



2018-19

ANNUAL REPORT

Advancing safe, affordable and sustainable healthcare

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Front cover: In 2018-19, HPV continued to progress regional solar photovoltaic sourcing events, like this one at Sale Hospital.

REPORT FROM HPV BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

Health Purchasing Victoria's (HPV's) innovative, collaborative and agile approach to procurement is making a difference for Victoria's public health services, their patients and communities.

We are proud of our partnership with Victoria's diverse public health services to drive strategic health procurement and **deliver best-value healthcare outcomes**:

- HPV's solar photovoltaic system tenders make great use of a cluster sourcing model so that regional health services – like Sale Hospital on our cover – meet their energy requirements sustainably while reining in costs.
- In the Gippsland and Grampians regions, HPV's first pharmaceutical cluster sourcing project has increased opportunities for local business engagement and supported better outcomes by reducing costs while lifting the quality of service delivery and patient care.
- Building on the Victorian Government's Social Procurement Framework (SPF) objectives, HPV negotiated access to remanufactured toner cartridges for 45 participating health services, halving their purchase costs and minimising environmental impact by using recycled materials and cutting the amount of plastic sent to landfill.
- Working with metropolitan health services to review stock levels and warehouse processes, which is identifying opportunities to deliver substantial supply chain efficiencies.

While HPV continues to identify ways to deliver best-value healthcare and improve sustainability we are ever mindful of the cost pressures health services are under.

Improving the bottom line for health services remains a key indicator for HPV. In 2018-19, we delivered \$133 million in benefits for Victoria's health sector from a total \$1.08 billion in value under HPV contract.

Our goal to **increase customer engagement** has seen HPV expand our engagement activities to drive improved health service customer satisfaction. Successful initiatives include:

- Coordinating regional forums to help local suppliers better understand health sector opportunities, collaborating with the Department of Health and Human Services (DHHS) to deliver health service information sessions, and conducting SPF implementation workshops.
- Hosting metropolitan forums and networking events for supply directors and supply chain specialists.
- Supporting new working groups to discuss local procurement opportunities and fill knowledge gaps to improve contract management, patient safety and environmental practice.

We continue to refine our approach to **support procurement and probity practice improvement**.

This year, Victoria's public health services achieved 99.7 per cent compliance with the HPV Health Purchasing Policies:

- HPV's approach recognises hospitals' capacity to become compliant, and promotes action proportionate to risk.
- Our approach champions evidence-based decision-making and considers compliance history and behaviour.

During 2018-19, we made significant progress in **improving the integrity and availability of the information used to drive supply chain decisions**:

- We piloted a common catalogue implementation which over time will improve the consistency and accuracy of data to deliver supply chain efficiencies and help identify functional product equivalents.
- This pilot touches seven metropolitan hospitals, helping to make sure the right product is in the right place at the right time.

To **enhance capability and capacity**, HPV embarked on programs to further embed our organisational principles of customer focus, collaboration, confidence, simplicity and responsibility:

- We launched an ethical leadership program to promote our best organisational culture and support a 'speak up' culture.
- We published a comprehensive four-year action plan to promote greater accessibility and inclusion throughout our workforce.

REPORT FROM HPV BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

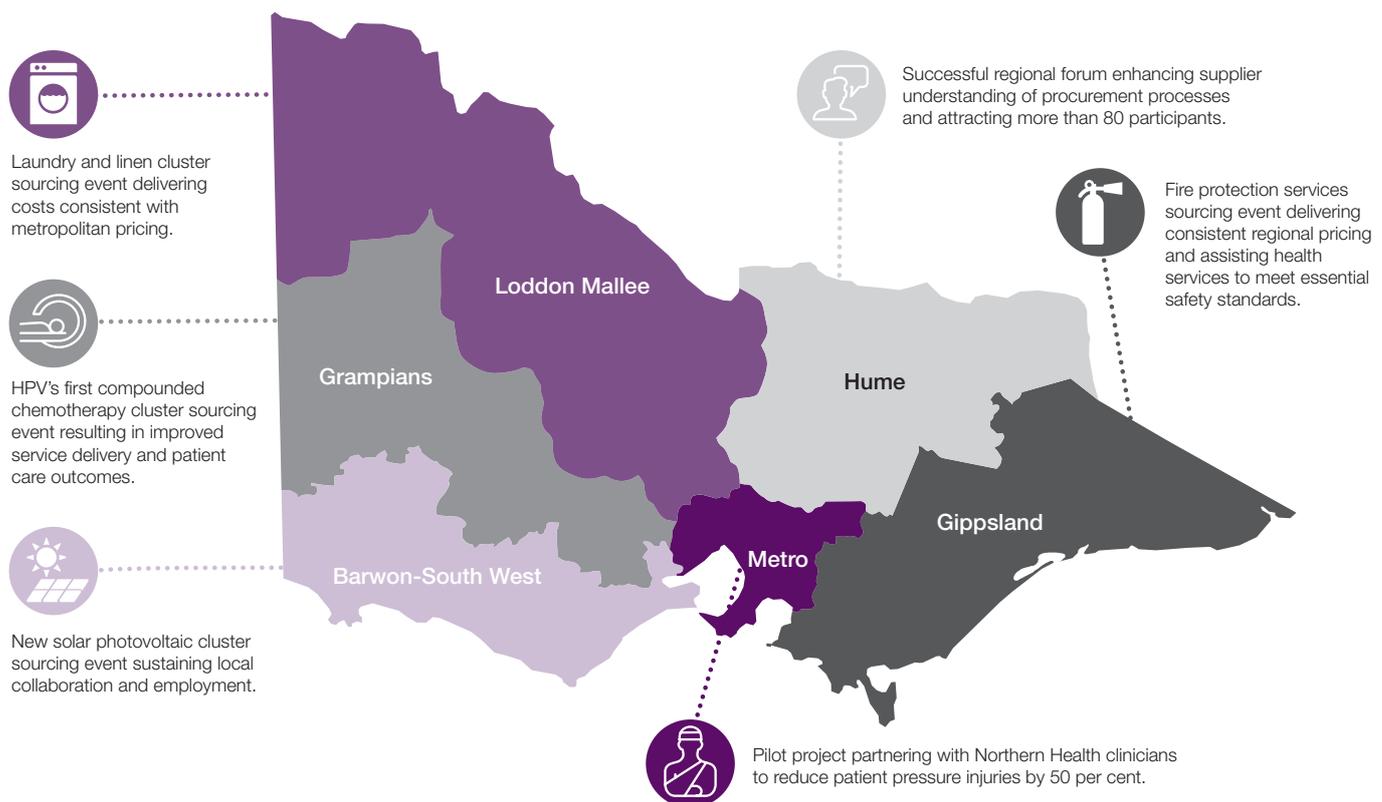
Our partnership with Victoria's public health services and support from suppliers is fundamental to our achievement. We are especially grateful for the invaluable contribution of health service experts to HPV's reference groups over the past 12 months.

We acknowledge the commitment of our key stakeholders, led by Minister for Health and Minister for Ambulance Services the Hon. Jenny Mikakos, together with the DHHS, government and health sector agencies and stakeholders.

We thank HPV's Board and Committee members – in particular outgoing Chair Felix Pintado, whose Board service since 2001 has been instrumental to our success – and our employees, without whose dedication and commitment we could not progress our vision to advance safe, affordable and sustainable healthcare.

Finally, we are delighted to welcome new HPV Board Chair Lance Wallace, who brings extensive senior public sector leadership experience, including as a former member of the Victorian Government Purchasing Board.

2018-19 AT A GLANCE

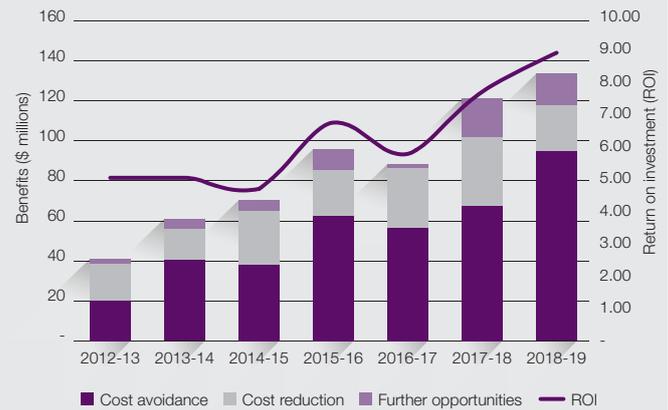


2018-19 BENEFITS ACHIEVED FOR VICTORIA'S PUBLIC HEALTH SECTOR

HPV FINANCIAL BENEFITS

In **delivering best-value healthcare outcomes**, HPV continues to increase financial benefits for health services, recording a new high of \$133 million in savings at 30 June 2019 – a 51 per cent increase since 2016-17. Over the past three years HPV has also recorded a 53 per cent increase in return on investment.

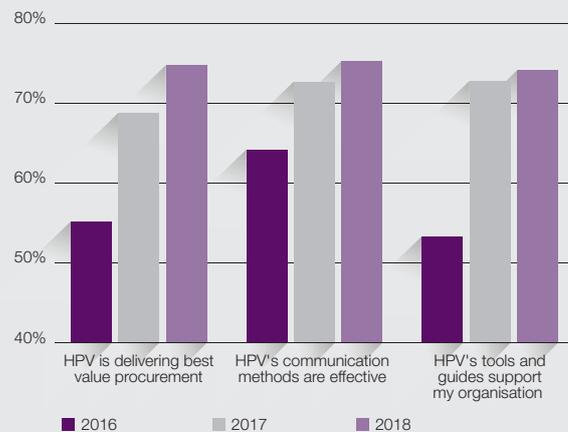
FINANCIAL BENEFITS ACHIEVED



HPV CUSTOMER ENGAGEMENT

HPV has progressed against our strategic objective to **increase customer engagement**, recording a 20 per cent increase in health service satisfaction over the past three years through improvements to our health sector communication, supporting information and customer service delivery.

HEALTH SERVICE SATISFACTION



HPV COLLECTIVE AGREEMENT COMPLIANCE

HPV supports improved contract compliance in line with our goal to **support procurement and probity practice improvement**. In 2018-19, health services recorded a 10 per cent improvement in compliance with HPV's collective agreements, to reach 97.9 per cent.

CONTRACT COMPLIANCE LEVELS

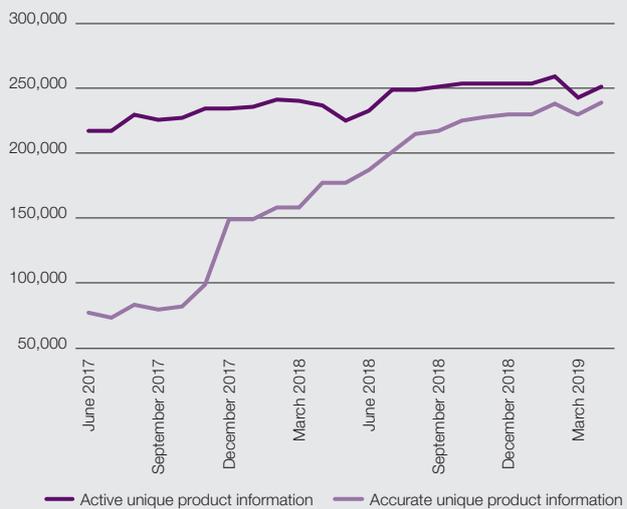


REPORT FROM HPV BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

HPV DATA QUALITY

Accurate data are fundamental to HPV’s supply chain vision. Since 2017, HPV has been able to **improve the integrity and availability of the information used to drive supply chain decisions** by increasing the accuracy of unique National Product Catalogue product data – which feeds into the new common catalogue – by 225 per cent.

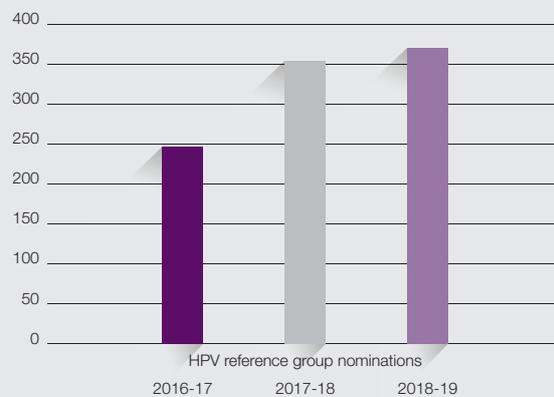
NATIONAL PRODUCT CATALOGUE DATA ACCURACY



HPV CAPACITY AND CAPABILITY

To **enhance capacity and capability**, HPV has driven a 50 per cent increase in health service participation in our reference groups over the past three years. Greater expert and clinical input into our sourcing evaluation and assessment helps drive best-value outcomes.

REFERENCE GROUP PARTICIPATION



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 2019.



Lance Wallace
HPV Board Chair
Melbourne
15 August 2019



Elaine Ko
HPV Chief Executive Officer
Melbourne
15 August 2019

ABOUT HPV

ESTABLISHMENT

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

During 2018-19, the Ministers for Health were:

- The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services – 1 July 2018 to 29 November 2018.
- The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services – 29 November 2018 to 30 June 2019.

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.

OUR FUNCTIONS

HPV works in partnership:

- With Victoria's public hospitals and health services to understand their requirements, facilitate large-scale collective tenders and manage common-use contracts on behalf of the state.

Our policies aim to:

- Guide strong governance and foster fair and equitable procurement practices, increasing value-for-money outcomes and supporting health services to understand and meet these requirements.

HPV applies and/or implements relevant Victorian Government policies and codes, including:

- Victorian Industry Participation Policy.
- Supplier Code of Conduct.
- Local Jobs First.
- Social Procurement Framework.
- Absolutely everyone: State Disability Plan.
- People Matter Survey.
- Code of Conduct for Victorian Public Sector Employees issued by the Victorian Public Sector Commission.

OUR STRATEGIC GOALS

HPV's business plan continues to focus 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 information used to drive supply chain decisions.
- Enhance capacity and capability.

OUR VALUES

HPV's growth is guided by the following values:



WE ARE CUSTOMER-FOCUSED

We focus on customer and patient outcomes.



WE KEEP IT SIMPLE

We strive for efficient and effective ways to achieve our goals.



WE ARE COLLABORATIVE

We work as a team toward common goals.



WE TAKE RESPONSIBILITY

We challenge the status quo. We are responsible for our behaviours, actions and results.



WE INSPIRE CONFIDENCE

We do the right thing. We are open, honest and trustworthy.

STRATEGIC OBJECTIVES PERFORMANCE SUMMARY

The following summary aligns with the Statement of Priorities between HPV and the Minister for Health and provides an overview of the strategic deliverables achieved in 2018-19.

2018-19 DELIVERABLES	KEY ACHIEVEMENTS
Strategic Objective 1: Deliver best value healthcare outcomes	
<p>Achieve financial benefits of \$101 million* from HPV agreements.</p> <p>Establish collective agreements covering \$1.01 billion of health service expenditure (excluding electricity and gas contracts).</p> <p><i>*Incorporating cost reduction, cost avoidance and further opportunities (excludes interpreter services transitioning to a State Purchasing Contract).</i></p>	<p>Achieved. HPV has achieved financial benefits of \$133 million and a total value under contract of \$1.08 billion at 30 June 2019.</p>
<p>Implement the three-year strategic procurement roadmap to drive best-value healthcare outcomes beyond collective sourcing by delivering five cluster sourcing projects in rural and regional areas.</p>	<p>Achieved. HPV has delivered five cluster sourcing projects that support rural and regional health service collaborations and encourage opportunities for local content and employment:</p> <ul style="list-style-type: none"> • Loddon Mallee laundry and linen sourcing event. • Gippsland compounded chemotherapy sourcing event. • Grampians compounded chemotherapy sourcing event. • Grampians liquefied petroleum gas sourcing event (in progress). • Solar photovoltaic project sourcing events in Barwon-South West (completed) and Hume, Loddon Mallee and Grampians (in progress). • South West security services sourcing event.
<p>Implement the five-year clinical engagement roadmap by identifying and undertaking clinical improvement initiatives – such as reducing infection risk – across three categories supported by health service clinicians.</p>	<p>Achieved. HPV is progressing the following clinical improvement projects:</p> <ul style="list-style-type: none"> • Partnering with Northern Health to reduce pressure injuries by 50 per cent by trialling pressure injury prevention products in two aged care wards. • Participating in Safer Care Victoria's Infection Clinical Network forum to review the network's progress and goals in its first year. • Planning meetings with regional nursing clinicians to develop further professional links and collaborative activities on how HPV can drive greater value from our existing contracts, reduce variation and increase the safety and quality of patient care.
Strategic Objective 2: Increase customer engagement	
<p>100 per cent of health services engaged bi-monthly.</p>	<p>Achieved. HPV held 815 face-to-face meetings and 51 teleconferences with health service stakeholders across Victoria in 2018-19.</p>

2018-19 DELIVERABLES	KEY ACHIEVEMENTS
Positive trend in overall satisfaction of stakeholder engagement through the Customer Engagement survey.	Achieved. HPV recorded a positive trend in overall satisfaction of stakeholder engagement through our annual Customer Engagement survey, showing a five per cent increase from 70 per cent in 2017 to 75 per cent in 2018.
85 per cent of urgent enquiries closed with three business days. 75 per cent of complex queries closed within 15 business days.	Achieved. At 30 June 2019, HPV successfully closed 94 per cent of urgent customer queries and 94 per cent of complex queries within the target timeframes.
Strategic Objective 3: Support procurement and probity practice improvement	
Deliver procurement training to metropolitan and regional health services, including completed online training to 500 participants.	Partially achieved. HPV developed three targeted eLearning probity training modules for: <ul style="list-style-type: none"> • Procurement professionals. • Clinical operational and non-procurement staff. • Board members and executives. At 30 June 2019, 751 participants had commenced an applicable training module and 206 have completed one.
Deliver procurement training to metropolitan and regional health services, including 12 health service-based face-to-face training sessions.	Achieved. HPV conducted a range of face-to-face training sessions for 474 participants across 30 health services covering: <ul style="list-style-type: none"> • Contract management. • Compliance and audit. • Nominations and exemptions. • The Victorian Product Catalogue System. • Listeria workshops.
Maximise health service compliance with the five Health Purchasing Policies (HPPs) to achieve 90 per cent compliance by mandated health services.	Achieved. HPV supported 94 per cent of public health services in achieving full compliance with the HPPs. Recognising that compliance is not always clear-cut, HPV introduced a 'partially-compliant' category in 2018-19 for health services that have achieved compliance with 75 per cent or more of the HPP policy requirement. This change resulted in a record 99.7 per cent compliance with the HPPs, compared to 96.3 per cent in 2017-18.
Maximise health service compliance with the HPV collective agreements.	Achieved. HPV supported health services in achieving 95 per cent compliance with HPV collective agreements, reflecting the highest-ever level of compliance. 97.9 per cent of public health services attested compliance with HPV's collective agreements, a 0.3 per cent improvement on 2017-18 results.

STRATEGIC OBJECTIVES PERFORMANCE SUMMARY

2018-19 DELIVERABLES	KEY ACHIEVEMENTS
Strategic Objective 4: Improve the integrity and availability of the information used to drive supply chain decisions	
Implement the common catalogue across 20 health services by 30 June 2019.	<p>Partially achieved. HPV deployed the common catalogue at Melbourne Health on 20 May 2019, impacting the catalogue for seven health services:</p> <ul style="list-style-type: none"> • Royal Melbourne Hospital. • Royal Children’s Hospital. • Royal Women’s Hospital. • Royal Victorian Eye and Ear Hospital. • Peter MacCallum Cancer Centre. • Northern Health. • Western Health.
Implement Bravo across eight health services by 30 June 2019.	Achieved. HPV rolled out Bravo to 11 health services in 2018-19.
Strategic Objective 5: Enhance capability and capacity	
Deliver three regional supplier forums.	Achieved. HPV hosted successful regional supplier forums in Barwon-South West, Grampians and Hume, attracting more than 200 participants to these events.
Establish a training and education framework to assist health services to implement the Victorian Government’s Social Procurement Framework (SPF).	Achieved. HPV hosted a series of seven face-to-face workshops and six working groups in 2018-19 to provide practical support for health services in understanding requirements under the SPF.
Specific 2018-19 priorities	
Disability Action Plans: Submit a draft Disability Action Plan outlining an approach to full implementation within three years to the DHHS by 30 June 2019.	Achieved. HPV submitted an Accessibility Action Plan to DHHS on 28 June 2019.
Bullying and harassment: Actively promote positive workplace behaviours and encourage reporting. Utilise staff surveys, incident reporting data, outcomes of investigations and claims to regularly monitor and identify risks related to bullying and harassment, in particular include as a regular item in board and executive meetings. Appropriately investigate all reports of bullying and harassment and ensure there is a feedback mechanism for staff involved and broader health service employees.	<p>Achieved. HPV continues to support organisational initiatives to minimise bullying. Initiatives are in place from both board/ executive and employee perspectives, and include:</p> <ul style="list-style-type: none"> • Delivering an ethical leadership program to foster a ‘speak up’ workplace culture. • Establishing a cross-functional group to ensure tailored training and education activities continue to be implemented across HPV.

2018-19 DELIVERABLES	KEY ACHIEVEMENTS
<p>Environmental sustainability: Actively contribute to the development of the Victorian Government's policy of net zero carbon emissions by 2050 and improve environmental sustainability.</p>	<p>Achieved. HPV developed a formal social procurement plan for HPV's collective agreements to implement the SPF. HPV has implemented actions for 2018-19, and drafted a Social Procurement Strategy for 2019-20.</p> <p>Achieved. HPV has maintained reporting for the Environmental Data Management System for waste, natural gas, electricity, office paper use and nitrous oxide. Monthly reporting for natural gas and electricity is up-to-date, and HPV is working through issues with supplier reporting of waste and recycling services sales data. Hospital office paper and nitrous oxide purchases will be reported on an annual basis from July 2019.</p> <p>Achieved. HPV has received indicative pricing for a food organics recycling service for metropolitan hospitals and will scope and arrange organics recycling trial/proof-of-concept activities for interested health services to determine its viability. Trial feedback and data will inform the next sourcing activity to include organics recycling, likely for the waste category in 2021.</p> <p>Partially achieved. HPV is supporting efforts to reduce greenhouse gas emissions associated with anaesthetic gases through analysis and workforce education on their usage, cost and impact. HPV's pharmaceutical team is sourcing data for analysis and has engaged a clinical product advisor to assist in identifying training targets and likely influencing factors. HPV has also identified key health service stakeholders to be targeted as part of a strategic communication campaign.</p> <p>Not achieved. HPV has strategically delayed our review of Sustainability Victoria's research report on waste in health due to:</p> <ul style="list-style-type: none"> • The extension of existing contracts within the waste management services category. • Prioritising sustainable procurement planning to managing changes arising from the implementation of the SPF.
<p>Lesbian, Gay, Bisexual, Trans and/or Intersex (LGBTI): Develop and promulgate policies to avoid discrimination against LGBTI employees and stakeholders, and actively promote the right to free expression of gender and sexuality.</p>	<p>Achieved. HPV has updated our Human Resources Management Policy to insert inclusive terms aligned to the DHHS Rainbow eQuality Guide. HPV has also developed an online education program to promote our inclusive practice in this area.</p>

FUTURE DIRECTION

HPV's ongoing focus areas in 2019-20 include continuing implementation of the five-year procurement strategy to increase the value of collective procurement, support delivery of cluster sourcing projects and undertake additional clinical engagement activity. These initiatives aim to increase the safety and quality of patient care, fundamental to HPV's vision to advance safe, affordable and sustainable healthcare.

Improving information-sharing with Victoria's public health services is another key focus for HPV in 2019-20. Our work to support health services in improving procurement expertise and increase supply chain efficiency and compliance continues, together with a project to implement a common catalogue across Victoria.

HPV is also embarking on a wide-ranging program of activities to support a diverse and respectful workplace, enhancing our capability and capacity in line with our strategic goals.

STRATEGIC OBJECTIVES PERFORMANCE SUMMARY

RECONCILIATION OF NET RESULT FROM TRANSACTIONS WITH OPERATING RESULT AGREED IN THE STATEMENT OF PRIORITIES

	2019 \$000	2018 \$000	2017 \$000	2016 \$000	2015 \$000
Net operating result*	(888)	22	22	25	27
Capital and specific items					
Capital purpose income	-	-	6	-	1,682
Other economic flows	(67)	(1)	34	46	(13)
Impairment of non-financial assets	-	-	(4)	-	-
Expenditure for capital purpose	-	-	-	-	(32)
Depreciation and amortisation	(632)	(628)	(516)	(402)	(310)
Net result from transactions	(1,587)	(607)	(458)	(331)	1,354

* The net operating result is the result which Health Purchasing Victoria is monitored against in our Statement of Priorities.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

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.

The total ICT expenditure incurred during 2018-19 is \$4.62 million (excluding GST), with details shown below.

BUSINESS AS USUAL (BAU) ICT EXPENDITURE	NON-BUSINESS AS USUAL (NON-BAU) ICT EXPENDITURE		
Total (excluding GST)	Total = operational expenditure and capital expenditure (excluding GST)	Operational expenditure (excluding GST) ^(a)	Total capital expenditure (excluding GST) ^(b)
\$3.56 million	\$1.06 million	\$0.28 million	\$0.78 million

Note:

(a) Business-as-usual (BAU) expenditure includes all remaining ICT expenditure other than non-BAU expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability.

(b) Non-business-as-usual (non-BAU) expenditure is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects.

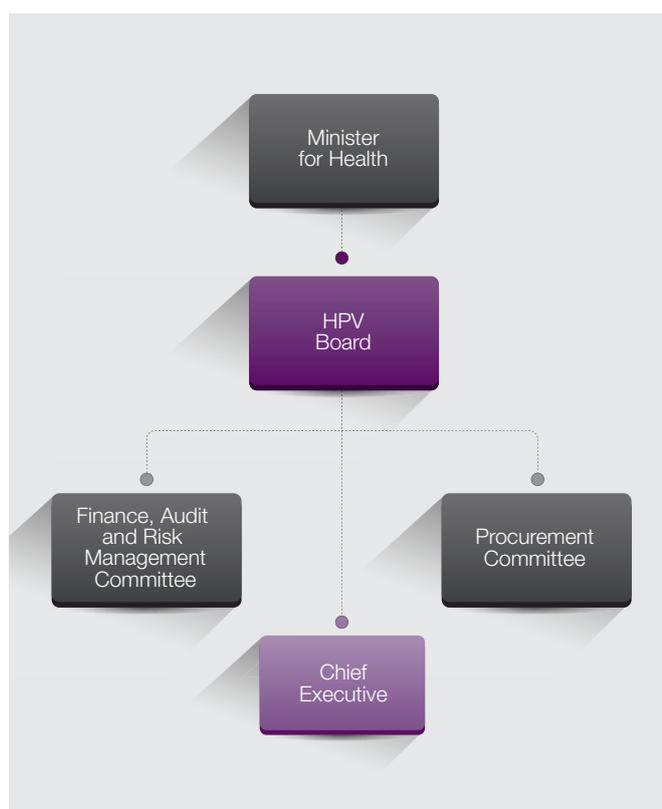
GOVERNANCE

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 2018-19 was as follows:



BOARD ATTENDANCE 2018-19

There were 10 HPV Board meetings held between 1 July 2018 and 30 June 2019.

BOARD MEMBER	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Felix Pintado (Chair)	10	9
Mr Chris Barrett	10	10
Ms Margaret Beattie	7	6
Professor Richard Bittar	7	4
Ms Anna Burgess	10	7
Dr Robyn Mason	10	10
Ms Kate O'Sullivan	10	9
Mr Mark Perica	10	10
Mr Paul Slape	10	8
Mr Geoff Swier	10	9
Mr Terry Welch	10	8

MR FELIX PINTADO*

Board Chair, Chair of Board Executive Committee
FCHSM, 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 the HPV Board since July 2007. He is the Chief Executive of Royal Freemasons Ltd, one of Victoria's long-standing and most respected aged care and senior living providers. Felix previously held executive positions in specialist and general hospitals in Victoria and New Zealand.

He 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-General of the Republic of The Philippines in Victoria.

MR CHRIS BARRETT

B LabSt, FAICD

Chris Barrett was appointed to HPV's Board in July 2017. Chris is an experienced company director with board experience on superannuation funds and a range of public sector boards in Queensland. This includes extensive director experience on audit and risk, insurance claims, investment committees and TAFE regulatory authorities.

Chris has senior-level experience in finance sector product management including product development and procurement frameworks. Corporate and public affairs have been a key focus in recent roles. Chris' experience also includes a long career in industrial relations.

* Mr Felix Pintado's term as Board Chair concluded on 30 June 2019. Mr Lance Wallace was appointed HPV Board Chair from 1 July 2019.

GOVERNANCE

MS MARGARET BEATTIE

BA, LLB

Margaret Beattie was appointed to HPV's Board in November 2018. Margaret is an experienced board and committee member and chair with in-depth commercial, governance and legal experience across high profile ASX-listed and private entities, global services corporations and not-for-profit enterprises.

Margaret brings proven experience as a senior executive and consultant with major companies including Tabcorp, BHP, Telstra, carsales.com and Hewlett-Packard and has held company secretary roles in several ASX-listed entities. Margaret is an experienced panel reviewer for selected Victorian and New South Wales Government high-risk/high-value IT and infrastructure projects and is a senior associate at independent technology sourcing specialists Hamilton Shaw Consulting.

Margaret currently also serves as a non-executive director of the Spinal Research Institute (an affiliate of Melbourne's Austin Health) and Circus Oz, one of Australia's best-loved major performing arts organisations.

PROFESSOR RICHARD BITTAR

MBBS (Hons), PhD, FRACS

Professor Richard Bittar was appointed to HPV's Board in November 2018. Professor Bittar is a neurosurgeon at numerous private hospitals in Victoria, including metropolitan and regional locations in Victoria.

Professor Bittar's main areas of interest and expertise are complex and keyhole spinal surgery, surgery for brain tumours, and deep brain stimulation. He also established the first and largest contemporary (deep brain stimulation) psychosurgery program in Australia.

Professor Bittar has published around 50 clinical and scientific papers in peer-reviewed medical journals. Professor Bittar is a member of the Neurosurgical Society of Australasia, the American Society for Stereotactic and Functional Neurosurgery, European Society for Stereotactic and Functional Neurosurgery, the World Society for Stereotactic and Functional Neurosurgery and the Australian Pain Society.

MS ANNA BURGESS

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

Anna Burgess was appointed to the HPV Board in July 2014. Anna is Director Cancer, Specialty Programs, Medical Research and International Health in the Department of Health and Human Services' Health and Wellbeing division.

Anna has 30 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.

DR ROBYN MASON

Chair of Procurement Committee
MBBS, MBA, FRACMA, FAICD

Appointed to the HPV 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 sessional member of the Victorian Civil and Administrative Tribunal, a former chair of the Victorian Doctors' Health Program and director of the Melbourne Primary Care Network.

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.

MS KATE O'SULLIVAN

BDes&Plan (Hons)

Kate O'Sullivan was appointed to the HPV Board in July 2018. Kate is Director Infrastructure Delivery of the Department of Treasury and Finance's Commercial division.

Kate has 20 years of experience in public policy and procurement in both Commonwealth and State Government, having held a variety of key roles in the Victorian Department of Treasury and Finance and the Commonwealth Department of Finance and Administration. Kate brings to the HPV Board significant experience overseeing tender processes and ensuring compliance with procurement policies, together with a strong understanding of the commercial principles underpinning contract risk allocation and performance monitoring.

MR MARK PERICA

Chair of Finance, Audit and Risk Management Committee
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 was National Secretary of the Australian Services Union for 15 years. During that time he was a member of the ACTU Executive and a member of Geneva-based Public Services International, representing the Oceania region.

Paul has served on the Board of the Royal Women's Hospital and was Chairman of the Victoria Grants Commission. Prior to that he was a Board member and then President of the Local Authorities Superannuation Board (now Vision Super).

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 Trustpower and Tilt Renewables.

Previously Geoff was Policy Director of the National Interim Provider Board established by the New Zealand Government in 1992 to oversee reform of New Zealand's public hospital system. Other previous roles include as member of the Australian Energy Regulator, director of VENCORP and economic adviser to the New Zealand Minister of State-Owned Enterprises (1990) and New Zealand Minister of Finance (1984-87).

MR TERRY WELCH

BAppSc, MBA, GAICD

Terry Welch was appointed to the HPV Board in May 2017. Terry is a Registered Nurse with over 20 years' health service experience, including extensive emergency nursing experience.

Terry commenced as Maryborough District Health Service (MDHS) Chief Executive Officer in January 2015. MDHS was a finalist in the Premier's Medium Health Service of the Year award in 2019, and Terry was named runner-up in the prestigious AHW CEO of the Year award in 2018.

Previous roles have included as CEO of Yarrawonga Health from 2010-2015, which won Rural Health Service of the Year in 2014. Terry holds a Bachelor of Applied Science – Nursing, a Master of Business Administration, and is a graduate of the Australian Institute of Company Directors (AICD).

BOARD SUB-COMMITTEES

The following Committees provided advice to the HPV Board during 2018-19:

BOARD EXECUTIVE

Chair: Mr Felix Pintado (HPV Board Chair)

Members: Ms Anna Burgess, Dr Robyn Mason, Mr Mark Perica, Mr Geoff Swier

The Board Executive facilitates Board operational effectiveness and efficiency for items that may require urgent attention – usually between regular Board meetings – and is responsible for executive remuneration.

FINANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

Chair: Mr Mark Perica (HPV Board member)

Ex Officio: Mr Felix Pintado (HPV Board Chair)

Members: Mr Chris Barrett (HPV Board member), Ms Maria Di Gregorio (independent), Mr Peter Doughty (independent), Ms Bronwyn Malignaggi (independent), Mr John Sutherland (independent).

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 HPV's financial operations. 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

Ex Officio: Mr Felix Pintado (HPV Board Chair)

Members: Ms Kim Bennetts, Mr Mark Berryman, Ms Anna Burgess, Mr Marcus Kim, Mr David Ray, Mr Neil Sigamoney, Mr Paul Slape, Mr Geoff Swier, Mr Ray van Kuyk, 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.

RISK MANAGEMENT

HPV's risk management framework is fundamental to our operations, governance and organisational culture. A philosophy of risk management is embedded into everyday practice at HPV as 'everyone's business', incorporating the 'three lines of defence' principles of ownership, oversight and assurance to support HPV in effectively identifying and responding to key risks.

HPV's risk management framework defines how risk management will incorporate key issues such as policy compliance, legislative compliance, risk assessments and reviews and other critical compliance issues. It adopts the same terminology used within the enterprise risk management register to ensure effective risk mitigation strategies are in place, and there is a focus on risk reduction. Together, the framework and register support close monitoring of existing and future controls while maintaining direct accountability to organisational strategic objectives.

In 2018-19, HPV refined our comprehensive crisis management plan (CMP). This plan outlines an effective strategy and structure for anticipating and responding to critical incidents. HPV's CMP represents our ability – and commitment – to respond to incidents promptly and efficiently, and ensure ongoing service delivery.

The CMP forms part of HPV's business continuity management. It includes a structure, activation and escalation processes, and agreed roles and responsibilities for HPV's crisis and emergency management team during an incident.

HPV procedures are regularly reviewed and tested by employees, who undertake regular fraud and corruption training as part of HPV's robust risk management framework. HPV's fraud control strategy is based on key requirements of the *Financial Management Act 1994*, the Financial Management Compliance Framework and the Australian Fraud and Corruption Control Standard (AS8001-2008).

HPV continues to provide specific advice to Victoria's public hospitals undertaking group-based sourcing activities to achieve economies of scale. HPV's support clarifies requirements under the *Competition and Consumer Act 2010* relating to collective procurement.

Remedies available to health services to mitigate the risk of breaching the Act through collective procurement include:

- Undertaking 'cluster sourcing' activities in partnership with HPV.
- Seeking protection by requesting that HPV issue a Direction to collectively procure, as permitted under the Act.
- Requesting authorisation from the Australian Competition and Consumer Commission.

HPV also provides a risk assessment tool to assist health services in understanding whether they are exposed to a breach under the Act in undertaking a particular collective sourcing activity.

All HPV policies are reviewed annually and HPV's risk management framework is underpinned by the Australian Standards/New Zealand Standards International Standards Organisation (ISO) 31000:2018 Risk Management – Principles and Guidelines.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

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

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

ATTESTATIONS

ATTESTATION ON FINANCIAL MANAGEMENT COMPLIANCE

I, Lance Wallace, on behalf of the Responsible Body, certify that Health Purchasing Victoria has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Mr Lance Wallace
HPV Board Chair

Melbourne
15 August 2019

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
15 August 2019

ATTESTATION ON INTEGRITY, FRAUD AND CORRUPTION

I, Elaine Ko, certify that Health Purchasing Victoria has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Health Purchasing Victoria during the year.



Ms Elaine Ko
Chief Executive Officer and Accountable Officer

Melbourne
15 August 2019

ATTESTATION ON CONFLICT OF INTEREST

I, Elaine Ko, certify that Health Purchasing Victoria has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 Compliance reporting in health portfolio entities (Revised) and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within Health Purchasing Victoria and members of the board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each executive and board meeting.



Ms Elaine Ko
Chief Executive Officer and Accountable Officer

Melbourne
15 August 2019

ATTESTATION ON COMPLIANCE WITH HEALTH PURCHASING VICTORIA (HPV) HEALTH PURCHASING POLICIES

I, Elaine Ko, certify that Health Purchasing Victoria has put in place appropriate internal controls and processes to ensure that it has complied with all requirements set out in the HPV Health Purchasing Policies including mandatory HPV collective agreements as required by the *Health Services Act 1988 (Vic)* and has critically reviewed these controls and processes during the year.



Ms Elaine Ko
Chief Executive Officer and Accountable Officer

Melbourne
15 August 2019

COMPLIANCE

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

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

FREEDOM OF INFORMATION ACT 1982

The *Freedom of Information Act 1982* allows the public a right of access to documents held by HPV. The object of the Act is to extend as far as possible the right of the community to access information held by the Victorian Government and other entities subject to the Act.

The Act allows HPV to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

- Cabinet documents.
- Some internal working documents.
- Law enforcement documents.
- Documents covered by legal professional privilege, such as legal advice.
- Personal information about other people.
- Documents relating to trade secrets.

From 1 September 2017, the Act has been amended to reduce the processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied with a decision made by HPV, they have the right to seek a review by the Office of the Victorian Information Commissioner within 28 days of receiving a decision letter.

Access to documents may be obtained through written request to HPV pursuant to Section 17 of the Act. Requirements for making a request are:

- It must be in writing.
- It should provide such information concerning the document as is reasonably necessary to enable identification of the document.
- It should be accompanied by the application fee of \$29.60.

Requests for documents in the possession of HPV should be addressed to:

Freedom of Information Officer
Health Purchasing Victoria
Level 34, 2 Lonsdale Street
Melbourne VIC 3000

Alternatively requests can be emailed to **foi@hvp.org.au**. Telephone enquiries can be made to 03 9947 3700.

Access charges for photocopying and search retrieval may also apply once the request has been finalised.

Further information about the operation and scope of the Act can be obtained from the Act, regulations made under the Act, and on the Office of the Victorian Information Commissioner's website: **www.foi.vic.gov.au**.

During 2018-19, HPV received one Freedom of Information (FOI) request. This request was received from a Member of Parliament.

HPV made no FOI decisions as the only request received was pending decision as at 30 June 2019.

One decision was reviewed by the office of the Victorian Information Commissioner. No appeals were made to the Victorian Civil and Administrative Tribunal.

BUILDING ACT 1993

HPV leases office space in the Casselden building via a sub-lease arrangement with the 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).

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.

SAFE PATIENT CARE ACT 2015

HPV has no matters to report in relation to its obligations under section 40 of the *Safe Patient Care Act 2015*. HPV plays a key role in driving supply chain improvements, and supports Recall Health as a critical patient safety initiative that facilitates electronic therapeutic goods recall notifications. Recall Health is also supported by the Therapeutic Goods Administration (TGA).

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 among 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.

In 2018-19, HPV provided information to clarify health service obligations under the Act, including remedies to mitigate risks in breaching it.

HPV's primary source of revenue is a block grant from DHHS to deliver our services and achieve our functions under the Act. Requirements of the Competitive Neutrality Policy Victoria do not apply.

LOCAL JOBS FIRST POLICY IMPLEMENTATION

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

HPV's procurement strategy aligns to Victorian Government Social Procurement Framework (SPF) objectives, which aim to deliver social, economic and environmental outcomes that benefit the Victorian community, and link to the *Local Jobs First Act 2003* via the Victorian Industry Participation Policy (VIPPP).

HPV has redefined these indirect outcomes in our new Benefits Management Framework, encompassing both direct and indirect benefits.

During 2018-19, HPV entered into contracts for 14 categories subject to VIPPP principles, five of which were greenfield categories, eight were re-sourcing and one was a supplementary tender. These categories totalled approximately \$602 million in value over the full contract term, which equates to \$172 million over the first 12 months of the categories, excluding GST.

Two of these categories required VIPPP plans to be submitted and assessed, resulting in a 10 per cent weighting for local support in these categories. Six categories and one supplementary category were provided by local suppliers and involved limited contestability.

A further seven were assessed by Industry Capability Network (ICN) as being not contestable as they were for medical devices, medical equipment and pharmaceuticals for which there is no local manufacturing. These categories were panel listed with an average local content commitment of 30 per cent through logistics and support.

HPV has lodged a further eight categories with ICN for sourcing events currently underway. These events are subject to the Local Jobs First policy effective 15 August 2018.

HPV also established a pre-qualified panel of 19 suppliers for our Beds, Mattresses, Patient Trolleys and Treatment Chairs contract, three – or 15 per cent – of which are local suppliers.

In 2018-19, HPV completed 30 contracts across eight categories to which VIPPP principles applied. These categories were for the provision of medical devices, pharmaceuticals and medical equipment. Three, or 10 per cent, of these suppliers were locally based.

HPV ANNUAL COMPLIANCE STATEMENT

HPV'S PURCHASING POLICY AND COMPLIANCE FRAMEWORK

Compliance with HPV policy and legislative requirements is important to maintaining the integrity of public hospital and health service procurement and achieving best-value supply chain outcomes for Victoria's health sector.

HPV's approach to compliance reflects our legislative functions, organisational values and strategic priorities. Under the *Health Services Act 1988* (Vic), HPV administers a number of compliance-related functions, including:

- Monitoring health service compliance with purchasing policies and HPV directions, and reporting irregularities to the Minister.
- Ensuring probity is maintained in purchasing, tendering and contracting activities in public hospitals and health services.
- Providing advice, staff training and consultancy services on the supply of goods and services to, and the management of disposal of goods by, health or related services other than public hospitals.

HPV's five Health Purchasing Policies, introduced in 2014, provide a strategic framework for health services to ensure best-practice procurement, including probity, and support HPV's statutory functions.

In 2018-19, HPV continued to refine our approach to compliance and build on the foundation laid in previous years. HPV published a compliance strategy for 2019-2022 which sets our strategic compliance goals for the coming years, and cascades from the HPV Strategy and annual Statement of Priorities.

HPV also refreshed the compliance framework to incorporate best-practice regulatory theory for compliance support, which forms the foundation for HPV's compliance functions.

HPV introduced a graduated compliance approach for our assessment and decision-making process for reported or identified non-compliance against the Health Purchasing Policies or the Act. This approach:

- Encourages the lowest level of intervention for compliance action.
- Recognises the capacity of health services to become compliant.
- Promotes compliance action proportionate to the level of risk.
- Provides sufficient flexibility to escalate or de-escalate compliance action if required.
- Champions an evidence-based decision-making process.
- Responds to the behaviour and compliance history of the health service.

GRADUATED COMPLIANCE MODEL

Risk rating



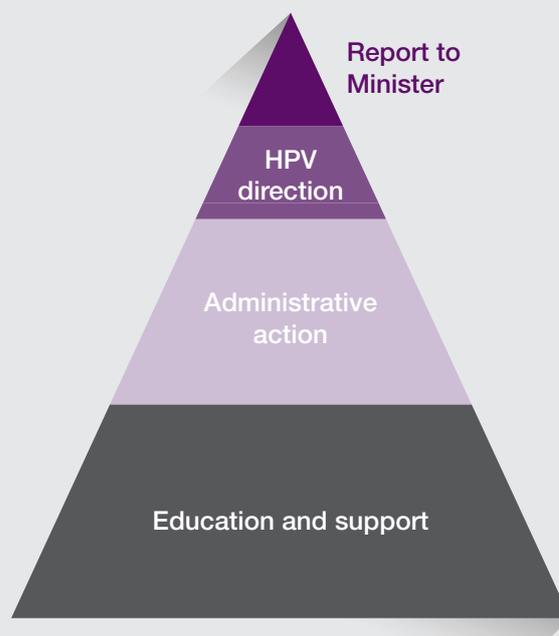
Incidence



Compliance stance



Report to Minister



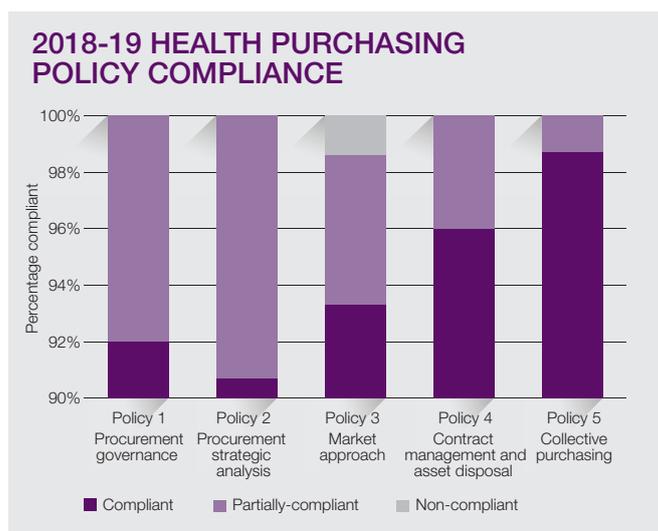
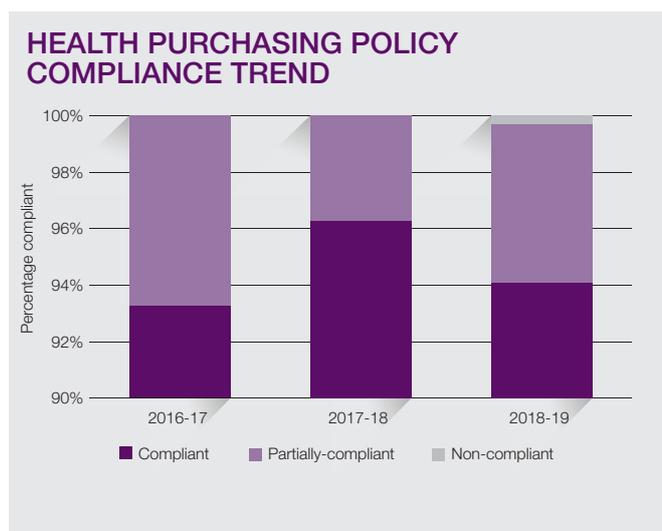
All mandated and eligible health services must report their progress and activities against HPV purchasing policies and legislation. HPV's triennial audit program is a key aspect of our compliance framework, and involves a third of Victoria's public health services completing an audit to HPV's policies each year and reporting the outcomes to HPV.

In 2018-19 HPV published updated audit guidance resources to assist health services and their chosen auditor in assessing compliance. These resources addressed health service feedback and provide a simplified and standardised auditing framework.

Ongoing enhancements to the annual self-assessment reporting process include providing further clarity for health services assessing their compliance, and improved communication throughout the preparation and approval process.



COLLECTIVE AGREEMENT COMPLIANCE	2015-16 TOTAL	2015-16 %	2016-17 TOTAL	2016-17 %	2017-18 TOTAL	2017-18 %	2018-19 TOTAL	2018-19 %
Compliant	2843	97.5%	2801	97.0%	2419	97.6%	2398	97.9%
Non-compliant	53	2.1%	73	2.5%	39	1.6%	33	1.3%
Exemption	13	0.4%	14	0.5%	21	0.8%	19	0.8%



HPV ANNUAL COMPLIANCE STATEMENT

HEALTH SERVICE POLICY COMPLIANCE

Victoria's public health services recorded their lowest-ever level of non-compliance in the 2018-19 self-assessment, with 97.9 per cent compliance with HPV collective agreements and 99.7 per cent full or partial compliance with the Health Purchasing Policies.

These results reflect health services' commitment to policy compliance, and the introduction of the partially compliant criteria – compliance to 75 per cent or more of a Health Purchasing Policy – which recognises that compliance is not always clear-cut. HPV's Compliance Assessment Tool, launched in 2018-19, is a useful guide for health services in selecting this criteria.

HPV PROBITY TRAINING PARTICIPATION

HPV has developed three online courses to support health services in maintaining good probity practice. Tailored as individual programs for procurement professionals, on-the-ground staff and board members, HPV's online courses reflect public hospitals' diverse needs and skills.

Each program includes three modules – comprising probity fundamentals, practical application and a case study – and takes approximately 30 minutes to complete.

During 2018-19, 751 participants participated in online procurement training with 206 awarded a certificate of completion.

ELIGIBLE SERVICES AND POLICY COMPLIANCE

In 2018-19, HPV updated the naming convention for 'non-mandated' health services, labelling them 'eligible services' to better reflect their eligibility to apply for direct access to HPV collective agreements when assessed under HPV's Access Policy. HPV's broader potential customer base continues to be referred to as 'health or related services' as defined under the *Health Services Act 1988* (Vic).

In the past 12 months, HPV's focus has been to drive increased benefits for existing participating eligible services, delivering cost savings of more than \$1.3 million, or an average 28 per cent saving for each new approved contract access application. HPV's 40 eligible service customers have also maintained a high degree of policy compliance, lifting their high standard even further to over 99 per cent compliance.

COLLECTIVE AGREEMENT COMPLIANCE



MANAGEMENT AND ORGANISATION

MS ELAINE KO*

MBA, BSc, BEng, GAICD

Chief Executive Officer

Elaine was appointed Chief Executive in August 2016. Before joining HPV Elaine was Head of Sourcing at Mondelez International where she led a multidisciplinary team in developing and implementing the Asia Pacific regional sourcing strategy.

Elaine brings more than 16 years of senior leadership experience in international supply chain, marketing and strategic sourcing management across the Asia-Pacific. Her roles in fast-moving consumer goods companies Mondelez International and Kraft Foods have delivered significant business growth, supply chain improvements, improved customer service and world-class sourcing strategies resulting in substantial cost reductions and increased stakeholder collaboration.

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

MS TRUDY HART*

MBA, BComm, CPA

Acting Chief Executive Officer

Trudy joined HPV as Acting Chief Executive from December 2017 to December 2018.

Prior to HPV, Trudy was Director of Revenue in the Victorian Department of Treasury and Finance, responsible for Tax and Gambling Policy, Revenue Forecasting and Intergovernmental Relations.

Trudy has significant expertise and experience as a senior government executive, with over 20 years in the Victorian and Commonwealth governments. Trudy has established multiple teams, led strategic policy development across commercial, budget and social policy areas and driven a number of financial management reforms.

Trudy holds a Masters of Business Administration from the University of Melbourne, a Bachelor of Commerce from the Australian National University and is a Certified Practising Accountant. Trudy was on the Land Tax Hardship Relief Board from 2012 to 2017 and received the Dean's Women and Management scholarship from Melbourne Business School in 2013.

MR JOE NEILL

DipBus (IntTrade), MCIPS

Director Procurement and Value Delivery

Joe joined HPV in October 2017 and brings more than 35 years of procurement experience across diverse industries in both public and private sectors, together with a deep understanding of Victoria's health industry gained over two decades.

Joe's experience over the past 18 years includes senior positions at Melbourne Health and Austin Health, where as Director Supply and Contracts he was responsible for the hospital's total procurement budget.

Originally hailing from Dunfermline in Scotland, Joe is a member of the Chartered Institute of Purchasing Supply (MCIPS) and holds a Diploma of Business in International Trade.

MR ALFRED MATTHEWS

MBA, BA, CIPS, GAICD

Director Customer Engagement

Alfred joined HPV in September 2016 on secondment from Monash Health. As HPV Head of Indirect Products and Services, Alfred implemented strategies to improve collaboration and delivered financial and service quality outcomes which received recognition from Procurement and Supply Australasia (PASA). Alfred was appointed HPV Director Customer Engagement in November 2017, earning PASA recognition for HPV's customer engagement function.

For more than a decade at Monash Health, Alfred managed non-clinical support services teams including food, cleaning, waste, customer service, retail and security. He was a member of Monash Health's inter-professional teams leading service initiatives, and part of a project team managing Monash's central kitchen, implementing innovative cleaning methods and new meal models to improve patient satisfaction and drive efficiencies.

Alfred has also held senior roles within commercial hospitality organisations including Crown Limited.

* Ms Trudy Hart was appointed Acting Chief Executive Officer from December 2017 to December 2018. Chief Executive Officer Ms Elaine Ko returned from parental leave in December 2018.

HPV ANNUAL COMPLIANCE STATEMENT

MR JOHN DELINAOUM

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

Director Finance, Risk and Governance

John commenced at HPV in March 2015. With almost 20 years' experience in the health sector, John has held senior finance leadership roles within public, private and aged care services. His most recent role prior to joining HPV was as Director Finance Services at Northern Health.

John has extensive experience in business planning, enterprise risk management, corporate services functions, systems technology design and implementation. He is also a member of the Audit and Risk Committee of the Australian College of Optometry, providing governance and risk management support.

MR ROB SETINA

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

Director Data and Systems

Rob joined HPV in January 2017 as the Director Data and Systems. Rob is a senior IT executive with over 20 years' experience in both the public and private sectors as well as the consulting and corporate industries.

Rob's focus is on using technology as an enabler of business objectives. Across his career, he has undertaken business transformations using data to drive and support improved commercial outcomes.

At HPV, Rob's key functions include supporting HPV's information and communication technology use, providing business support for the Victorian Product Catalogue System, overseeing projects and developing data analytics/business intelligence solutions. Externally, Rob oversees the implementation of a common catalogue across Victoria's public health sector and development of a sector-wide spend analysis tool.

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

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, focusing on inclusive, sustainable and ethical leadership strategy development. Angela's collaborative approach, strong business acumen and focus on strategic HR planning, often in complex and challenging environments, is key to organisations achieving their business objectives.

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

ORGANISATION CHART

The following chart shows HPV's key organisational structure comprising the following functional divisions: Office of the Chief Executive, Procurement, Customer Engagement, Finance, Risk and Governance, Data and Systems, and People and Culture.



OUR PEOPLE: HUMAN RESOURCES AND DEVELOPMENT

WORKFORCE DATA

During 2018-19, HPV recorded a 6.7 per cent increase in our employee headcount compared to 2017-18. At 30 June 2019, 96 people were employed by HPV, with 25 employees and one secondee joining HPV during the year.

HPV's workforce composition is summarised below.

	FY AVERAGE 2017-18	FY AVERAGE 2018-19	JUNE 2018	JUNE 2019	JUNE 2018	JUNE 2019
	FULL-TIME EQUIVALENT		FULL-TIME EQUIVALENT		HEAD COUNT	
Full-time	82.7	77.9	74.8	82.0	77	82
Part-time	1.3	3	1.6	4.4	2	6
Total number of HPV employees	84	80.9	76.4	86.4	79	88
Secondee/Agency	5.5	7.1	8.9	5.7	11	8
Total full-time equivalent employees	89.5	88	85.3	92.1	90	96

SECONDMENTS

HPV's collaborative and flexible approach to recruitment – utilising technical expertise from across Victoria's public health services – continued to enhance our partnership with the health sector in 2018-19.

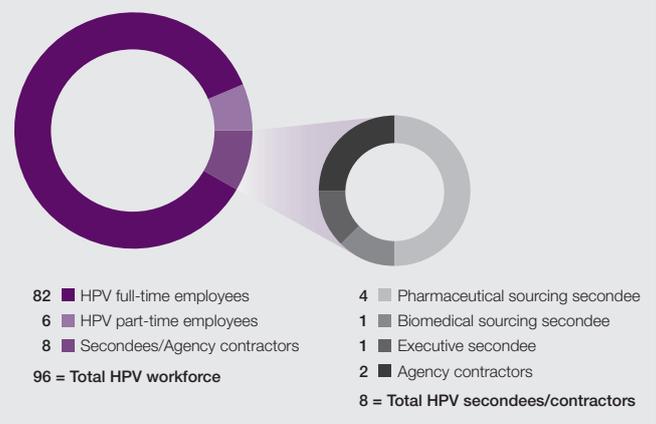
HPV's secondment program continues to deliver significant benefits in the form of improved health service relationships, enhanced clinical expertise – particularly in the pharmaceutical stream – and stakeholder management to support HPV's strategic procurement objectives. Day-to-day, we have been able to enhance our procurement activity by introducing specialist professional knowledge, practical strategies and implementation planning.

HPV's secondments include four pharmaceutical procurement subject matter experts (SMEs) comprising three practising pharmacists from Monash Health and another from Northern Health, who now combines a HPV procurement role with pharmacy practice at Eastern Health.

A senior biomedical advisor secondment from South West Healthcare has also contributed professional expertise to HPV's equipment sourcing stream throughout 2018-19, bringing HPV's total secondee headcount to five.

At executive level, HPV's Acting Chief Executive Officer role concluded on 21 December 2018 with the return of our Chief Executive Officer Elaine Ko from parental leave.

HPV 2018-19 WORKFORCE COMPOSITION



OCCUPATIONAL HEALTH AND SAFETY

HPV proactively supports occupational health and safety (OH&S) initiatives through our employee-focused OH&S Committee, which works with employees throughout the year to ensure a high level of engagement in and understanding of HPV's risk management policies and procedures.

In 2018-19, HPV revised the OH&S procedure to ensure ongoing compliance with relevant OH&S requirements and to further promote HPV's five-year OH&S strategy and risk management plan to ensure employee safety.

OUR PEOPLE: HUMAN RESOURCES AND DEVELOPMENT

OCCUPATIONAL HEALTH AND SAFETY MATTERS	2018-19 UPDATE
a) The number of reported hazards/incidents for the year per 100 full-time equivalent employees.	Four minor incidents were reported in 2018-19, reflecting HPV employees' proactive approach to reporting OH&S matters. HPV has implemented improvements to our office facilities to prevent similar recurrences.
b) The number of 'lost time' standard claims for the year per 100 full-time equivalent employees.	Nil
c) The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe).	Nil
d) A minimum of two years' data on these indicators and explanations for significant variations from one year to the next.	<p>No claims have been made in 2018-19. HPV reported two standard workers' compensation claims in 2017-18 relating to hand and arm injuries attributed to desk-bound duties.</p> <p>The significant improvement in 2018-19 can be attributed to improved communication, assessments of employees' ergonomic arrangements and effective OH&S management with the two relevant employees. HPV provided reasonable adjustments and/or physical modifications to equipment and environment as required, and proactively monitored both employees' well-being.</p>
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.	Not applicable.

OCCUPATIONAL VIOLENCE

OCCUPATIONAL VIOLENCE STATISTICS	2018-19 UPDATE
Workcover accepted claims with an occupational violence cause per 100 full-time equivalent employees.	Nil
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	Nil
Number of occupational violence incidents reported.	Four HPV employees reported via the People Matter Survey that they 'personally experienced aggression or violent behaviour at work in the last 12 months'. A further employee reported witnessing violence or aggression against a colleague.
Number of occupational violence incidents reported per 100 full-time equivalent employees.	5.2
Percentage of occupational violence incidents resulting in a staff injury, illness or condition.	None reported.

CARERS' RECOGNITION ACT 2012

In line with the HPV Enterprise Agreement 2018 and management of leave entitlements, HPV is compliant with the *Carers' Recognition Act 2012* (Cth).

HPV ENTERPRISE AGREEMENT 2018

HPV's new Enterprise Agreement 2018 (Enterprise Agreement) took effect on 11 January 2019. Voting employees submitted a 100 per cent 'yes' vote in favour of the new Enterprise Agreement.

Key outcomes of the new Enterprise Agreement have seen HPV transition more than 90 per cent of our workforce to secure ongoing employment and the introduction of purchased leave and 7am – 7pm hours of work to improve access to flexible work arrangements.

HPV took the opportunity to review and improve our flexible work arrangements policy in line with the new Enterprise Agreement. All HPV employees are able to apply for a variety of flexible work options including compressed or part-time hours, working from home and flexible start and finish times.

The new Enterprise Agreement also gives HPV employees access to updated leave provisions such as Family Violence Leave, Cultural and Ceremonial Leave, Blood Donor Leave, and increased Parental Leave provisions.

ACCESSIBILITY ACTION PLAN

HPV strives to be an organisation that is respectful, inclusive and promotes diversity.

Cultural diversity is a significant feature of HPV's workplace with more than a dozen different nationalities and cultural backgrounds represented, and three per cent of our workforce identifying as a person with disability. Our diverse and supportive workplace acknowledges the needs of Victoria's disability community.

2018-19 saw significant activity to update HPV's accessibility policies and actions. HPV reviewed our Disability Action Plan, completing an annual accessibility audit of HPV's office environment and Casselden building premises, and continued ongoing actions to promote disability awareness with compulsory diversity and workplace respect training for all new employees.

HPV also sought feedback and assistance from external agencies to support a contemporary approach to accessibility and inclusion. In 2019, HPV published a new Accessibility Action Plan for 2019-2022, in line with the 2018-19 Statement of Priorities.

The Accessibility Action Plan reflects HPV's commitment and recognition that people with disability and from all backgrounds should have access to programs, services, facilities and employment opportunities that support individual choices in enhancing their quality of life.

The plan outlines our commitment to enhancing the health and well-being of people with disability over the next four years, and focuses on improving accessibility, participation and employment outcomes.

The Accessibility Action Plan has been developed in consultation with all HPV employees and aligns to the Absolutely everyone: State disability plan 2017-2020 and DHHS employment strategy 2018-2020.

The plan provides a framework for further qualitative change to support HPV employees, consumers, community members and any person with disability engaging or interacting with HPV in line with relevant legislation.

PEOPLE MATTER SURVEY

HPV participated in the annual Victorian Public Sector Commission (VPSC) People Matter Survey 2019 with an 89 per cent response rate from HPV employees, an increase on the 2018 response rate of 74 per cent.

This year's employee engagement index was 70 – up from 63 in 2018 – and employee satisfaction increased by 8 per cent to 68 per cent compared to 2018.

These results show that employees are interested in contributing to improvements in HPV as a place to work, and that they value HPV's consistently strong performance on diversity and inclusion, equal employment opportunities, and human rights.

HPV uses People Matter Survey results as a tool to better understand employee views, and inform our ongoing activities, such as ethical leadership development training and health and well-being activities, to improve workplace conditions and employee satisfaction.

OUR PEOPLE: HUMAN RESOURCES AND DEVELOPMENT

ETHICAL LEADERSHIP DEVELOPMENT

HPV launched an ethical leadership strategy in 2018-19, the cornerstones of which are a 10-week intensive ethical leadership program and an ethical leadership committee to foster and promote a more inclusive workplace culture where diversity can flourish.

HPV's strategy utilises current behavioural science principles to build on HPV's organisational culture and enhance respectful workplace behaviour by providing opportunities for employees to build their 'speak up' skills, improve individual capability and support an ethically proactive culture.

The program involves an active learning approach with facilitated workshops and ongoing discussions to help participants hone their personal skills. Over the longer term, the ethical leadership committee champions learnings and identifies strategies to further embed ethical practice across HPV.

HPV has further utilised the Learning Management System (LMS) established in 2017 to deliver an improved online induction program for all new employees.

Comprising four modules, the induction content covers an overview of HPV, our processes, policies and procedures, and day-to-day operations. The program's online delivery enables new employees to receive accurate and consistent information that helps ensure a successful start to their working life at HPV.

HPV RECRUITMENT

A review of HPV's recruitment procedure following the new Enterprise Agreement implementation has ensured greater alignment with HPV's commitment to diversity and inclusivity.

Changes in HPV's procedure help to ensure Aboriginal people, lesbian, gay, bisexual, trans and/or intersex (LGBTI) people, and people with disability are provided the best opportunity to apply for roles at HPV.

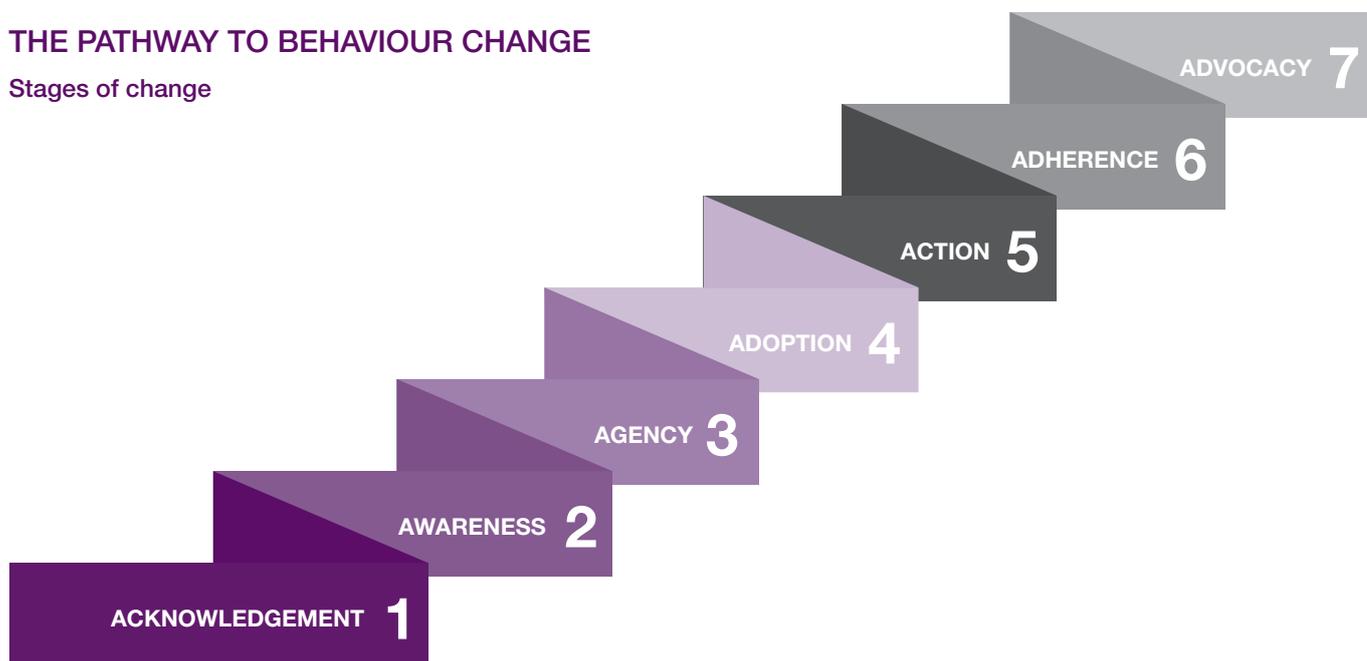
Supporting our aim for greater inclusion, HPV developed an LMS learning module to educate employees on the complexities of assessing applicants throughout the recruitment process. This module focused on candidate merit, unconscious bias and cultural diversity.

HPV has also explored options to improve our use of social media platforms – including developing an infographic marketing video highlighting the advantages of working at HPV.

Focusing on benefits such as accrued days off, an attractive city location close to transport, flexible work arrangements and end-of-trip facilities, the increased focus on HPV as a professional career option is helping to attract a broader and more specific candidate pool. The changes also have the potential to streamline HPV's recruitment process.

THE PATHWAY TO BEHAVIOUR CHANGE

Stages of change



SUSTAINABILITY

HPV'S OFFICE-BASED ENVIRONMENTAL IMPACTS

ENVIRONMENTAL DATA

As a public entity, HPV is encouraged to report on its environmental impacts consistent with FRD 22H requiring a summary of the entity's environmental performance. HPV collects relevant data, where available, for reporting. Available data is provided in detail below.

ENERGY USE

HPV occupies office space in Casselden, a Melbourne CBD-based building, as a tenancy with shared services. The key environmental attributes of Casselden are:

- 4.5-star NABERS Energy base building certification.
- 3-star NABERS Water certification.
- 5-star NABERS Indoor Environment certification.

Electricity is supplied under HPV's lease arrangement; the percentage of electricity purchased under a government-accredited Green Power scheme is 0 per cent. 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, which prevent greenhouse gas emissions by meeting strict energy efficiency guidelines.

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.
- Printer toners.
- E-waste.

In addition, HPV auctions superfluous mobile phones for reuse by employees.

PAPER USE

HPV tracks office paper use via printer data and has seen a reduction in use since the reporting commenced in 2015-16. For the 2018-19 reporting period, 308 reams of A4-equivalent copy paper were used, which equates to 3.5 reams per full-time equivalent employee.

HPV continues to explore alternatives to reduce paper-based processes, including implementing electronic signatures, providing board papers in electronic form, and moving to on-demand printing.

In 2018-19 HPV switched to 100 per cent recycled A4 paper sourced from a local manufacturer and introduced a 'think before you print' campaign to increase employee awareness of paper usage.

	A4-EQUIVALENT COPY PAPER USAGE (REAMS)	NUMBER OF REAMS USED PER FULL-TIME EQUIVALENT EMPLOYEE
2015-16	683	9.1
2016-17	364	4.0
2017-18	352	3.9
2018-19	308	3.5

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-star Water certification and provides on-site sewage water recovery for re-use in toilets, and high-efficiency water fixtures and fittings.

SUSTAINABILITY

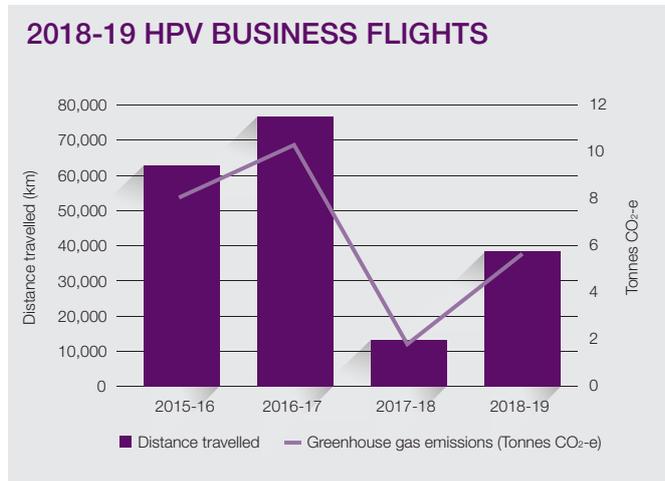
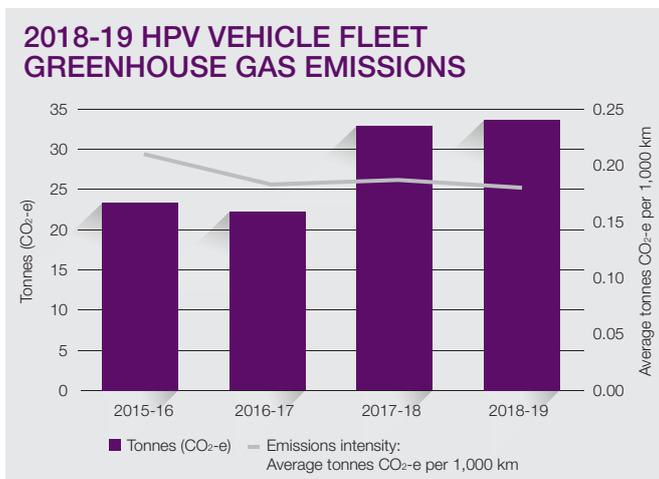
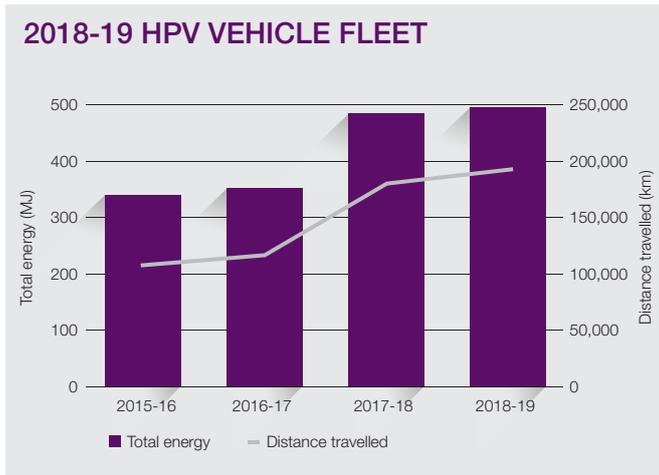
TRANSPORTATION

HPV's office location is readily accessible by public transport. The Casselden building provides excellent end-of-trip facilities to support employee commuter cycling, including secure undercover bicycle storage.

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

As at 30 June 2019, HPV has a fleet comprising nine vehicles, including those used for customer engagement activity, for which it monitors fuel card usage and odometer readings.

For 2018-19, HPV reports the following aggregated environmental data:



SUSTAINABLE PROCUREMENT AT HPV

Procurement projects facilitated by HPV are expected to identify, where feasible, opportunities to reduce environmental impacts, and increase positive social benefits. In 2018-19 HPV has continued to play an active role in supporting procurement of solar photovoltaic systems, adopting a cluster sourcing approach to help regional health services install renewable energy infrastructure.

HPV continues to focus on improving the implementation of sustainable procurement objectives in line with our strategic goal to increase best-value healthcare outcomes.

In 2018-19, HPV implemented a social procurement strategy, which involved changing our procurement policies and processes to support Social Procurement Framework (SPF) objectives within HPV's collective agreements. We also developed measurement and reporting capability aligned with our Benefits Management Framework and raised awareness of the SPF by providing targeted education and training support for health service procurement activity.

Building on an internal review of our Confirmed Annual Sourcing Plan, HPV has also developed a draft strategy for the 2019-20 reporting period setting out our priority objectives under the SPF. Priorities aligned with the SPF include:

- Women's equality and safety.
- Supporting safe and fair workplaces.
- Environmentally sustainable business practices.
- Environmentally sustainable outputs.

DISCLOSURE OF CONSULTANCIES

CONSULTANCIES GREATER THAN \$10,000 IN VALUE DURING 2018-19

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2018-19 (EX GST)	FUTURE EXPENDITURE
Cherub Consulting Group Pty Ltd	HPV engaged Cherub Consulting to assist in defining requirements of the new Victorian Health Microsoft Enterprise Agreement to replace that expiring in May 2019, enabling HPV to successfully negotiate a best-value contract outcome.	January 2019	May 2019	\$80,000	\$80,000	\$0
Deloitte Consulting	HPV engaged Deloitte Consulting to validate common catalogue business requirements, map a business process, undertake gap analysis, develop a solution design and the functional and technical specifications to support implementation.	July 2018	May 2019	\$559,064	\$559,064	\$0
Garwoli Research and Development Pty Ltd	HPV engaged Garwoli Research and Development to provide strategies to assist in our market approach, in light of significant changes in the domestic energy regulatory landscape and asset ownership.	February 2019	April 2019	\$33,750	\$33,750	\$0
Ernst and Young	HPV engaged Ernst and Young to develop an optimal sourcing strategy for a new catering supplies agreement. Effective sourcing strategies drive cost savings for health services, reduce operational complexity, improve supplier relationships and support DHHS objectives to increase healthy and locally sourced food suppliers across the health and aged care sector.	April 2019	May 2019	\$85,007	\$85,007	\$0

DISCLOSURE OF CONSULTANCIES

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2018-19 (EX GST)	FUTURE EXPENDITURE
Crosstrees Consulting	<p>HPV engaged Crosstrees Consulting to undertake an independent review of the performance of the Finance, Audit and Risk Management Committee in line with governance obligations and provide recommendations for improvement. Crosstrees considered four key instruments:</p> <ul style="list-style-type: none"> • <i>Health Services Act 1988.</i> • <i>Public Administration Act 2014.</i> • Financial Management Compliance Framework 2016. • The Code of Conduct for Directors of Victorian Public Entities, which is aligned to public sector values. 	July 2018	August 2018	\$10,400	\$10,400	\$0
eWorks	<p>HPV developed a suite of three probity, integrity and ethics training packages targeting:</p> <ul style="list-style-type: none"> • Procurement professionals. • Clinical, operational and non-procurement staff. • Board and executive. <p>HPV engaged eWorks to further develop the modules in Lectora Publisher as part of HPV's eLearning environment.</p>	December 2018	February 2019	\$31,350	\$31,350	\$0

In 2018-19, Health Purchasing Victoria did not engage with consultants where the total fees payable to the consultant were less than \$10,000 (exclusive of GST).

SUMMARY OF FINANCIAL RESULTS

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

YEAR	2018-19 \$000	2017-18 \$000	2016-17 \$000	2015-16 \$000	2014-15 \$000
Total revenue	16,207	16,283	16,334	13,837	11,935
Total expenses	17,095	16,261	16,312	13,812	11,908
Operating surplus/(deficit)*	(888)	22	22	25	27
Capital and Other economic flows**	(699)	(629)	(480)	(356)	1,327
Net surplus (deficit)	(1,587)	(607)	(458)	(331)	1,354
Total assets	5,109	6,358	7,581	7,413	7,373
Total liabilities	3,034	2,695	3,311	2,685	2,313
Net assets	2,075	3,663	4,270	4,728	5,060
Total equity	2,075	3,663	4,270	4,728	5,060

* The operating surplus/(deficit) is the financial result for which Health Purchasing Victoria is monitored in our 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

The 2018-19 financial year was a period of growth and investment for HPV. We also strengthened our processes and increased service delivery across a number of initiatives to support improved health service outcomes.

The focus for the current reporting period has been on investing strategically in the following initiatives:

- Common catalogue.
- Collective agreements and benefits.
- Compliance and probity.
- Government policy.
- Building capacity.

HPV, in collaboration with Melbourne Health, implemented a common catalogue to support e-procurement and achieve standardised reporting of expenditure.

The catalogue is a key initiative for Victoria's health sector. It will improve the consistency and accuracy of data, deliver supply chain efficiencies and help health services identify functional equivalent products and improve patient outcomes. The ultimate aim of the common catalogue is to create a single source of product and pricing information for the sector to eliminate 'cost leakage' resulting from inconsistent pricing, and increase data transparency to identify further procurement opportunities to deliver savings.

HPV exceeded \$1 billion of value under contract and \$133 million of benefits achieved by delivering procurements across the Indirect Products and Services, Pharmaceutical and Medical Consumables streams.

As part of HPV's procurement strategy we expanded our function in response to health service need by implementing an Information and Communication Technology (ICT) procurement stream, delivering a state-wide Microsoft licensing agreement. HPV also recognises the critical role health service staff play in our procurement activity by contributing to reference groups and supporting product evaluations.

HPV has continued to invest in health service support and prevention activities, including education, training, advice and guidance through a probity training program that reached an audience of more than 750 health service staff across various disciplines.

HPV's new online learning management system recognises the 24-7 nature of health services by providing flexibility in where and when staff undertake training. HPV has also refreshed our policy compliance framework to make it more scalable to health service capacity. HPV has made several process and system improvements to support compliance in addition to developing a new Compliance Assessment Tool to assist self-assessment and audit requirements.

HPV's performance against our Statement of Priorities and strategic objectives has been 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 DHHS compliance with statutory disclosure requirements.

LEGISLATION	REQUIREMENT	PAGE REFERENCE
Ministerial Directions Report of Operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	5
FRD 22H	Purpose, functions, powers and duties	5
FRD 22H	Nature and range of services provided	5
FRD 22H	Activities, programs and achievements for the reporting period	6-9
FRD 22H	Significant changes in key initiatives and expectations for the future	9
Management and structure		
FRD 22H	Organisational structure	22
FRD 22H	Workforce data/employment and conduct principles	23-26
FRD 22H	Occupational health and safety	23-24
Financial information		
FRD 22H	Summary of the financial results for the year	31
FRD 22H	Significant changes in financial position during the year	31
FRD 22H	Operational and budgetary objectives and performance against objectives	10
FRD 22H	Subsequent events	67
FRD 22H	Details of consultancies under \$10,000	30
FRD 22H	Details of consultancies over \$10,000	29
FRD 22H	Disclosure of information and communication technology expenditure	10
Legislation		
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	16
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	16
FRD 22H	Application and operation of <i>Protected Disclosure 2012</i>	17
FRD 22H	Statement on National Competition Policy	17
FRD 22H	Application and operation of <i>Carers' Recognition Act 2012</i>	25
FRD 22H	Summary of HPV's environmental performance	27-28
FRD 22H	Additional information available on request	14
Other relevant reporting directives		
FRD 25C	Local Jobs First policy implementation disclosures	17
SD 5.1.4	Financial management compliance attestation	15
SD 5.2.3	Declaration in report of operations	4
Attestations		
	Attestation on data integrity	15
	Attestation on managing conflicts of interest	15
	Attestation on integrity, fraud and corruption	15
Other reporting requirements		
	Reporting of outcomes from Statement of Priorities 2018-19	6-9
	Occupational violence reporting	24
	Reporting of compliance to Health Purchasing Victoria policy	18-20
	Reporting obligations under the <i>Safe Patient Care Act 2015</i>	17

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

BOARD CHAIR'S, 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 2019 and financial position of Health Purchasing Victoria at 30 June 2019.

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 Lance Wallace

Board Chair

Health Purchasing Victoria
15 August 2019



Ms Elaine Ko

Chief Executive Officer

Health Purchasing Victoria
15 August 2019



Mr John Delinaoum

Chief Financial & Accounting Officer

Health Purchasing Victoria
15 August 2019



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Health Purchasing Victoria

Opinion	<p>I have audited the financial report of Health Purchasing Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2019• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• board chair, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2019 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>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

MELBOURNE
19 August 2019



Travis Derricott
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	NOTE	2019 \$	2018 \$
Income from Transactions			
Operating Activities	2.1	16,207,831	16,283,019
Total Income from Transactions		16,207,831	16,283,019
Expenses from Transactions			
Employee Expenses	3.1	(10,393,715)	(10,536,512)
Non Salary Labour Costs	3.1	(2,578,966)	(2,148,090)
Other Operating Expenses	3.1	(4,122,997)	(3,576,713)
Depreciation and Amortisation	4.4	(632,620)	(628,267)
Total Expenses from Transactions		(17,728,298)	(16,889,582)
Net Result from Transactions – Net Operating Balance		(1,520,467)	(606,563)
Other Economic Flows included in Net Result			
Revaluation of Long Service Leave		(66,958)	(333)
Total Other Economic Flows Included in Net Result		(66,958)	(333)
NET RESULT FOR THE YEAR		(1,587,425)	(606,896)
Other Comprehensive Income		-	-
COMPREHENSIVE RESULT FOR THE YEAR		(1,587,425)	(606,896)

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

BALANCE SHEET

AS AT 30 JUNE 2019

	NOTE	2019 \$	2018 \$
Current Assets			
Cash and Cash Equivalents	6.1	3,537,988	1,214,811
Receivables	5.1	104,999	176,723
Investments and Other Financial Assets	4.1	-	3,000,000
Prepayments		476,917	492,502
Total Current Assets		4,119,904	4,884,036
Non-Current Assets			
Property, Plant & Equipment	4.2	260,646	371,635
Intangible Assets	4.3	730,239	1,102,075
Total Non-Current Assets		990,885	1,473,710
TOTAL ASSETS		5,110,789	6,357,746
Current Liabilities			
Payables	5.2	1,042,390	1,122,536
Provisions	3.2	1,483,120	1,155,219
Total Current Liabilities		2,525,510	2,277,755
Non-Current Liabilities			
Provisions	3.2	509,597	416,884
Total Non-Current Liabilities		509,597	416,884
TOTAL LIABILITIES		3,035,107	2,694,639
NET ASSETS		2,075,682	3,663,107
EQUITY			
Contributed Capital		31,570	31,570
Accumulated Surplus		2,044,112	3,631,537
TOTAL EQUITY		2,075,682	3,663,107
Commitments for Expenditure	6.2		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	NOTE	CONTRIBUTED CAPITAL \$	ACCUMULATED SURPLUS/(DEFICIT) \$	TOTAL \$
Balance at 30 June 2017		31,570	4,238,433	4,270,003
Net result for the year		-	(606,896)	(606,896)
Balance at 30 June 2018		31,570	3,631,537	3,663,107
Net result for the year		-	(1,587,425)	(1,587,425)
Balance at 30 June 2019		31,570	2,044,112	2,075,682

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	NOTE	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		15,033,700	15,168,129
Interest Received		145,550	119,994
GST Received from ATO		409,155	223,392
Other Receipts		55,453	207,548
Total Receipts		15,643,858	15,719,063
Employee Expenses Paid		(12,549,487)	(12,728,492)
Payments for Supplies		(3,621,402)	(3,625,439)
Total Payments		(16,170,889)	(16,353,931)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8.1	(527,031)	(634,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(99,970)	(51,342)
Purchase of Intangible assets		(49,822)	(173,854)
Proceeds from Disposal of Investments		3,000,000	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		2,850,208	(225,196)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		2,323,177	(860,064)
Cash and Cash Equivalents at Beginning of Financial Year		1,214,811	2,074,875
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.1	3,537,988	1,214,811

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for Health Purchasing Victoria for the financial year ended 30 June 2019.

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 (AASBs), which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

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

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

The annual financial statements were authorised for issue by the Board of Health Purchasing Victoria on 15th August 2019.

(b) REPORTING ENTITY

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

Its 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 cash based grant funding for the provision of outputs.

(c) 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 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

The financial statements are prepared on a going concern basis.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 definitions and recognition criteria for those items, that is, they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment);
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2 Employee Benefits in the Balance Sheet).

Goods and Services Tax (GST)

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

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

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

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

(d) EQUITY

Contributed capital

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of Health Purchasing Victoria.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

(e) COMPARATIVES

Where applicable, the comparative figures have been restated to align with the presentation in the current year. Figures have been restated at Notes 3.2, 5.2 and 7.1.

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

Established in 2001, Health Purchasing Victoria 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 facilitate collective agreements for the goods and services they purchase, providing advice and education on how to get their supply chain working at its best and ensuring Health Purchasing Policy Compliance.

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

Structure

2.1 Income from Transactions

NOTE 2.1: INCOME FROM TRANSACTIONS

	2019 \$	2018 \$
Income from Operating Activities		
Government Grants – DHHS	15,186,547	15,318,129
Interest Income	96,246	118,327
Other Income	-	124,140
Indirect Contributions by Department of Health and Human Services		
- Insurance	13,116	11,855
- Office Lease	911,922	710,568
Total Income from Operating Activities	16,207,831	16,283,019
Total Income from Transactions	16,207,831	16,283,019

Revenue Recognition

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

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

Government Grants and Other Transfers of Income (other than contributions by owners)

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

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

The Department of Health and Human Services makes certain payments on behalf of Health Purchasing Victoria. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 2.1: INCOME FROM TRANSACTIONS (CONTINUED)

Indirect Contributions from the Department of Health and Human Services

The Department of Health and Human Services makes some payments on behalf of health services as follows:

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are 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 long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular.

Interest Income

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

Other Income

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

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 from Transactions

3.2 Provisions

3.3 Superannuation

NOTE 3.1: EXPENSES FROM TRANSACTIONS

	2019 \$	2018 \$
Employee Expenses		
Salaries and Wages	8,921,092	9,040,036
Superannuation	958,233	948,520
Workcover	26,309	27,410
Payroll Tax	488,081	520,546
Total Employee Expenses	10,393,715	10,536,512
Non Salary Labour Costs		
Agency Costs	965,364	735,067
Long Service Leave Provision	200,905	42,585
Annual Leave Provision	929,312	896,787
Accrued Days Off Provision	483,385	473,651
Total Non Salary Labour Costs	2,578,966	2,148,090
Other Operating Expenses		
Advertising	25,229	19,487
Software Licence and Support	1,188,883	1,150,967
Insurance	13,116	11,855
Legal Fees	209,026	183,202
Probity Audit Fees	10,223	23,002
Office Outgoings	48,523	56,525
Printing and Stationery	44,564	41,324
Subscriptions	106,503	82,658
Rent	911,922	710,568
Recruitment	121,411	110,437

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 3.1: EXPENSES FROM TRANSACTIONS (CONTINUED)

	2019 \$	2018 \$
Consultant and Professional Fees	1,006,867	690,927
Telecommunication Costs	49,784	49,015
Vehicle and Travel Costs	122,385	180,045
Staff Development and Seminars	134,398	158,117
Audit Fees		
- VAGO	32,350	31,500
- Internal Audit	64,160	42,960
Bank Charges	936	1,505
Other	32,717	32,619
Total Other Operating Expenses	4,122,997	3,576,713
Capital Expenses		
Depreciation and Amortisation (Note 4.4)	632,620	628,267
Total Capital Expenses	632,620	628,267
Total Expenses from Transactions	17,728,298	16,889,582

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.

NOTE 3.1: EXPENSES FROM TRANSACTIONS (CONTINUED)

Other operating expenses

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

The Department of Health and Human Services makes certain payments on behalf of Health Purchasing Victoria. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

Other economic flows included in the net result

Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions.

Net gain/ (loss) on non-financial assets

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

- 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 3.2: PROVISIONS

	2019 \$	2018 \$
Current Provisions		
Employee Benefits ⁽ⁱ⁾		
Annual Leave		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	627,211	525,400
- Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	104,375	85,280
Long Service Leave		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	94,980	37,902
- Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	321,974	235,266
Accrued Days Off		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	144,051	101,153
- Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	-	16,418
	1,292,591	1,001,419
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value) ⁽ⁱⁱ⁾	126,794	102,005
- Unconditional and expected to be settled after 12 months (present value) ⁽ⁱⁱⁱ⁾	63,735	51,795
	190,529	153,800
Total Current Provisions	1,483,120	1,155,219
Non-Current Provisions		
Conditional Long Service Leave entitlements	442,869	361,313
Provisions related to employee benefit on-costs	66,728	55,571
Total Non-Current Provisions	509,597	416,884
Total Provisions	1,992,717	1,572,103

(i) Employee benefits consist of amounts for accrued days off, annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

NOTE 3.2: PROVISIONS (CONTINUED)

	2019 \$	2018 \$
(a) Employee Benefits and Related On-Costs		
Current Provisions		
Unconditional Long Service Leave entitlements	479,778	315,181
Annual Leave entitlements	838,282	704,420
Accrued Days Off	165,060	135,618
	1,483,120	1,155,219
Non-Current Provisions		
Conditional Long Service Leave entitlements	509,597	416,884
	509,597	416,884
Total Employee Benefits and Related On-Costs	1,992,717	1,572,103
(b) Movements in On-Costs Provision		
Movement in On-Costs Provisions		
Balance at start of year	209,371	
Additional provisions recognised	38,753	
Unwinding of discount and effect of changes in the discount rate	9,762	
Reduction due to transfer out	(629)	
Balance at end of year	257,257	

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 3.2: PROVISIONS (CONTINUED)

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.

Annual leave and accrued days off

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

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

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

Long service leave (LSL)

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

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

The components of this current LSL liability are measured at:

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

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

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

Termination benefits

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

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

On-costs

Provision for on-costs such as workers compensation, payroll tax and superannuation, are recognised separately from provisions for employee benefits.

NOTE 3.3: SUPERANNUATION

	2019 \$	2018 \$
Total payments towards defined contribution plans.	958,233	948,520

Health Purchasing Victoria has an unpaid superannuation liability as at 30 June 2019 of \$118,462 (2018: \$103,263).

Details in relation to superannuation funds are as follows:

- Health Purchasing Victoria contributed on behalf of its employees and directors eligible for remuneration during the year ended 30 June 2019 to complying funds under the *Superannuation Industry (Supervision) Act 1993*.
- No loans exist between Health Purchasing Victoria and these superannuation funds.
- The total contributions paid by Health Purchasing Victoria exclude amounts paid under salary sacrifice arrangements.
- The basis for the calculation of superannuation contributions in accordance with the employer statutory requirements specify that contributions of Health Purchasing Victoria are based on a percentage of the employee's salary. During the period these contributions were at the rate of 9.5% of gross salaries. Contributions made by Health Purchasing Victoria are in accordance with employer obligations and exclude salary sacrifice arrangements to the major employee superannuation funds are as reported.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

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

NOTE 4.1: INVESTMENTS AND OTHER FINANCIAL ASSETS

	2019 \$	2018 \$
CURRENT		
Bank Term Deposits > 3 Months	-	3,000,000
Total Investments and Other Financial Assets	-	3,000,000

Investment Recognition

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

Investments are classified as loans and receivables or available-for-sale financial assets.

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

Health Purchasing Victoria investments must comply with Standing Direction 3.7.2 – Treasury Management, including Central Banking System.

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

Impairment of Financial Assets

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

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

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

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

(a) Gross carrying amount and accumulated depreciation

	2019 \$	2018 \$
Computer Equipment		
Computer Equipment at Fair Value	359,148	286,013
Less Accumulated Depreciation	(285,374)	(226,781)
Total Computer Equipment	73,774	59,232
Furniture and Fittings		
Furniture and Fittings at Fair Value	138,944	114,411
Less Accumulated Depreciation	(64,201)	(42,890)
Total Furniture & Fittings	74,743	71,521
Leasehold Improvements		
Leasehold Improvements at Fair Value	920,414	918,111
Less Accumulated Depreciation	(808,285)	(677,229)
Total Leasehold Improvements	112,129	240,882
Total Property Plant and Equipment	260,646	371,635

(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 ⁽ⁱ⁾ \$	AT FAIR VALUE (LEVEL 3) FURNITURE AND FITTINGS ⁽ⁱ⁾ \$	AT FAIR VALUE (LEVEL 3) LEASEHOLD IMPROVEMENTS ⁽ⁱ⁾ \$	TOTAL \$
Balance at 1 July 2017	95,430	64,040	371,880	531,350
Additions	24,543	26,798	-	51,340
Depreciation (Note 4.4)	(60,741)	(19,316)	(130,998)	(211,055)
Balance at 1 July 2018	59,232	71,522	240,882	371,635
Additions	73,135	24,532	2,304	99,971
Depreciation (Note 4.4)	(58,593)	(21,311)	(131,057)	(210,961)
Balance at 30 June 2019	73,774	74,743	112,129	260,646

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 2019.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment

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

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.

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

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effect on the financial statements and estimates relate to the fair value of office equipment, computer equipment, furniture and fittings and leasehold improvements.

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

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

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

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

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

NOTE 4.3: INTANGIBLE ASSETS

	2019 \$	2018 \$
Intangible Assets		
Software at Cost	2,316,938	2,238,216
Less Accumulated Amortisation	(1,586,699)	(1,165,040)
Total Software Costs	730,239	1,073,176
Intangible Assets under Construction at cost	-	28,900
Total Intangible Assets	730,239	1,102,076

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 \$
Balance at 1 July 2017	1,035,166	310,267	1,345,433
Additions	144,954	28,900	173,854
Net Transfers Between Classes	183,277	(310,267)	(126,990)
Assets Expensed	126,990	-	126,990
Amortisation (Note 4.4)	(417,212)	-	(417,212)
Balance at 1 July 2018	1,073,175	28,900	1,102,075
Additions	49,823	-	49,823
Net Transfers between classes	28,900	(28,900)	-
Amortisation (Note 4.4)	(421,659)	-	(421,659)
Balance at 30 June 2019	730,239	-	730,239

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

	2019 \$	2018 \$
Depreciation		
Computer Equipment	58,593	60,741
Furniture and Fittings	21,311	19,316
Leasehold Improvements	131,057	130,998
Total Depreciation	210,961	211,055
Amortisation		
Intangible Assets	421,659	417,212
Total Amortisation	421,659	417,212
Total Depreciation and Amortisation	632,620	628,267

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.

	2019	2018
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 (2018: 3-5 years).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 5: OTHER ASSETS AND LIABILITIES

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

Structure

5.1 Receivables

5.2 Payables

NOTE 5.1: RECEIVABLES

	2019 \$	2018 \$
CURRENT		
Contractual		
Other Receivables	1,407	49,306
Trade Debtors	-	6,438
	1,407	55,744
Statutory		
GST Receivable	103,592	120,979
	103,592	120,979
Total Receivables	104,999	176,723

(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: PAYABLES

	2019 \$	2018 \$
CURRENT		
Contractual		
Trade Creditors	-	583
Accrued Expenses	322,241	368,919
Salaries and Wages Related Creditors	567,651	443,698
	889,892	813,201
Statutory		
Payroll Tax	47,938	51,835
Fringe Benefits Tax	6,000	7,500
Department of Health and Human Services	98,560	250,000
	152,498	309,335
Total Payables	1,042,390	1,122,536

Payables Recognition

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to Health Purchasing Victoria prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The normal credit terms for accounts payable are usually Nett 60 days.

Maturity analysis of Payables

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 6: HOW WE FINANCE OUR OPERATIONS

This section provides information on the sources of finance utilised by HPV during its operations, along with other information related to financing activities of the 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 Health Purchasing Victoria does not maintain an overdraft facility.)

	2019 \$	2018 \$
Cash at Bank	3,537,988	1,214,811
Total Cash and Cash Equivalents	3,537,988	1,214,811

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, and which are readily convertible to known amounts of cash with an insignificant risk of changes in value.

NOTE 6.2: COMMITMENTS FOR EXPENDITURE

	2019 \$	2018 \$
Capital Expenditure Commitments		
Intangibles	12,994	17,875
Total Capital Expenditure Commitments	12,994	17,875
Not later than one year	12,994	17,875
Total	12,994	17,875
Other Expenditure Commitments		
IT Services	2,568,653	372,973
Pool Cars	89,369	156,986
Internal Audit Services	107,947	170,720
Total Other Expenditure Commitments	2,765,969	700,679

NOTE 6.2: COMMITMENTS FOR EXPENDITURE (CONTINUED)

	2019 \$	2018 \$
Not later than one year	756,627	518,129
Later than 1 year and not later than 5 years	2,009,342	182,550
Total	2,765,969	700,679
Lease Commitments		
Operating Leases	11,356	2,526,387*
Total Lease Commitments	11,356	2,526,387
Not later than one year	4,923	692,593
Later than 1 year and not later than 5 years	6,433	1,833,794
Total	11,356	2,526,387
Total Commitments for expenditure (inclusive of GST)	2,790,319	3,244,941
Less GST recoverable from the Australian Tax Office	(253,665)	(67,031)
Total Commitments for expenditure (exclusive of GST)	2,536,654	3,117,910

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

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.

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.

* Operating lease commitments relating to HPV's use of Level 34, 2 Lonsdale Street (\$2,507,604) are not applicable to GST. In addition HPV has no contractual arrangement to support the reporting of the lease commitment going forward as this has been assumed by the DHHS.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

NOTE 7.1: FINANCIAL INSTRUMENTS

(a) Categorisation of financial instruments

2019	FINANCIAL ASSETS AT AMORTISED COST \$	FINANCIAL LIABILITIES AT AMORTISED COST \$	TOTAL \$
Contractual Financial Assets			
Cash and Cash Equivalents	3,537,988	-	3,537,988
Receivables			
- Other Receivables	1,407	-	1,407
Total Contractual Financial Assets	3,539,395	-	3,539,395
Contractual Financial Liabilities			
Payables	-	889,892	889,892
Total Contractual Financial Liabilities ⁽ⁱ⁾	-	889,892	889,892

2018	CONTRACTUAL FINANCIAL ASSETS - LOANS AND RECEIVABLES AND CASH \$	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST \$	TOTAL \$
Contractual Financial Assets			
Cash and Cash Equivalents	1,214,811	-	1,214,811
Receivables			
- Other Receivables	55,744	-	55,744
Investments and Other Financial Assets			
- Term Deposits	3,000,000	-	3,000,000
Total Contractual Financial Assets	4,270,555	-	4,270,555
Contractual Financial Liabilities			
Payables	-	813,201	813,201
Total Contractual Financial Liabilities ⁽ⁱ⁾	-	813,201	813,201

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

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

From 1 July 2018, Health Purchasing Victoria applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by Health Purchasing Victoria to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

Health Purchasing Victoria recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Categories of financial assets previously under AASB 139

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). Health Purchasing Victoria recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Financial liabilities at amortised cost 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. Health Purchasing Victoria recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, Health Purchasing Victoria has assessed the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include Health Purchasing Victoria's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

Contractual receivables at amortised cost

Health Purchasing Victoria applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. Health Purchasing Victoria has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On this basis, Health Purchasing Victoria determines there to be no opening loss allowance on initial application date of AASB 9 or closing loss allowance at end of the financial year.

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Statutory receivables and debt investments at amortised cost [AASB2016-8.4]

Health Purchasing Victoria's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Health Purchasing Victoria held term deposits with banks.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance recognised at 30 June 2018 under AASB 139. No additional loss allowance required upon transition into AASB 9 on 1 July 2018.

(b) Payables and Borrowings Maturity Analysis

The following table discloses the contractual maturity analysis for Health Purchasing Victoria's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

Maturity analysis of financial liabilities as at 30 June

	NOTE	CARRYING AMOUNT \$	NOMINAL AMOUNT \$	MATURITY DATES			
				LESS THAN 1 MONTH \$	1-3 MONTHS \$	3 MONTHS - 1 YEAR \$	1-5 YEARS \$
2019							
Contractual Financial Liabilities							
Payables	5.2	889,892	889,892	567,652	322,241	-	-
Total Contractual Financial Liabilities		889,892	889,892	567,652	322,241	-	-
2018							
Contractual Financial Liabilities							
Payables	5.2	813,201	813,201	443,698	369,503	-	-
Total Contractual Financial Liabilities		813,201	813,201	443,698	369,503	-	-

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

NOTE 8: OTHER DISCLOSURES

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

Structure

- 8.1 Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities
- 8.2 Operating Segments
- 8.3 Responsible Persons' Disclosures
- 8.4 Remuneration of Executives
- 8.5 Related Parties
- 8.6 Remuneration of Auditors
- 8.7 Ex-gratia Expenses
- 8.8 Events Occurring after the Balance Sheet Date
- 8.9 Economic Dependency
- 8.10 AASBs Issued that are not yet Effective
- 8.11 Glossary of Terms and Style Conventions

NOTE 8.1: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2019 \$	2018 \$
Net Result for the Year	(1,587,425)	(606,896)
Non cash movements		
Depreciation & Amortisation	632,620	628,267
Movements in assets and liabilities		
Decrease in Current Receivables	71,721	108,309
(Increase)/Decrease in Prepayments	15,585	(147,887)
Decrease in Payables	(80,146)	(610,408)
Increase/(Decrease) in Employee Benefits	420,614	(6,253)
Net Cash Outflow From Operating Activities	(527,031)	(634,868)

NOTE 8.2: OPERATING SEGMENTS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8.3: RESPONSIBLE PERSONS' DISCLOSURES

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

	PERIOD
Responsible Ministers	
The Honourable Jill Hennessy, Minister of Health, Minister for Ambulance Services	1/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister of Health, Minister for Ambulance Services	29/11/2018 - 30/06/2019
Governing Board	
Mr Felix Pintado (Board Chair) ⁽ⁱ⁾	1/07/2018 - 30/06/2019
Ms Anna Burgess	1/07/2018 - 30/06/2019
Dr Robyn Mason	1/07/2018 - 30/06/2019
Mr Paul Slape	1/07/2018 - 30/06/2019
Mr Mark Perica	1/07/2018 - 30/06/2019
Mr Geoff Swier	1/07/2018 - 30/06/2019
Mr Terry Welch	1/07/2018 - 30/06/2019
Mr Chris Barrett	1/07/2018 - 30/06/2019
Ms Kate O'Sullivan	1/07/2018 - 30/06/2019
Professor Richard Bittar	16/10/2018 - 30/06/2019
Ms Margaret Beattie	16/10/2018 - 30/06/2019
Accountable Officers:	
Ms Elaine Ko (CEO)	4/12/2018 - 30/06/2019
Ms Trudy Hart (Acting CEO)	1/07/2018 - 03/12/2018

(i) Mr Lance Wallace was appointed HPV Board Chair from 1 July 2019 after Mr Felix Pintado's term as Board Chair concluded on 30 June 2019.

NOTE 8.3: RESPONSIBLE PERSONS' DISCLOSURES (CONTINUED)

Remuneration of Responsible Persons

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

	2019 No.	2018 No.
Income Band		
Nil	5	4
\$0 - \$9,999	1	0
\$10,000 - \$19,999	5	5
\$20,000 - \$29,999	0	2
\$140,000 - \$149,999	1	0
\$150,000 - \$159,999	1	0
\$170,000 - \$179,999	0	1
\$270,000 - \$279,999	0	1
Total Numbers	13	13
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	\$396,335	\$573,513

Amounts relating to the Governing Board Members and Accountable Officer are disclosed in Health Purchasing Victoria's financial statements. Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

NOTE 8.4: REMUNERATION OF EXECUTIVES

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 of Executive Officers

	TOTAL REMUNERATION	
	2019 \$	2018 \$
Short-term employee benefits	1,047,611	801,225
Post-employment benefits	97,297	74,508
Other long-term benefits	37,575	21,220
Total remuneration ⁽ⁱ⁾	1,182,483	896,953
Total Number of Executives	5	6
Total annualised employee equivalent (AEE) ⁽ⁱⁱ⁾	5.00	4.06

(i) Total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5).

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8.4: REMUNERATION OF EXECUTIVES (CONTINUED)

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

Short-term Employee Benefits

Salaries and wages, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment Benefits

Pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other Long-term Benefits

Long service leave, other long-service benefit or deferred compensation.

Termination Benefits

Termination of employment payments, such as severance packages.

Other factors

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

NOTE 8.5: RELATED PARTIES

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

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members;
- All hospitals and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of Health Purchasing Victoria directly or indirectly.

The Board of Directors and the Chief Executive Officer of Health Purchasing Victoria are deemed to be KMPs.

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.

	2019 \$	2018 \$
Compensation		
Short-term employee benefits ⁽ⁱ⁾	410,273	565,080
Post-employment benefits	23,709	31,906
Other long-term benefits	3,875	3,812
Total ⁽ⁱⁱ⁾	437,857	600,798

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

(ii) KMPs are also reported in Note 8.3 Responsible Persons' Disclosures.

NOTE 8.5: RELATED PARTIES (CONTINUED)

Significant transactions with government-related entities

HPV received funding from the Department of Health and Human Services of \$15,186,547 (2018: \$15,318,129) and indirect contributions of \$925,038 (2018: \$722,426).

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 Health Purchasing Victoria, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

There were no related party transactions required to be disclosed for the HPV Board of Directors and Chief Executive Officer in 2019.

NOTE 8.6: REMUNERATION OF AUDITORS

	2019 \$	2018 \$
Victorian Auditor-General's Office		
- Audit of Financial Statements	32,350	31,500
RSM Australia Pty Ltd		
- Internal Audit Services	64,160	42,960
Total Remuneration of Auditors	96,510	74,460

NOTE 8.7: EX-GRATIA EXPENSES

	2019 \$	2018 \$
HPV has made the following ex-gratia expenses:		
Compensation for economic loss	-	16,808
Total ex-gratia expenses	-	16,808

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8.8: 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.

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

NOTE 8.9: ECONOMIC DEPENDENCY

Health Purchasing Victoria is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department of Health and Human Services will not continue to support Health Purchasing Victoria.

NOTE 8.10: AASs ISSUED THAT ARE NOT YET EFFECTIVE

The following AASs become effective for reporting periods commencing after 1 July 2019:

- AASB 1059 Service Concession Arrangements: Grantor;
- AASB 16 Leases;
- AASB 15 Revenue from Contract with Customers; and
- AASB 1058 Income of Not-for-Profit Entities.

Service concession arrangements

Health Purchasing Victoria has considered the impact AASB 1059 and assessed that it would not be relevant when it becomes operative.

Leases

AASB 16 Leases replaces AASB 117 *Leases*, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below \$10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. Health Purchasing Victoria intends to adopt AASB 16 in 2019-20 financial year when it becomes effective.

NOTE 8.10: AASs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Health Purchasing Victoria will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. Health Purchasing Victoria will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below \$10,000).

In addition, AASB 2018-8 – Amendments to Australian Accounting Standards – Right-of-Use Assets (RoU) of Not-for-Profit Entities allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. Health Purchasing Victoria intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

Health Purchasing Victoria has performed a detailed impact assessment of AASB 16 and there will be no material impact in the year of application. All current operating leases held by Health Purchasing Victoria are categorised as short-term or low value leases.

Revenue and Income

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 Construction Contracts and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- AASB 2016-8 Amendments to Australian Accounting Standards – Australian implementation guidance for NFP entities (AASB 2016-8), to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector.
- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors (2018-4), to provide guidance on how to distinguish payments receive in connection with the access to an asset (or other resource) or to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on timing of revenue recognition for non-IP licence payments.
- AASB 1058 *Income of Not-for-Profit Entities*, to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 Contributions.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. Health Purchasing Victoria intends to adopt these standards in 2019-20 financial year when it becomes effective.

Health Purchasing Victoria will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Health Purchasing Victoria has performed a detailed impact assessment of AASB 15 and AASB 1058 and there will be no material impact for each major class of revenue and income in the year of application..

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8.11: 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.

NOTE 8.11: GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONTINUED)

Financial liability

A financial liability is any liability that is:

(a) a contractual obligation:

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

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

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

Financial statements

A complete set of financial statements comprises:

(a) Balance sheet as at the end of the period;

(b) Comprehensive operating statement for the period;

(c) A statement of changes in equity for the period;

(d) Cash flow statement for the period;

(e) Notes, comprising a summary of significant accounting policies and other explanatory information;

(f) Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; 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 paragraphs 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8.11: GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONTINUED)

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.

Investment properties

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

Joint arrangements

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

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

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

Liabilities

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

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.

NOTE 8.11: GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONTINUED)

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 do not include the start-up costs associated with capital projects).

Receivables

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

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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