16,333,609	13,837,270
Employee Expenses	3.1	(9,639,662)	(8,479,696)
Non-Salary Labour Costs	3.1	(3,040,847)	(2,277,359)
Other Expenses	3.1	(3,631,300)	(3,055,221)
<b>Net result before Capital and Specific Items</b>		<b>21,800</b>	<b>24,994</b>
Capital Purpose Income	2.1	6,000	-
Loss on Disposal of Non-Financial Assets	3.1	(3,733)	-
Depreciation and Amortisation	4.4	(516,732)	(402,658)
<b>Net Result After Capital and Specific Items</b>		<b>(492,665)</b>	<b>(377,664)</b>
<b>Other economic flows included in net result</b>			
Revaluation of Long Service Leave	3.2	34,314	46,408
<b>Total Other Economic Flows included in Net Result</b>		<b>34,314</b>	<b>46,408</b>
<b>NET RESULT FOR THE YEAR</b>		<b>(458,351)</b>	<b>(331,256)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>COMPREHENSIVE RESULT</b>		<b>(458,351)</b>	<b>(331,256)</b>

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

# BALANCE SHEET

AS AT 30 JUNE 2017

	NOTE	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	6.1	2,074,875	2,207,421
Trade and Other Receivables	5.1	285,028	227,602
Prepayments	5.2	344,615	339,241
Other Financial Assets	4.1	3,000,000	3,000,000
<b>Total Current Assets</b>		<b>5,704,518</b>	<b>5,774,264</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4.2	531,350	603,604
Intangible Assets	4.3	1,345,433	1,035,829
<b>Total Non-Current Assets</b>		<b>1,876,783</b>	<b>1,639,433</b>
<b>TOTAL ASSETS</b>		<b>7,581,301</b>	<b>7,413,697</b>
<b>Current Liabilities</b>			
Trade and Other Payables	5.3	1,402,156	1,149,430
Provisions	3.2	1,456,642	1,255,842
<b>Total Current Liabilities</b>		<b>2,858,798</b>	<b>2,405,272</b>
<b>Non-Current Liabilities</b>			
Provisions	3.2	452,500	280,071
<b>Total Non-Current Liabilities</b>		<b>452,500</b>	<b>280,071</b>
<b>TOTAL LIABILITIES</b>		<b>3,311,298</b>	<b>2,685,343</b>
<b>NET ASSETS</b>		<b>4,270,003</b>	<b>4,728,354</b>
<b>EQUITY</b>			
Capital Projects Reserve	8.1	-	210,850
Contributed Capital	8.1	31,570	31,570
Accumulated Surplus	8.1	4,238,433	4,485,934
<b>TOTAL EQUITY</b>		<b>4,270,003</b>	<b>4,728,354</b>
Commitments for Expenditure	6.2		
Contingent Assets and Contingent Liabilities	7.2		

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	CAPITAL PROJECTS RESERVE \$	CONTRIBUTED CAPITAL \$	ACCUMULATED SURPLUS/ (DEFICIT) \$	TOTAL \$
<b>Balance at 30 June 2015</b>		<b>1,400,027</b>	<b>31,570</b>	<b>3,628,013</b>	<b>5,059,610</b>
Net Result for the Year	8.1	-	-	(331,256)	(331,256)
Transfer to Capital Projects Reserve	8.1	(1,189,177)	-	-	(1,189,177)
Transfer from Accumulated Surplus	8.1	-	-	1,189,177	1,189,177
<b>Balance at 30 June 2016</b>		<b>210,850</b>	<b>31,570</b>	<b>4,485,934</b>	<b>4,728,354</b>
Net Result for the Year	8.1	-	-	(458,351)	<b>(458,351)</b>
Transfer from Capital Projects Reserve	8.1	(210,850)	-	-	<b>(210,850)</b>
Transfer to Accumulated Surplus	8.1	-	-	210,850	<b>210,850</b>
		<b>(210,850)</b>	<b>-</b>	<b>(247,501)</b>	<b>(458,351)</b>
<b>Balance at 30 June 2017</b>		<b>-</b>	<b>31,570</b>	<b>4,238,433</b>	<b>4,270,003</b>

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

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		15,080,999	13,140,740
Capital Grants from Government		6,000	-
Interest Received		101,834	138,799
GST Received from/(paid to) Australian Tax Office		258,879	199,978
Other Receipts		200,292	355,076
<b>Total Receipts</b>		<b>15,648,004</b>	<b>13,834,593</b>
Employee Benefits Paid		(11,975,670)	(10,653,641)
Payments for Supplies		(2,999,065)	(2,754,429)
<b>Total Payments</b>		<b>(14,974,735)</b>	<b>(13,408,070)</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	8.2	<b>673,269</b>	<b>426,523</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for Property, Plant and Equipment		(123,060)	(62,356)
Payments for Intangible Assets		(682,755)	(341,787)
Payments for other Financial Assets		-	(500,000)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(805,815)</b>	<b>(904,143)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>		<b>(132,546)</b>	<b>(477,620)</b>
Cash and Cash Equivalents at beginning of Financial Year		2,207,421	2,685,041
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	6.1	<b>2,074,875</b>	<b>2,207,421</b>

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements represent the audited general purpose financial statements for Health Purchasing Victoria for the financial year ended 30 June 2017.

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 HPV as a separate entity and outlines the functions, powers and membership criteria of HPV. The purpose of this 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.

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

The annual financial statements were authorised for issue by the Board of HPV on 17th August 2017.

### (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 in the notes have been applied in preparing the financial statements for the year ended 30 June 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016. 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 whole Australian dollars, the functional and presentation currency of HPV.

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.

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of Australian Accounting Standards that have significant effect on the financial statements and estimates are disclosed in the notes.

## (C) REPORTING ENTITY

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

HPV's principal address is:

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

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

## OBJECTIVES AND FUNDING

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

## NOTE 2: FUNDING DELIVERY OF OUR SERVICES

Established in 2001, HPV helps Victorian health services and hospitals deliver high quality patient care by ensuring they have a reliable and agile supply chain. HPV partners with health services to organise collective contracts for the goods and services they purchase; providing advice and education on how to get their supply chain working at its best and ensuring health purchasing policies are complied with.

Good procurement practices ultimately benefit the health and finances of all Victorians by creating health services that provide better care with high quality outcomes that are more financially efficient.

To enable HPV to fulfil its objectives it receives income based on parliamentary appropriations. HPV also receives a small amount of income from the supply of services and investments.

### Structure

2.1 Revenue

## NOTE 2.1: REVENUE

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to HPV 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 HPV 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 HPV has a present obligation to repay them and the present obligation can be reliably measured.

## Indirect Contributions from the Department of Health and Human Services

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

Office lease rent is recognised as revenue following advice from the Department of Health and Human Services.

Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

## 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.

## Other Income

Is reflective of cost recoveries of staff on secondment or shared resources.

## NOTE 2.1: REVENUE (CONTINUED)

	2017 \$	2016 \$
<b>Revenue from Operating Activities</b>		
Government Grants – Department of Health and Human Services	15,331,000	12,790,740
Interest	125,063	141,560
Other Income	180,731	353,555
Indirect Contributions by Department of Health and Human Services <sup>(i)</sup>		
– Insurance	12,923	10,375
– Office Lease	683,892	659,177
– Long Service Leave	-	(118,137)
<b>Total Revenue from Operating Activities</b>	<b>16,333,609</b>	<b>13,837,270</b>
<b>Capital Purpose Income</b>		
Capital Government Grant – Department of Health and Human Services		
– Environmental Sustainability Grant	6,000	-
Total Revenue from Capital Purposes	<b>6,000</b>	-
<b>Total Revenue</b>	<b>16,339,609</b>	<b>13,837,270</b>

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

## NOTE 3: THE COST OF DELIVERING SERVICES

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

### Structure

- 3.1 Expenses
- 3.2 Provisions
- 3.3 Superannuation

### NOTE 3.1: EXPENSES

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

#### Employee expenses

Salaries and wages expenses include:

- > Ordinary wages and salaries;
- > Annual leave;
- > Accrued days off;
- > Sick leave;
- > Long service leave; and
- > Other leave entitlements.

#### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and includes supplies and services which are recognised as an expense in the reporting period in which they are incurred.

#### 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.

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

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## NOTE 3.1: EXPENSES (CONTINUED)

### Net gain/(loss) on non-financial assets

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

#### **Revaluation gains/(losses) of non-financial physical assets**

Refer to Note 4.2 *Property Plant and Equipment*.

#### **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 4.1); 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 rate movements, inflation rate movements and the impact of changes in probability factors; and
- Transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

## NOTE 3.1: EXPENSES (CONTINUED)

	2017 \$	2016 \$
<b>Employee Expenses</b>		
Salaries and Wages	8,246,356	7,262,986
Superannuation	885,724	766,735
Workcover	37,244	31,711
Payroll Tax	470,338	418,264
<b>Total Employee Expenses</b>	<b>9,639,662</b>	<b>8,479,696</b>
<b>Non Salary Labour Costs</b>		
Agency Costs	1,357,074	1,151,343
Long Service Leave Provision	297,694	148,043
Annual Leave Provision	923,357	633,786
Accrued Days Off Provision	462,722	344,187
<b>Total Non-Salary Labour Costs</b>	<b>3,040,847</b>	<b>2,277,359</b>
<b>Other Expenses</b>		
Accounting	150	6,594
Advertising	71,817	28,670
Software Licence and Support	988,559	743,350
Insurance	12,923	10,375
Legal Fees	144,018	332,412
Probity Audit Fees	64,000	102,626
Office Outgoings	131,020	50,170
Printing and Stationery	47,877	52,167
Subscriptions	74,055	39,418
Rent	683,892	659,177
Recruitment	121,098	138,763
Consultant Fees	680,216	275,405
Telecommunication Costs	54,995	78,221
Vehicle and Travel Costs	145,239	126,799
Staff Development and Seminars	290,824	288,864
Audit Fees		
– VAGO	26,750	24,150
– Internal Audit	40,750	36,800
Bank Charges	643	3,048
Other	52,474	58,212
<b>Total Other Expenses</b>	<b>3,631,300</b>	<b>3,055,221</b>
<b>Capital Expenses</b>		
Depreciation and Amortisation (Note 4.4)	516,732	402,658
Loss on disposal of non-financial assets	3,733	-
<b>Total Capital Expenses</b>	<b>520,465</b>	<b>402,658</b>
<b>Total Expenses</b>	<b>16,832,274</b>	<b>14,214,934</b>

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

## NOTE 3.2: PROVISIONS

	2017 \$	2016 \$
<b>Current Provisions</b>		
Employee Benefits		
Annual Leave		
– Unconditional and expected to be settled within 12 months	535,466	436,771
– Unconditional and expected to be settled after 12 months	87,301	72,070
Long Service Leave		
– Unconditional and expected to be settled within 12 months	108,916	-
– Unconditional and expected to be settled after 12 months	189,199	221,237
Accrued Days Off		
– Unconditional and expected to be settled within 12 months	95,406	82,336
– Unconditional and expected to be settled after 12 months	15,555	13,602
Accrued Wages and Salaries	266,321	305,869
	1,298,164	1,131,885
Provisions Related to Employee Benefit On-Costs		
– Unconditional and expected to be settled within 12 months (nominal value)	113,591	77,190
– Unconditional and expected to be settled after 12 months (present value)	44,887	46,767
	158,478	123,957
<b>Total Current Provisions</b>	<b>1,456,642</b>	<b>1,255,842</b>
<b>Non-Current Provisions</b>		
Conditional Long Service Leave entitlements	392,182	242,738
Provisions Related to Employee Benefit On-Costs	60,318	37,333
<b>Total Non-Current Provisions</b>	<b>452,500</b>	<b>280,071</b>
<b>Total Provisions</b>	<b>1,909,142</b>	<b>1,535,913</b>
<b>(a) Employee Benefits &amp; Related On-Costs</b>		
<b>Current Provisions</b>		
Unconditional Long Service Leave entitlements	343,966	255,264
Annual Leave entitlements	718,362	584,506
Accrued Wages and Salaries	266,321	305,869
Accrued Days Off	127,993	110,203
	1,456,642	1,255,842
<b>Non-Current Provisions</b>		
Conditional Long Service Leave entitlements (present value)	452,500	280,071
	452,500	280,071
<b>Total Employee Benefits and Related On-Costs</b>	<b>1,909,142</b>	<b>1,535,913</b>
<b>(b) Movements in provisions</b>		
<b>Movement in Long Service Leave:</b>		
<b>Balance at start of year</b>	<b>535,335</b>	<b>584,528</b>
Provision made during the year		
– Revaluations	(34,314)	(46,408)
– Expense recognising employee service	297,694	148,043
Settlement made during the year	(2,249)	(150,828)
<b>Balance at end of year</b>	<b>796,466</b>	<b>535,335</b>

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## NOTE 3.2: PROVISIONS (CONTINUED)

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

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

- Undiscounted value – if HPV expects to wholly settle within 12 months; or
- Present value – if HPV does not expect to wholly settle within 12 months.

#### *Long service leave (LSL)*

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

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

The components of this current LSL liability are measured at:

- Undiscounted value – if HPV expects to wholly settle within 12 months; or
- Present value – if HPV 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.

HPV 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, payroll tax and superannuation, are recognised together with the provision for employee benefits.

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

## NOTE 3.3: SUPERANNUATION

	2017 \$	2016 \$
<b>Total payments towards defined contribution plans.</b>	<b>885,724</b>	<b>766,735</b>

Health Purchasing Victoria has an unpaid superannuation liability as at 30 June 2017 of \$110,855 (2016: \$60,273).

Details in relation to superannuation funds are as follows:

- HPV contributed on behalf of its employees and directors eligible for remuneration during the year ended 30 June 2017 to complying funds under the *Superannuation Industry (Supervision) Act 1993*.
- No loans exist between HPV and these superannuation funds.
- The total contributions paid by HPV 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 HPV 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 HPV are in accordance with employer obligations and exclude salary sacrifice arrangements to the major employee superannuation funds as reported.

### *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.

## NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

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

### Structure

- 4.1 Other Financial Assets
- 4.2 Property, Plant and Equipment
- 4.3 Intangible Assets
- 4.4 Depreciation and Amortisation

### NOTE 4.1: OTHER FINANCIAL ASSETS

	2017 \$	2016 \$
<b>CURRENT</b>		
Bank Term Deposits	3,000,000	3,000,000
<b>Total Other Assets</b>	<b>3,000,000</b>	<b>3,000,000</b>

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

#### Investments and other financial assets

Investments are classified in the following categories:

- > Financial assets at fair value through profit or loss;
- > Held-to-maturity;
- > Loans and receivables; and
- > Available-for-sale financial assets.

HPV 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.

HPV 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.

#### Impairment of financial assets

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

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*.

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

## NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

(a) Gross carrying amount and accumulated depreciation

	2017 \$	2016 \$
<b>Computer Equipment</b>		
Computer Equipment at Fair Value	265,123	346,458
Less Accumulated Depreciation	(169,693)	(272,099)
<b>Total Computer Equipment</b>	<b>95,430</b>	<b>74,359</b>
<b>Furniture &amp; Fittings</b>		
Furniture and Fittings at Fair Value	87,614	38,462
Less Accumulated Depreciation	(23,574)	(12,094)
<b>Total Furniture and Fittings</b>	<b>64,040</b>	<b>26,368</b>
<b>Leasehold Improvements</b>		
Leasehold Improvements at Fair Value	918,111	918,111
Less Accumulated Depreciation	(546,231)	(415,234)
<b>Total Leasehold Improvements</b>	<b>371,880</b>	<b>502,877</b>
<b>Total Property Plant and Equipment</b>	<b>531,350</b>	<b>603,604</b>

## NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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) COMPUTER EQUIPMENT <sup>(i)</sup>	AT FAIR VALUE (LEVEL 3) FURNITURE & FITTINGS <sup>(i)</sup>	AT FAIR VALUE (LEVEL 3) LEASEHOLD IMPROVEMENTS <sup>(i)</sup>	ASSETS UNDER CONSTRUCTION	TOTAL
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>71,249</b>	<b>13,871</b>	<b>634,233</b>	<b>19,716</b>	<b>739,069</b>
Additions	62,356	-	-	-	62,356
Net Transfers Between Classes	-	19,716	-	(19,716)	-
Depreciation (Note 4.4)	(59,246)	(7,219)	(131,356)	-	(197,821)
<b>Balance at 1 July 2016</b>	<b>74,359</b>	<b>26,368</b>	<b>502,877</b>	<b>-</b>	<b>603,604</b>
Additions	73,909	49,152	-	-	123,061
Depreciation (Note 4.4)	(52,838)	(11,480)	(130,997)	-	(195,315)
<b>Balance at 30 June 2017</b>	<b>95,430</b>	<b>64,040</b>	<b>371,880</b>	<b>-</b>	<b>531,350</b>

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 2017.

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.

### 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.

**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.

### Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

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

## NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 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).

All other non-financial assets are also 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.

### (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

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

- The fair value of office equipment, computer equipment, furniture & fittings and leasehold improvements;
- 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 3.2).

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.

## NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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, HPV 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.

## NOTE 4.3: INTANGIBLE ASSETS

	2017 \$	2016 \$
<b>Intangible Assets</b>		
Software at Cost	1,782,995	1,418,421
Less Accumulated Amortisation	(747,829)	(438,157)
Total Software Costs	1,035,166	980,264
Intangible Assets under Construction at cost	310,267	55,565
<b>Total Intangible Assets</b>	<b>1,345,433</b>	<b>1,035,829</b>

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

## NOTE 4.3: INTANGIBLE ASSETS (CONTINUED)

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
	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>648,847</b>	<b>202,032</b>	<b>850,879</b>
Additions	334,222	55,565	389,787
Net Transfers Between Classes	202,032	(202,032)	-
Amortisation (Note 4.4)	(204,837)	-	(204,837)
<b>Balance at 1 July 2016</b>	<b>980,264</b>	<b>55,565</b>	<b>1,035,829</b>
Additions	324,487	310,267	634,754
Net Transfers Between Classes	55,565	(55,565)	-
Assets Disposed	(3,733)	-	(3,733)
Amortisation (Note 4.4)	(321,417)	-	(321,417)
<b>Balance at 30 June 2017</b>	<b>1,035,166</b>	<b>310,267</b>	<b>1,345,433</b>

### 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.

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

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.

## NOTE 4.4: DEPRECIATION AND AMORTISATION

	2017 \$	2016 \$
<b>Depreciation</b>		
Computer Equipment	52,838	59,246
Furniture and Fittings	11,480	7,219
Leasehold Improvements	130,997	131,356
<b>Total Depreciation</b>	<b>195,315</b>	<b>197,821</b>
<b>Amortisation</b>		
Intangible Assets	321,417	204,837
<b>Total Amortisation</b>	<b>321,417</b>	<b>204,837</b>
<b>Total Depreciation and Amortisation</b>	<b>516,732</b>	<b>402,658</b>

### Depreciation

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

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

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

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

	2017	2016
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

### Amortisation

Amortisation is allocated to intangible assets with finite useful lives on a systematic (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 (2016: 3–5 years).

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

## NOTE 5: OTHER ASSETS AND LIABILITIES

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

### Structure

5.1 Trade and Other Receivables

5.2 Prepayments

5.3 Trade and Other Payables

## NOTE 5.1: TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
<b>CURRENT</b>		
<b>Contractual</b>		
Accrued Revenue	127,080	84,419
Other Receivables	-	26,821
	<b>127,080</b>	<b>111,240</b>
<b>Statutory</b>		
GST Receivable	157,948	116,362
	<b>157,948</b>	<b>116,362</b>
<b>Total Trade and Other Receivables</b>	<b>285,028</b>	<b>227,602</b>

### (a) Ageing analysis of receivables

Please refer to note 7.1 for the ageing analysis of receivables.

### (b) Nature and extent of risk arising from receivables

Please refer to note 7.1 for the nature and extent of credit risk arising from receivables.

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to goods and services, accrued investment income; and
- Statutory receivables, which includes amounts being the net of Goods and Services Tax (GST) recoverable.

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

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

## NOTE 5.2: PREPAYMENTS

	2017 \$	2016 \$
<b>CURRENT</b>		
Prepayments	344,615	339,241
<b>Total Prepayments</b>	<b>344,615</b>	<b>339,241</b>

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.

## NOTE 5.3: TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors <sup>(i)</sup>	188,970	60,225
Accrued Expenses	489,821	267,374
Salaries and Wages Related Creditors	252,213	94,757
	931,004	422,356
<b>Statutory</b>		
Payroll Tax	60,430	68,035
Fringe Benefits Tax	10,722	9,039
Department of Health and Human Services <sup>(ii)</sup>	400,000	650,000
	471,152	727,074
<b>TOTAL CURRENT</b>	<b>1,402,156</b>	<b>1,149,430</b>
<b>Total Trade and Other Payables</b>	<b>1,402,156</b>	<b>1,149,430</b>

(i) The average credit period is 30 days.

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

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

## NOTE 5.3: TRADE AND OTHER PAYABLES (CONTINUED)

### (a) Maturity analysis of Payables

Please refer to Note 7.1 for the ageing analysis of payables.

### (b) Nature and extent of risk arising from Payables

Please refer to note 7.1 for the nature and extent of risks arising from 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 HPV 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 payroll tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

## NOTE 6: HOW WE FINANCE OUR OPERATIONS

This section provides information on the sources of finance utilised by HPV during its operations, along with other information related to financing activities of HPV.

This section includes disclosures of balances that are financial instruments (such as cash balances). Note: 7.1 provides additional, specific financial instrument disclosures.

### Structure

6.1 Cash and Cash Equivalents

6.2 Commitments for Expenditure

## NOTE 6.1: CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash assets includes 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 HPV does not maintain an overdraft facility).

	2017 \$	2016 \$
Cash at Bank	2,074,875	2,207,421
<b>Total Cash and Cash Equivalents</b>	<b>2,074,875</b>	<b>2,207,421</b>

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.

## NOTE 6.2: COMMITMENTS FOR EXPENDITURE

	2017 \$	2016 \$
<b>Capital Expenditure Commitments</b>		
Intangibles	59,598	152,483
<b>Total Capital Expenditure Commitments</b>	<b>59,598</b>	<b>152,483</b>
Not later than one year	59,598	152,483
<b>Total</b>	<b>59,598</b>	<b>152,483</b>
<b>Other Expenditure Commitments</b>		
IT Services	611,004	553,341
Vehicle Leases	252,046	85,199
Internal Audit Services	-	58,960
<b>Total Other Expenditure Commitments</b>	<b>863,050</b>	<b>697,500</b>
Not later than one year	504,812	461,333
Later than one year and not later than five years	358,238	236,167
<b>Total</b>	<b>863,050</b>	<b>697,500</b>
<b>Lease Commitments</b>		
Operating Leases <sup>(i)</sup>	3,207,945	457,622
<b>Total Lease Commitments</b>	<b>3,207,945</b>	<b>457,622</b>
Not later than one year	690,259	457,622
Later than one year and not later than five years	2,517,686	-
<b>Total Operating Commitments</b>	<b>3,207,945</b>	<b>457,622</b>
<b>Total Commitments for Expenditure (inclusive of GST)</b>	<b>4,130,593</b>	<b>1,307,605</b>
Less GST recoverable from the Australian Tax Office	<b>(83,877)</b>	<b>(77,271)</b>
<b>Total Commitments for Expenditure (exclusive of GST)</b>	<b>4,046,716</b>	<b>1,230,334</b>

(i) The property lease is a non-cancellable lease and expires 28 February 2022. Rent is payable to the Department of Health and Human Services (sub-lease arrangement).

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present 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.

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.

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

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## NOTE 6.2: COMMITMENTS FOR EXPENDITURE (CONTINUED)

For service concession arrangements, the commencement of the lease term is deemed to be the date the asset is commissioned.

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

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.

## NOTE 7: RISKS, CONTINGENCIES AND VALUATION UNCERTAINTIES

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

### Structure

7.1 Financial Instruments

7.2 Contingent Assets and Contingent Liabilities

## NOTE 7.1: FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

HPV's principal financial instruments comprise of:

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

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

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

## NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

### Categorisation of financial instruments

	NOTE	CARRYING AMOUNT	CARRYING AMOUNT
		2017 \$	2016 \$
<b>Financial Assets</b>			
Cash and Cash Equivalents	6.1	2,074,875	2,207,421
Trade and Other Receivables	5.1	127,080	111,240
Other Financial Assets	4.1	3,000,000	3,000,000
<b>Total Financial Assets <sup>(i)</sup></b>		<b>5,201,955</b>	<b>5,318,661</b>
<b>Financial Liabilities</b>			
Trade and Other Payables	5.3	931,004	422,356
<b>Total Financial Liabilities <sup>(ii)</sup></b>		<b>931,004</b>	<b>422,356</b>

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credits 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)	NET HOLDING GAIN/(LOSS)
	2017 \$	2016 \$
<b>Financial Assets</b>		
Cash and cash equivalents <sup>(i)</sup>	51,175	61,905
Trade and other receivables <sup>(i)</sup>	-	-
Other Financial Assets <sup>(i)</sup>	73,888	79,655
<b>Total Financial Assets</b>	<b>125,063</b>	<b>141,560</b>
<b>Financial Liabilities</b>		
Interest Bearing Liabilities <sup>(ii)</sup>	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>

(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 7.1: 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. HPV's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to HPV. Credit risk is measured at fair value and is monitored on a regular basis.

HPV 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 HPV's policy to only deal with banks with a credit rating of A1+ or greater.

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 HPV'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
	\$	\$	\$	\$	\$
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	2,074,875	-	-	-	2,074,875
Receivables					
– Other Receivables	50,971	-	-	76,109	127,080
Other Financial Assets	3,000,000	-	-	-	3,000,000
<b>Total Financial Assets</b>	<b>5,125,846</b>	<b>-</b>	<b>-</b>	<b>76,109</b>	<b>5,201,955</b>
<b>2016</b>					
<b>Financial Assets</b>					
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
<b>Total Financial Assets</b>	<b>5,235,163</b>	<b>-</b>	<b>-</b>	<b>83,498</b>	<b>5,318,661</b>

The total amounts disclosed above exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credits recoverable).

It is impractical for HPV to disclose credit ratings in respect of receivables. Consequently receivables are disclosed under 'Other' category.

## NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

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	1-5 YEARS	
2017	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash and Cash Equivalents	2,074,875	2,074,875	-	-	-	-	-
Receivables							
– Trade Debtors	-	-	-	-	-	-	-
– Other Receivables	127,080	127,080	-	-	-	-	-
Other Financial Assets	3,000,000	3,000,000	-	-	-	-	-
<b>Total Financial Assets</b>	<b>5,201,955</b>	<b>5,201,955</b>	-	-	-	-	-
<b>2016</b>							
<b>Financial Assets</b>							
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	-	-	-	-	-
<b>Total Financial Assets</b>	<b>5,318,661</b>	<b>5,318,661</b>	-	-	-	-	-

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

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 7.1: 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.

HPV'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 HPV'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
	\$	\$	\$	\$	\$	\$
<b>2017</b>						
<b>Financial Liabilities</b>						
Payables	931,004	931,004	252,213	678,791	-	-
<b>Total Financial Liabilities</b>	<b>931,004</b>	<b>931,004</b>	<b>252,213</b>	<b>678,791</b>	<b>-</b>	<b>-</b>
<b>2016</b>						
<b>Financial Liabilities</b>						
Payables	422,356	422,356	94,757	327,599	-	-
<b>Total Financial Liabilities</b>	<b>422,356</b>	<b>422,356</b>	<b>94,757</b>	<b>327,599</b>	<b>-</b>	<b>-</b>

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

### (d) Fair Value

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

The aggregate net fair value of financial assets and liabilities, both recognised and unrecognised, at the balance date are equal to their carrying amount as per the balance sheet.

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## NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Market Risk

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

#### *Currency Rate Risk*

HPV 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.

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

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

#### *Other Price Risk*

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

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

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

## NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Market Risk (continued)

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
	(%)	\$	\$	\$	\$
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1.52	2,074,875	-	2,074,875	-
Receivables <sup>(i)</sup>					
– Other Receivables	0.00	127,080	-	-	127,080
Other Financial Assets	2.42	3,000,000	3,000,000	-	-
		<b>5,201,955</b>	<b>3,000,000</b>	<b>2,074,875</b>	<b>127,080</b>
<b>Financial Liabilities</b>					
Payables <sup>(i)</sup>	0.00	931,004	-	-	931,004
		<b>931,004</b>	<b>-</b>	<b>-</b>	<b>931,004</b>
<b>2016</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	2.00	2,207,421	-	2,207,421	-
Receivables <sup>(i)</sup>					
– Other Receivables	0.00	111,240	-	-	111,240
Other Financial Assets	2.76	3,000,000	3,000,000	-	-
		<b>5,318,661</b>	<b>3,000,000</b>	<b>2,207,421</b>	<b>111,240</b>
<b>Financial Liabilities</b>					
Payables <sup>(i)</sup>	0.00	422,356	-	-	422,356
		<b>422,356</b>	<b>-</b>	<b>-</b>	<b>422,356</b>

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

## NOTE 7.1: FINANCIAL INSTRUMENTS (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 year-end rates of 1.50%
- A parallel shift of +1% and 1% in inflation rate from year-end rates of 3.81%

The following table discloses the impact on net operating result and equity for each category of financial instrument held by HPV 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
		\$	\$	\$	\$	\$	\$	\$	\$
<b>2017</b>									
<b>Financial Assets</b>									
Cash and Cash Equivalents <sup>(i)</sup>	2,074,875	(20,749)	(20,749)	20,749	20,749	-	-	-	-
Other Financial Assets	3,000,000	(30,000)	(30,000)	30,000	30,000	-	-	-	-
	5,074,875	(50,749)	(50,749)	50,749	50,749	-	-	-	-
<b>2016</b>									
<b>Financial Assets</b>									
Cash and Cash Equivalents <sup>(i)</sup>	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	-	-	-	-

(i) e.g. Sensitivity of cash and cash equivalents to +1% movement in interest rates:  $[\$5,074,875 \times 0.02] - [\$5,074,875 \times 0.01] = \$50,749$ . Similarly -1% movement in interest rate impact =  $-(\$50,749)$ .

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

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

## NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

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 HPV 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, 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 HPV's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

## NOTE 7.2: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Health Purchasing Victoria is not aware of any contingent assets as at 30 June 2017. (2016: Nil)

HPV is not aware of any contingent liabilities as at 30 June 2017. (2016: Nil)

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

## NOTE 8: OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

- 8.1 Equity
- 8.2 Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities
- 8.3 Operating Segments
- 8.4 Responsible Persons Disclosures
- 8.5 Executive Officer Disclosures
- 8.6 Related Parties
- 8.7 Remuneration of Auditors
- 8.8 Ex-gratia expenses
- 8.9 Events occurring after the balance sheet date
- 8.10 Economic dependency
- 8.11 AASBs issued that are not yet effective
- 8.12 Glossary of terms and style conventions

### NOTE 8.1: EQUITY

	2017 \$	2016 \$
<b>(a) Capital Projects Reserve</b>		
Balance at the beginning of the reporting period	210,850	1,400,027
Transfer to/(from) Capital Projects Reserve	(210,850)	(1,189,177)
<b>Balance at the end of the reporting period</b>	<b>-</b>	<b>210,850</b>
<b>(b) Contributed Capital</b>		
Balance at the beginning of the reporting period	31,570	31,570
<b>Balance at the end of the reporting period</b>	<b>31,570</b>	<b>31,570</b>
<b>(c) Accumulated Surplus</b>		
Balance at the beginning of the reporting period	4,485,934	3,628,013
Net Result for the Year	(458,351)	(331,256)
Transfer to and from Capital Projects Reserve Surplus	210,850	1,189,177
<b>Balance at the end of the reporting period</b>	<b>4,238,433</b>	<b>4,485,934</b>
<b>Total Equity at end of financial year</b>	<b>4,270,003</b>	<b>4,728,354</b>

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

## NOTE 8.1: EQUITY (CONTINUED)

### 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.

## NOTE 8.2: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2017 \$	2016 \$
<b>Net Result for the Year</b>	<b>(458,351)</b>	<b>(331,256)</b>
<b>Non cash movements</b>		
Depreciation and Amortisation	516,732	402,658
<b>Movements included in investing &amp; financing activities</b>		
Net (Gain)/Loss from Plant and Equipment	3,733	-
<b>Movements in assets and liabilities</b>		
Change in Operating Assets and Liabilities		
(Increase)/Decrease in Current Receivables	(57,426)	8,483
(Increase)/Decrease in Non-Current Receivables	-	118,137
(Increase)/Decrease in Prepayments	(5,374)	(95,471)
Increase/(Decrease) in Payables	300,726	260,485
Increase/(Decrease) in Employee Benefits	373,229	63,487
<b>Net Cash Inflow From Operating Activities</b>	<b>673,269</b>	<b>426,523</b>

## NOTE 8.3: OPERATING SEGMENTS

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

## NOTE 8.4: 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
<b>Responsible Ministers</b>	
The Honourable Jill Hennessy, Minister of Health, Minister for Ambulance Services	1/07/2016 – 30/06/2017
<b>Governing Board</b>	
Mr Felix Pintado (Chair)	1/07/2016 – 30/06/2017
Mr Simon Brewin	1/07/2016 – 30/06/2017
Ms Anna Burgess	1/07/2016 – 30/06/2017
Ms Mary Malone	1/07/2016 – 30/06/2017
Dr Robyn Mason	1/07/2016 – 30/06/2017
Ms Teresa Fels	1/07/2016 – 30/06/2017
Mr Paul Slape	1/07/2016 – 30/06/2017
Mr Dale Fraser	1/07/2016 – 30/06/2017
Mr Mark Perica	1/07/2016 – 30/06/2017
Mr Geoff Swier	1/07/2016 – 30/06/2017
<b>Accountable Officers</b>	
Ms Elaine Ko (CEO)	8/08/2016 – 30/06/2017
Mr John Fitzgerald (Interim CEO)	1/07/2016 – 7/08/2016

### Remuneration of Responsible Persons

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

INCOME BAND	2017 NO.	2016 NO.
Nil	4	5
\$0 – \$9,999	1	-
\$10,000 – \$19,999	5	4
\$20,000 – \$29,999	2	1
\$80,000 – \$89,999	-	1
\$110,000 – \$119,999	-	1
\$190,000 – \$199,999	-	1
\$280,000 – \$289,999	1	-
<b>Total Numbers</b>	13	13
<b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>\$436,253</b>	<b>\$491,338</b>

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](http://www.parliament.vic.gov.au/publications/register_of_interests).

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

## NOTE 8.5: EXECUTIVE OFFICERS DISCLOSURES

### Executive Officers' Remuneration

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Post-employment benefits** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Other long-term benefits** include long service leave, other long-service benefit or deferred compensation.

**Termination benefits** include termination of employment payments, such as severance packages.

**Share-based payments** are cash or other assets paid or payable as agreed between the health service and the employee, provided specific vesting conditions, if any, are met.

Several factors affected total remuneration payable to executives over the year. A number of resignations and vacancies had a significant impact on total remuneration.

### Remuneration of Executive Officers

	TOTAL REMUNERATION	
	2017 \$	2016 <sup>(i)</sup> \$
Short-Term Employee Benefits	934,836	
Post-Employment Benefits	124,078	
Other Long-Term Benefits	39,385	
<b>Total Remuneration <sup>(i) (ii)</sup></b>	<b>1,098,299</b>	
<b>Total Number of Executives</b>	<b>6</b>	<b>6</b>
<b>Total Annualised Employee Equivalent (AEE) <sup>(iii)</sup></b>	<b>4.76</b>	<b>4.16</b>

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including an amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015–16 reporting period.

(ii) Total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).

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

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## NOTE 8.6: RELATED PARTIES

Health Purchasing Victoria is a wholly owned and controlled entity of the State of Victoria. Related parties of HPV include:

- All key management personnel and their close family members;
- All cabinet ministers and their close family members; and
- All public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

### Significant transactions with government-related entities

HPV received funding of \$16,027,815 from the Department of Health and Human Services.

Key management personnel (KMP) of HPV include the Portfolio Ministers and Cabinet Ministers, Members of the Governing Board (refer Note 8.4) and the Accountable Officer. The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

COMPENSATION	2017 \$
Short-Term Employee Benefits	393,687
Post-Employment Benefits	34,598
Other Long-Term Benefits	7,968
<b>Total</b>	<b>436,253</b>

### Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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

## NOTE 8.7: REMUNERATION OF AUDITORS

	2017 \$	2016 \$
<b>Victorian Auditor-General's Office</b>		
– Audit and Review of Financial Statement	26,750	24,150
<b>RSM Australia Pty Ltd</b>		
– Internal Audit Services	40,750	36,800
<b>Total Remuneration of Auditors</b>	<b>67,500</b>	<b>60,950</b>

## NOTE 8.8: EX GRATIA EXPENSES

No ex gratia payments were made during the financial year ended 30 June 2017. (2016:Nil)

## NOTE 8.9: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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 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.

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

## NOTE 8.10: ECONOMIC DEPENDENCY

The financial statements have been prepared on a going concern basis as at 30 June 2017. HPV has:

- A deficit from ordinary activities of \$0.46 million for the year ended 30 June 2017 (deficit of \$0.33 million for the year ended 30 June 2016).
- A working capital surplus of \$2.85 million as at 30 June 2017 (\$3.37 million as at 30 June 2016).

HPV 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*.

### Going Concern

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

## NOTE 8.11: AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian Accounting Standards have been published that are not mandatory for the 30 June 2017 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 2017, the following standards and interpretations had been issued by the Australian Accounting Standards Board (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. HPV has not and does not intend to adopt these standards early.

STANDARD / INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON:	IMPACT ON FINANCIAL STATEMENTS
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
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.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019–20 reporting period.

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

## NOTE 8.11: AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

STANDARD / INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON:	IMPACT ON FINANCIAL STATEMENTS
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 January 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>No change for lessors.</p>
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:</p> <ul style="list-style-type: none"> <li>➤ Require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and</li> <li>➤ Clarify circumstances when a contract with a customer is within the scope of AASB 15.</li> </ul>	1 January 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.

## NOTE 8.11: AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

STANDARD / INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON:	IMPACT ON FINANCIAL STATEMENTS
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 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 <i>Contributions</i> and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable the not-for-profit entity to further its objectives.	1 January 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

Health Purchasing Victoria has also considered the impact of other Australian accounting standards namely, AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual improvements 2014-16 Cycle* and AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance for Not-for-Profit Entities*.

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

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

## NOTE 8.12: GLOSSARY OF TERMS AND STYLE CONVENTIONS

### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

### Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### Ex gratia expenses

Ex gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability, or claim against the entity.

### Financial asset

A financial asset is any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) A contractual or statutory right:
  - To receive cash or another financial asset from another entity; or
  - To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

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

- A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### Financial instrument

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

### Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
  - (i) To deliver cash or another financial asset to another entity; or
  - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

## NOTE 8.12: GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONTINUED)

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

### Financial statements

A complete set of financial statements comprises:

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

- (g) A statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

### Grants and other transfers

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

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

### General government sector

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

### Intangible produced assets

Refer to produced assets in this glossary.

### Intangible non-produced assets

Refer to non-produced assets in this glossary.

### Interest expense

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

### Interest income

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

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

## NOTE 8.12: GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONTINUED)

### Investment properties

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

### Joint Arrangements

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

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

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

### Liabilities

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

### Net acquisition of non-financial assets (from transactions)

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

### Net result

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

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

### Non-financial assets

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

### Non-produced assets

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

### Non-profit institution

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

### Payables

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

### Produced assets

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

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## NOTE 8.12: GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONTINUED)

### Receivables

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

### Sales of goods and services

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

### Supplies and services

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

### Style conventions

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

The notation used in the tables is as follows:

“zero, or rounded to zero”

(xxx) negative numbers

201x year period

201x–1x year period



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