

## **PURPOSE:**

An established procurement governance framework is a requirement of mandated health services before undertaking any procurement activity. Health purchasing policies are made by the HealthShare Victoria (HSV) Board in accordance with s134 of the Health Services Act 1988. These policies are legally binding, effective from date of publication in the Government Gazette, and must be complied with. The health purchasing policy framework is based upon the Victorian Government Purchasing Board (VGBV) supply policies and must be complied with in conjunction with s1.4.3 of the Victorian health funding conditions. A procurement governance framework must ensure roles and responsibilities are clearly identified and defined, include the development of procurement strategies and plans, and that these are implemented and monitored for compliance.

## **EXPECTED OUTCOMES / KPIs:**

- Only legitimate and properly authorised purchases, accounts and invoices will be processed and subsequently paid
- REDHS undertakes an audit every three years to demonstrate compliance with HSV requirements and REDHS Purchasing Policy and Contracts Management Policy

## **SCOPE:**

All staff at REDHS as per REDHS [Delegation of Authority](#)

## **DEFINITIONS:**

### **Chief Procurement Officer (CPO)**

The Chief Procurement Officer role is established by the Chief Executive Officer of a mandated health service. The role has visibility and oversight of the entire non-salary spend profile of the health service. At REDHS, the CPO role will be undertaken by the CEO.

### **Procurement Strategy**

A procurement strategy provides an overview of the organisation's procurement profile and includes several components including a procurement activity plan, a contract management strategy, a supplier engagement plan and a capability development plan.

### **Procurement Activity Plan**

A procurement activity plan provides detailed planned procurement activity for at least the next 12 to 18 month period. It should be based on the best available information and reviewed at least annually to keep the market informed of changes or developments.

### **Procurement Complaints Management**

A mandated health service requires a complaint management process that can investigate and respond to complaints made in relation to procurement processes. The process must ensure investigations are dealt with and specifies what documentation is required from the complainant and in what format, contact and lodgement details, timelines for conducting the investigation and providing response, range of outcomes available to the organisation providing the response, a process for review by Health Purchasing Victoria (HSV) if the findings and actions taken by the organisation do not resolve the matter to the satisfaction of the complainant, and other government bodies that may be able to assist.

### **HealthShare Victoria (HSV)**

Established in 2001 to improve the collective purchasing power of Victorian public health services and hospitals. HSV achieves 'best value' outcomes in the procurement of health-related goods, services and equipment through more than 40 contract categories.

**POLICY STATEMENT:**

- REDHS will procure goods and services in accordance with HSV health purchasing policies and the Section 134 of the Health Services Act 1988.
- All procurement related issues will be reviewed and endorsed by Executive before being forward to the Board.
- The REDHS Chief Procurement Officer is to approve all REDHS Business Cases to ensure that the recommended approach to market process is suitable.
- The CPO will ensure that required evaluation and compliance activities take place and will provide an endorsed compliance report to the HSV board annually.
- REDHS CPO will ensure that the required complaints management processes are in place and managed according to [REDHS Procurement Complaints Management Policy](#).
- REDHS CPO will ensure that the Procurement Activity Plan is reviewed every 12 to 24 months and accessible on REDHS website.
- The Procurement Manager will create and maintain supporting documentation so that decisions can be scrutinized and transparency is maintained. Quotes and Purchase Orders are stored with invoices in the Finance Department.
- Value for money will be sought for all procurement activities with consideration taken for the impact on local economy
- Procurement activities will encourage the participation of local businesses, whilst ensuring compliance with all relevant legislation including Victorian Industry Participation Policy
- REDHS's procurement processes and activities must consider and minimise the environmental impacts of procuring goods and services.
- REDHS will not purchase goods or services from a supplier who does not have a valid Australian Business Number (ABN) or who cannot provide satisfactory evidence that they are not required to hold an ABN.
- All Procurement and Contractor Management is to be in line with the requirements outlined in [REDHS Purchasing and Contracts Management Policy](#).

**PROCUREMENT GOVERNANCE STRUCTURE**

The purpose of REDHS' procurement governance structure is to ensure that the procurement processes are adhered to in a consistent manner, whilst also providing direction and oversight where required. Procurement governance, including roles and responsibilities, helps to establish and support the business need for a product or service.

The REDHS Board of Management is responsible for:

- Internal and external audit programs and assessment for compliance
- Review and approval of the Procurement Strategy Framework
- Review and approval of all Procurement policies:
- Review and approval of major procurement contracts
- Review of overall performance and compliance of the procurement processes against the strategy and policy

The Corporate Governance Committee is responsible for:

- Endorsement of the Procurement Strategy Framework
- Endorsement of all Procurement policies

The Chief Executive Officer:

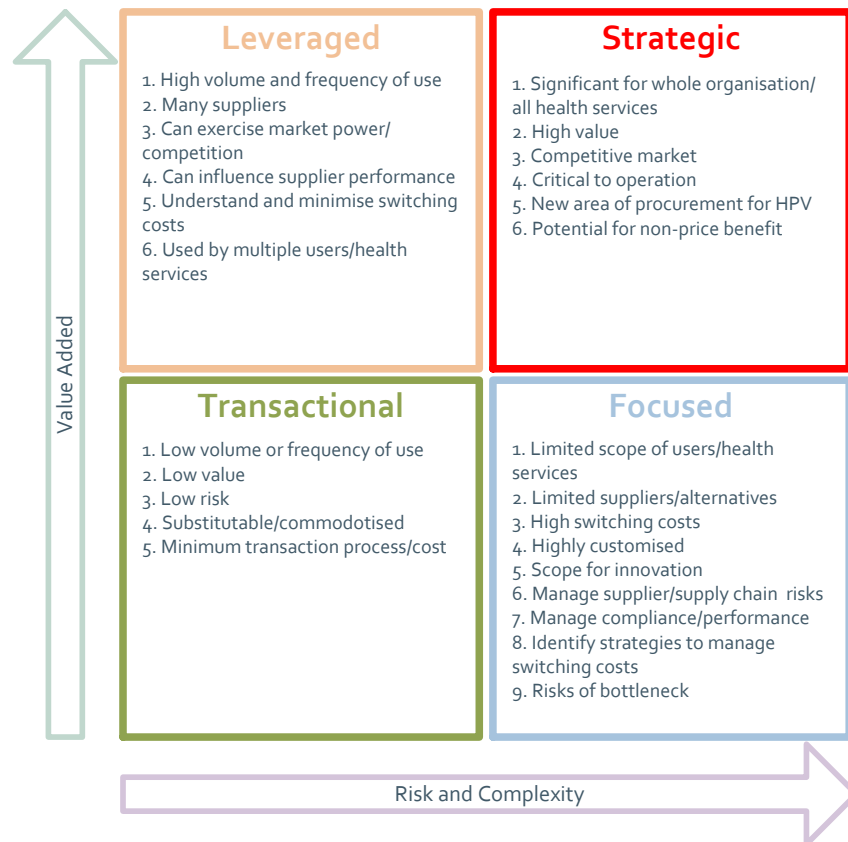
- Is responsible for establishing, implementing and maintaining REDHS's procurement governance framework before undertaking any procurement activity.
- Must ensure roles and responsibilities are clearly identified and defined, procurement strategies and plans are developed, implemented and monitored for compliance.
- Must establish the role of the CPO to have visibility and oversight of the entire non-salary spend profile of REDHS.
- Must ensure that REDHS's procurement strategy is reviewed annually to confirm alignment with the procurement profile of REDHS and broader government objectives.
- Must ensure that evaluation and compliance activities take place and that a compliance audit/report is endorsed and submitted to the HSV Board.
- Must ensure all staff comply with purchasing policy and protocol.

The Chief Procurement Officer will:

- Have its functions undertaken by the CEO
- Hold qualifications in procurement and/or;
- Have experience and expertise in managing a procurement function.
- Endorse major procurement categories.
- Oversee the development, application and ongoing assessment of this governance framework.
- Ensure compliance with HSV policies.
- Develop a procurement strategy for REDHS which includes:
  - Procurement strategic analysis with a complexity assessment (identifies procurement spend profile, assessment of procurement activity before it begins)
  - Market Analysis review (which considers the outcomes of the complexity analysis and further market analysis, considerations on when to engage an independent probity advisory or auditor – based on risk, preparations of business cases supporting decisions to proceed with procurement)
  - Capability assessment (to be carried out with appropriate knowledge and expertise)
  - Market Approach (developed and applied to encourage participation, adopts a market engagement strategy, is fair and equitable, eliminates unnecessary barriers ensuring all potential suppliers are treated fairly, have access to similar information and that standards of probity, confidentiality and security are applied) outlines the management of submissions, evaluations of bids from suppliers, negotiation processes and supplier selection.
  - Contract Management & Asset Disposal (conducted in a manner appropriate to the risk and complexity of procurement activity, with appropriate record keeping and monitoring mechanisms, and developing asset disposals processes)
  - Collective Purchasing (complying with HSV collective purchasing agreements, reporting compliances and assisting with identification of aggregations opportunities).
- Ensure that procurement complaints management processes exist and that complaints are management according to protocol.
- Ensure reference group establishment processes demonstrate due process and integrity.
- Ensure that a high-level summary of the REDHS Procurement Activity Plan (PAP) is published on the REDHS website to improve transparency for suppliers.

The Procurement Manager will ensure that a complexity assessment is conducted to determine the optimal approach to market in all circumstances where the anticipated level of expenditure is in excess of \$50,000 Ex GST. Each sourcing activity requires individual assessment in terms of risk, value, business needs, market capability etc. Each complexity assessment contributes to the selection of the appropriate sourcing strategy. Initial assessment for any procurement strategy should consider the alignment to corporate directions, reputational risk and local needs. Once REDHS reputational risk and strategic considerations are considered the following framework provides an indication of the opportunities at a commodity level. This complexity assessment should influence REDHS in assessing the appropriate commodity strategy. The CPO is to approve all REDHS Business Cases to ensure that the recommended approach to market process is suitable.

## Complexity Assessment Framework



**Figure 1. Complexity Assessment Matrix**

### Monitoring Performance

Monitoring performance is one of the most important steps in the procurement process. It is an essential component of procurement, which ensures that we know that the strategies for undertaking procurement effectively are actually working as intended. The following will be monitored to determine if this framework is efficient and effective through:

- Annual feedback from key staff involved in procurement as to whether this framework is practicable and appropriate
- Review of productivity arising from the procurement framework
- Review of the procurement framework every two years
- Value for money achieved in contracts

### Procurement Strategy

1. REDHS will have a detailed Procurement strategy defining the vision and goals of an effective purchasing system including:
  - Procurement strategic analysis with a complexity assessment (identifies procurement spend profile, assessment of procurement activity before it begins)
  - Market Analysis review which considers:
    - the outcomes of the complexity analysis and further market analysis,
    - considerations on when to engage an independent probity advisory or auditor, based on risk,
    - preparations of business cases supporting decisions to proceed with procurement
    - Capability assessment (to be carried out with appropriate knowledge and expertise)
  - Market Approach:
    - encourages participation,
    - adopts a market engagement strategy that is fair and equitable,

- eliminates unnecessary barriers ensuring all potential suppliers are treated fairly,
  - gives provider have access to similar information
  - sets out standards of probity, confidentiality and security are applied
  - outlines the management of submissions,
  - evaluates bids from suppliers,
  - outlines negotiation processes
  - sets out supplier selection
- Contract Management and Asset Disposal (conducted in a manner appropriate to the risk and complexity of procurement activity, with appropriate record keeping and monitoring mechanisms, and developing asset disposals processes)
  - Collective Purchasing (complying with HSV collective purchasing agreements, reporting compliances and assisting with identification of aggregations opportunities).

2. The Procurement Strategy will be reviewed by the CEO annually and will be forwarded to the Corporate Governance Committee as part of the development of the annual Procurement Activity Plan, which is detailed below.

### Procurement Activity Plan

REDHS will prepare a Procurement Activity Plan (PAP) each year, which will clearly define the procurement priorities and actions required to deliver the vision and goals from the Procurement Strategy.

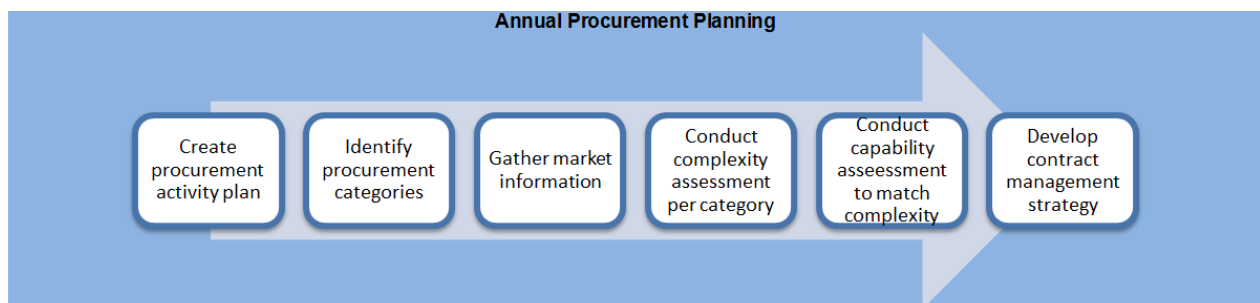
Procurement at REDHS is divided up into two key processes:

1. annual procurement planning
2. the individual procurement activity

The Procurement Activity Plan will be reviewed by the Executive each year.

### ANNUAL PROCUREMENT PLANNING

Annual procurement planning consists of six steps and is used to map out REDHS procurement activity plan, procurement categories and develop the associated contract management strategies.



Mapping this activity allows REDHS to establish a spend profile which enables appropriate funding, resources and capability to be aligned. In addition, it allows prioritisation of spending according to available resources and to take advantage of market conditions. Annual planning occurs at a category level, where spend data is used to identify procurement categories (and sub categories where relevant). Procurement categories are groupings of similar goods or services with common supply and demand drivers and suppliers. REDHS' Procurement Categories are:

- Clinical Support Services & Supplies
- Medical Equipment
- Medical Services & Supplies
- Non-Clinical Support Services & Supplies
- Non-Medical Assets

A guide to these Procurement Categories are included as part of Attachment 1. As part of the Annual Procurement Planning process, the spend data for these categories will be forwarded to the REDHS Corporate Governance Committee for information and to assist in the development of the health services annual spend. This information will be forwarded to the Board as part of the Corporate Governance meeting minutes for the Board information.

## INDIVIDUAL PROCUREMENT ACTIVITY PROCESS



The individual procurement activity process is informed by the information and analysis developed at the category level in annual procurement planning. A more detailed analysis is performed when the category analysis does not provide sufficient information to determine the appropriate approach to market for the individual procurement activity. This individual activity has two phases:

1. The sourcing phase is where the procurement research and analysis occurs and based on these outcomes the market approach is developed and a supplier is selected.
2. The contract management phase relates to the development and management of the supplier contract including reviewing and closing a contract.

### Asset management cycle

REDHS must assign responsibility, accountability and reporting requirements to establish and maintain asset management as per REDHS Fixed Assets policy. This should also include:

- The development of an asset disposal process;
- That disposals are undertaken in accordance with the principle of probity, taking into consideration the associated costs for disposal to achieve the best valued outcome

### Environmental Sustainability Framework

REDHS is committed to minimising the environmental impacts associated with our operations to the greatest extent possible, and seeks to achieve continual improvement in the management of our environmental effects. It is our intention to integrate the concept of sustainable development into all of our business operations.

### Risk Management

At REDHS we are committed to integrating the principles of risk management into everyday work practice so all staff are aware of how they can actively participate in managing risk.

Every day we encounter factors which impact on the quality of our service and the safety of patients, staff and visitors, this is also risk.

We are committed to actively managing these risks to reduce the likelihood and consequences of unintended harm and impact on strategic and operational objectives of the organisation.

### Quality Improvement Framework

REDHS quality improvement approach encompasses clinical governance, risk management and performance reporting and monitoring.

REDHS recognises that effective quality improvement requires a commitment to:

- the development of organisational systems and structures to support quality improvement,
- the development of workforce skills and knowledge of quality improvement methodologies,
- a clear understanding and focus on results and the system impact of quality improvement



- the required culture and behaviours of staff across the organisation to support and value quality improvement.

### Organisational Review and Planning

REDHS approach to organisational planning is by using the review and planning process – recognizing achievements and planning together. Key to its success is the integration of identified risks, key focus areas for improvement and the business goals of the organisation.

The process links together Strategic goals, enterprise risks, quality and safety improvement priorities and business goals of the organisation to develop an annual set of aims at the organisation, department and individual staff level.

### Performance Management

All risk responsibilities, whether a general responsibility to use the risk management process or specific responsibilities such as risk ownership or implementation of risk treatments, are included within the relevant individual's performance plan. Further information is outlined in the Risk Management Policy and in Position Descriptions.

### Internal Audit

Internal audit reviews assess the effectiveness of controls. Alignment between the internal audit function, and that of the controls within the risk management process, is critical. REDHS will work to continuously improve alignment of these functions to identify sub-optimal use of resources.

### Emergency Management

This is an integrated enterprise wide risk management process that identifies potential impacts of events likely to interrupt business functions of the organisation, for example weather events and power failures. Business continuity management provides organizational capability and capacity for an effective prevent, response, recovery, restoration and resumption of business activity.

REDHS has a business continuity process that ensures there is a clear plan regarding organizational response in the event of large scale systems failures.

This is to ensure that inconvenience and risk impact is minimized as much as possible when such a situation occurs. Further information is outlined in the Emergency Management Policy.

### Evaluation

This document is reviewed every 3 years or earlier if required in accordance with REDHS [PROMPT Document Management Policy](#).

### REFERENCES:

- Health Services Act s134
- Health Purchasing Policy, procurement governance, Health Purchasing Victoria

CONTRIBUTORS			
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## Appendix 1:

### Guide to Procurement Categories

Using the HSV categories

Level 1 category	Description and examples
Clinical support services & supplies	<p>Services that provide <b>indirect</b> clinical support, including:</p> <ul style="list-style-type: none"> <li>- Recruitment agency services</li> <li>- Agency locums and nursing staff</li> <li>- Student and clinical placements</li> <li>- Funding agreements for clinical services</li> <li>- Transition Care Program (TCP) and Post Acute Care (PAC) services</li> <li>- Laundry (linen) services</li> <li>- Non-emergency patient transport</li> <li>- Pet therapy programs</li> <li>- Professional support for psychologists</li> </ul> <p>Supplies/consumables for <b>indirect</b> clinical use, including:</p> <ul style="list-style-type: none"> <li>- Medical and industrial gases</li> <li>- Supply of foods and beverages</li> </ul>
Medical equipment	<p>Purchase and ongoing servicing/maintenance of medical equipment, including:</p> <ul style="list-style-type: none"> <li>- Consumable agreements that include medical equipment (either free on loan or purchase-to-pay basis)</li> <li>- Medical equipment provided free <b>or</b> on loan <b>or</b> long-term trial basis</li> <li>- Lease agreements for medical equipment</li> <li>- Funding agreements to purchase new medical equipment</li> <li>- Point-of-care lab-type testing equipment</li> <li>- Equipment loaned to other health services</li> <li>- Biomedical engineering services</li> <li>- (biomedical equipment is usually electrically powered)</li> </ul>
Medical services & supplies	<p>Services <b>purchased from</b> external contractors that provide <b>direct</b> clinical support, including:</p> <ul style="list-style-type: none"> <li>- pathology services</li> <li>- radiology services</li> <li>- renal/dialysis services</li> <li>- nursing services</li> <li>- allied health services</li> <li>- home care services (brokerage)</li> <li>- personal care services (brokerage)</li> <li>- professional support to psychologists</li> <li>- clinical trials/research agreements</li> <li>- aids and appliances</li> </ul> <p>Services <b>provided to others</b> (typically other health services) that provide <b>direct</b> clinical support, including:</p> <ul style="list-style-type: none"> <li>- nursing &amp; allied health services (e.g. HITH, midwifery home care, vax clinics, fit testing)</li> <li>- medical services (infectious diseases, intensive care, obstetrician, etc.)</li> <li>- reusable medical device (instruments) services</li> <li>- doctors in training secondments</li> <li>- support services for clinical trials</li> </ul> <p>Supplies/consumables for <b>direct</b> clinical usage, including:</p> <ul style="list-style-type: none"> <li>- wound care products</li> <li>- surgical dressings, tapes and bandages</li> <li>- implantable devices such as heart valves, pacemakers, etc.</li> <li>- prostheses</li> </ul>



	<ul style="list-style-type: none"> <li>- othotics and prosthetics and dentures</li> <li>- drapes and clinical protective apparel</li> <li>- procedure packs or instrument sets</li> <li>- consumables on consignment</li> <li>- pharmaceuticals</li> <li>- rebate agreements for medical consumables/devices</li> </ul>
<p>Non-clinical support services &amp; supplies</p>	<p>Non-clinical services <b>purchased from</b> external contractors, including:</p> <ul style="list-style-type: none"> <li>- maintenance/repairs/inspections of equipment or systems or buildings</li> <li>- trades (electrician, plumber, concreter, painter)</li> <li>- waste management and recycling</li> <li>- cleaning (offices, cars) services</li> <li>- gardening services</li> <li>- security services</li> <li>- leases and room hire agreements (as tenant)</li> <li>- funding agreements to refurbish buildings</li> <li>- equipment leases (vehicles, computers)</li> <li>- ICT software licences &amp; support</li> <li>- ICT hardware maintenance</li> <li>- MoU/partnership/collaboration-type agreements</li> <li>- utilities (electricity, gas, water, waste water, metering services)</li> <li>- telecommunications (phone, internet, data)</li> <li>- permits/licences/insurances</li> <li>- consultancy services (training, investigations, auditors, legal, ICT projects, architects)</li> </ul> <p>Non-clinical services <b>provided to others</b> (typically other health services), including:</p> <ul style="list-style-type: none"> <li>- contract and tender assistance</li> <li>- payroll (Kronos/SAP) or human resources support services</li> <li>- HREC services</li> <li>- Quality services</li> <li>- Materials Management services</li> <li>- leases and room hire agreements (as landlord)</li> <li>- utility reimbursements by tenants</li> </ul> <p>Non-clinical supplies/consumables, including:</p> <ul style="list-style-type: none"> <li>- maintenance spare parts</li> </ul>
<p>Non-medical assets</p>	<p>Initial purchase and warranty of assets/equipment:</p> <ul style="list-style-type: none"> <li>- Funding agreements for new buildings or non-medical equipment</li> <li>- Buildings (construction)</li> <li>- Plant &amp; equipment (HVAC, hot water systems)</li> <li>- Non-clinical furniture, window or floor coverings</li> <li>- ICT hardware (computers/laptops, phones, servers, networking, storage, TVs, video conferencing, etc.)</li> <li>- Kitchen and laundry equipment (ovens, fridges, dishwashers, delivery trolleys, washing machines, dryers)</li> <li>- Security equipment (cameras, alarms, monitors)</li> <li>- Vehicles (cars, vans, trucks, forklifts)</li> <li>- Warehouse and storage equipment (trolleys, racking, cabinetry, drug safes)</li> </ul> <p><i>Note: if the contract includes any ongoing maintenance or lease costs, then it should be allocated to the non-clinical support services &amp; supplies category</i></p>