**HPV Health Purchasing Policy Key Terms and Definitions**

This is an evolving document, with terms and definitions constantly added to provide further clarification. If you have any requests, please email your feedback to [com pliance@hpv.org.au.](mailto:compliance@hpv.org.au)

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| Terminology | Definition |
| Category Analysis | The analysis conducted to understand the category (or an individual procurement) in terms of the demand profile, total cost, business needs, specification of requirements for the goods or services, market dynamics, in particular the number of potential suppliers and level of market competitiveness, the social, technological, political, legal and economic environment of the category, the complexity and risks. |
| Capability | Competence, capabilityand capacity are often used interchangeabl yto describe an individual’s or organisation’s abilityto perform tasks or activities effectively. In the context of managing procurement activity, the term ‘capability’ is increasinglyused to describe the  combination of an organisation’s expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities. |
| Chief Procurement  Officer (CPO) | The CPO provides strategic expert advice and oversight of the procurement function to drive and ensure value-for-moneyoutcomes in the organisation. The CPO is responsible for developing and monitoring a number of strategic procurement activities. The CPO can be a role or a position. |
| Collective Purchasing  Agreement | A Collective Purchasing Agreement, also referred to in the Health Purchasing Policies as a Collective Agreement or Collective Purchasing Arrangement, is a contract for the purchase of goods or services for the benefit of two or more entities. A Collective Agreement may be  established byHPV on behalf of Participating Health Services. |
| Compliance | To be in compliance with a legal agreement or established standards, goods, services and/or processes are required to adhere to the specified requirements. |
| Contract  Implementation | The process of commencing a new contract and/or transition from the current supplier(s) to a new supplier(s). Includes debriefing of unsuccessful responders to the invitation to supply, briefing of successful suppliers and detailed planning for their on -boarding, and off-boarding of any current incumbents who are not continuing. |
| Contract Management The process of ensuring the contractual obligations of successful suppliers is met during the life of the contract. Elements of contract management include supplier performance  management, monitoring contract activity including acquittal against budgets, invoicing against contract prices/rates, review of Key Performance indicators (KPIs) and contract activity, and may involve regular meetings with stakeholders and/or suppliers. Proactive management will also seek to work with supplier to identify opportunities for additional benefits from the contract. | |
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| Contract Transition | This involves the handing over of the contract/agreement from the procurement practitioner to those responsible for its ongoing management. This mayinvolves a formal briefing, and includes the provision of the agreement details and pricing, including uploading data to the contract management systems and/or catalogues. |
| Engagement | The practice of securing procurement influence upon procurement projects at an early stage of evolution, typically before the procurement strategyis set or the supplymarket engaged. Early involvement is regarded as important as, without it, the scope of procurement influence is reduced, for example for negotiating the price. When involved earlier in the process, procurement influence can affect the nature and timing of demand, the specification, the  sourcing strategyand the market engagement, as well as the selection of suppliers. |
| Evaluation | Evaluation is the systematic consideration of the value, quality, importance or worth of  something or someone. Procurement processes often require judgements to be made, for  example deciding whether to approve a potential supplier, deciding which offer represents best value, or deciding whether to single source or adopt a different strategy. This means  that the decision-making processes to evaluate alternative options need to be systematic and repeatable, and because of the obligation to demonstrate probity, decision -making also needs to be transparent and recorded. |
| Health Purchasing  Policies | A set of rules to promote best practice in conducting and documenting procurement practices in public hospitals or health services. |

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| Invitation to Supply / Approach to Market | The process involved in engaging the market to provide a proposal(s) to supplyth e good or services to be procured. This includes the process of evaluating responses and  recommending one or more suppliers to negotiate a final agreement or contract. |
| Mandated Health  Services | Section 132 of the *Health Services Act 1998 (Vic)* require public hospitals and health  services to abide by HPV purchasing policies. Schedule 1 and 5 public hospitals and health  services (as listed in the *Health Services Act 1988 (Vic)*), are referred to as ‘mandated health services’. |
| Material non-  compliance issue | A ‘material’ non-compliance issue is defined as a compliance issue that a reasonable person would consider has a material impact on the health service, regulatory body (HPV) or State with reference to the nature and extent of the risk as defined by the hea lth services’ risk  management framework.  An example of a ‘material’ non-compliance issues mayinclude a probity breach in a health service procurement activity with reputational/ media implications resulting in a high (or greater) risk to the agency after mitigating strategies have been applied. |
| Negotiation | Following evaluation of responses there maybe a need to negotiate the final terms of an agreement to supplythe goods or services with one or more suppliers, until the final supplier or panel of supplier is selected. This includes determining the final terms of the agreement, including prices and KPIs, with the successful supplier(s). |
| Non-SalarySpend | Non-salaryspend includes all expenses for an organisation excluding wages and associated expenses. This includes, but is not limited to, consumable supplies including prostheses and pharmaceuticals, capital equipment, information technologysupplies and services, engineering, facilities management and support services, and professional and clinical  services. |
| On-selling | Occurs if an entity purchases goods or services under a HPV collective agreement and then re-supplies the goods to another entity. This includes the provision or sale of goods or  services to a separate entity (e.g. another health or related service or non-health entity) through the provision of warehousing and logistics services or otherwise, including where goods or services are provided at no cost, possiblyunder the terms of another agreement e.g. provision of clinical of or non-clinical services, tenancy, public private partnership (PPP) etc. |
| Opportunity  Assessment | Opportunity assessment is the process of identifying future procurement opportunities and/or options to improve value on existing arrangements. It requires an understanding of the  existing spend profile of a category, a preliminaryreview of business requirements and constraints, an estimate of organisational capabilityand resources required for the procurement, the expected benefits, and preparation of the preliminarybusiness case for conducting the procurement. |
| Participating Health  Services | Mandated and non-mandated health or related services that are participating in a HPV  collective agreement are referred to collectively as 'participating health services'. |
| Probity | Maintaining high standards of behaviour and actions in the conduct of procurement  processes including ensuring equity, confidentiality, honesty, proper and ethical conduct, and  avoiding conflicts of interest. Probity aims to increase stakeholder confidence in the integrity of the procurement process. |
| Probity Assurance  Framework | A probity assurance framework involves establishing the necessaryprocesses and procedures to implement a risk-based approach to ensuring that the probity oversight of procurement activities is commensurate with the probity risk. It will determine the extent and type of probity advice and the level of expertise required for an activity, and whether the advice is sought internallyor outsourced to a qualified probity practitioner. |
| Procurement | The end to end process of sourcing a supplier, contracting, purchasing the good or service, managing the contract, including supplier performance, and contract expiry or review. Procurement is a more comprehensive term than purchasing, which is more focuse d on the tactical acquisition of goods and services and the execution of plans rather than the development of strategies. Procurement can be a department, a role and/or a process. |
| Procurement Activity  Plan | A procurement activity plan is a list of all procurement activities that the health service anticipates taking to market over a period of time (ideally 12-18 months). What constitutes a procurement activity will depend on each health service in accordance with thei r internal process for determining which sourcing activities require a market approach (rather than the issuing of a single invoice or seeking three quotes). This is usually determined based on value depending on the spend profile of the organisation. |

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| Procurement  Categories | A grouping of related goods or services based on similar characteristics. For example, packaging as a category may include a variety of different goods and materials, all of which share a common purpose. A category may be further divided into subcategories based on physical characteristics, such as plastic packaging, or cardboard packaging. |
| Procurement  Governance | Governance in procurement refers to the overall systems and procedural arrangements to ensure that the procurement process applies appropriate levels of control and probity. The key components of a governance regime are an appropria te procurement policy; procedures defining how the process should be managed; allocation of roles and responsibilities so that roles are separated and appropriatelycapable staff manage the key processes; and controls and review processes to monitor the performance of the procurement process. |
| Procurement Model | A step by step approach to conducting procurement. |
| Procurement Strategy | A procurement strategydescribes the contribution that effective procurement will make to fulfil an organisations/health services aims and objectives. The definition of procurement in this context is not only limited to purchasing – it can have a wider meaning and can address the ways in which the organisation/health service can deliver its services – from providing the service in-house to joint commissioning and outsourcing. |
| Purchase Order | A purchase order [PO] is a document issued bya buyer to a supplier to commit to obtain goods or services from that supplier. It is required to contain various elements to ensure it also fulfils various contractual obligations i.e. a description of goods or services, in what quantity, when performance is required, and on what terms, including price and payment  terms. Upon the receipt of goods or delivery of the service, the purchase order is ma tched to the invoice to support the payment process. |
| Reference Group | Generally, we use the term ‘reference group’ to refer to a group of professionals or subject matter experts with expertise in a given area that can be called on for opinions or advice on issues that arise from time to time. As a general rule, reference groups are intended to  include a core group of members, with specialist skills in a particular area, who are a vailable and willing to provide advice or opinions to the procurement team , and mayparticipate in data collection, developing the statement of requirements and the evaluation of offers . |
| Schedule 1 and 5  Health Services | Health Service providers listed as public hospitals or public health services as part of the  *Health Service Act 1988 (Vic)*. |
| Sourcing Strategy | A proposed strategyfor engaging the market for a particular category (or individual procurement) based on the category analysis including the proposed approach to market, contract terms and contract management plan. The sourcing strategyis usuallypresented in a business case which will identifythe above and the expected benefits, both tangible and intangible, of the procurement. |