# Procurement Policy Template

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# Purpose

Enter details of your purpose statement(s) here.

**Purpose example**

The purpose of this document is to provide guidance and support to [HEALTH SERVICE NAME] employees for procurement activities including planning, sourcing and contract management, to ensure compliance with internal procurement procedures (aligned to HSV Purchasing Policies requirements and the) and the organisation objectives.

The [HEALTH SERVICE NAME] Procurement Policy is aligned with [HEALTH SERVICE NAME]'s business plan and strategic goals and will provide visibility and a tool to manage procurement activities across [HEALTH SERVICE NAME].

The policy applies to all [HEALTH SERVICE NAME] divisions undertaking procurement activities. The procurement policy framework[[1]](#footnote-2) establishes processes, authorities, responsibilities and relationships within [HEALTH SERVICE NAME] that will assist in managing an efficient and effective procurement function. The framework allows for transparency of [HEALTH SERVICE NAME] actions and aims to ensure equity, integrity and honesty in [HEALTH SERVICE NAME]'s procurement activities.

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| Note: Consider including capital and construction works as part of the policy scope. |

# Definitions

Enter details of your organisational specific procurement definitions here.

| Procurement 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, capability and capacity are often used interchangeably to describe an individual’s or organisation’s ability to perform tasks or activities effectively. In the context of managing procurement activity, the term ‘capability’ is increasingly used 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-money outcomes in the health service. The CPO is responsible for developing and monitoring strategic procurement activities. |
| 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 the supplier to identify opportunities for additional benefits from the contract. |
| 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. |
| HSV Purchasing Policies | A set of rules to promote best practice and regulatory compliance, in conducting and documenting procurement practices in public hospitals or health services. |
| Invitation to Supply / Approach to Market | The process involved in engaging the market to provide a proposal(s) to supply the 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. |
| Probity | Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process. |

Table 1: Organisational specific definitions

# Procurement objectives/principles

Enter details of your organisational procurement objective(s) here.

## Procurement objectives/principles example

In conducting procurement at [HEALTH SERVICE], all planning, sourcing and contract management activities will be based on the following principles:

* High standards of behaviour and actions in the conduct of procurement processes. Equity, confidentiality, avoiding conflicts of interest, and consumer/supplier confidence in the integrity of health service and or government procurement processes
* Applying good probity practices in managing procurement activities. The CE or Accountable Officer has the flexibility to conduct procurement activities using appropriate capability to provide value for money outcomes
* A balanced judgement of a range of financial and non-financial factors taking into account the mix of quality, cost and resources, fitness for purpose, total cost of ownership and risk
* The relationship between the complexity of a procurement activity and the capability of the organisation to conduct it to achieve a good procurement outcome
* Obtain goods and services that meet specification, are delivered on time at competitive prices from financially stable suppliers
* Obtains best value for money based on whole of life cost
* Consistent procedures are followed in accordance with [HEALTH SERVICE] procurement policies

Operational, commercial, financial and legal risk is reduced; and standards of probity and contracting meet the HSV Purchasing Policy requirements

# Policy compliance

Enter details of how you will ensure policy compliance here. This is unique to your organisation and must be considered in line with internal governance and audit program.

## Policy compliance example

[HEALTH SERVICE] will benchmark its policy framework to the HSV Purchasing Policies for public hospitals and health services. HSV policy requirements must be met and will be monitored on a regular basis by the Chief Executive Officer and reported to the [HEALTH SERVICE] Board.

This policy must also be read in conjunction with the procurement strategy, the HSV Purchasing Policies and associated guidelines, and HSV's own policies and guidelines on conflict of interest; hospitality, gift and benefits; complaints management; and exemption. All the relevant documents can be found on the [HEALTH SERVICE POLICY / PROCEDURE LOCATION].

The Procurement Governance Framework includes high level management responsibilities including that of the [HEALTH SERVICE] Board, Procurement Committee, Chief Executive/Accountable Officer , Executive Leadership Team (ELT), the Sourcing Team, and other procurement practitioners.

# Procurement governance

Enter details of your organisational procurement profile here. Below are possible sub-headings to consider and may be applicable for your health service.

## Procurement governance framework

Enter details of your procurement governance framework[[2]](#footnote-3) here.

**Procurement governance framework example**

The procurement governance framework provides a basis for managing [HEALTH SERVICE] procurement and will define the mechanisms to plan and execute procurement decisions that achieve organisation objectives and ensures procurement best practice.

The CE or accountable Officer is responsible for establishing and implementing these roles to meet the needs of the procurement governance framework. Our procurement policy clearly defines our Procurement Governance Framework. There is a clear definition of accountability and auditability of all procurement decisions made within our organisation. The governance structure is flexible enough to purchase/source in a timely manner all goods and services required by the organisation and/or to be accessed by public hospitals and health services. It also provides a means of monitoring policy compliance.

Options for a governance model include (but are not limited to):

* **Centralised:** All procurement complex processes are managed centrally in one business unit which provides services to other business units across the health service. Transactional purchasing may occur at a business unit level and/or is managed by a supply/purchasing department.
* **Decentralised:** Individual business units with a significant procurement profile have their own procurement team with the necessary skills to manage all their procurement needs internally and which manages, with only some purchasing of common consumable goods managed by a supply/purchasing department.
* **Centre** **Led**: A hybrid model where a central procurement department that has policy and probity oversight of all procurement within the organisation (and may also take on the more complex procurements), but individual business units manage most procurement within their departments and/or transactional purchases are managed through a supply/purchasing department.

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| Note: The governance structure must be a blanket structure that includes all business units involved in procurement. |

You may also include illustrations of your governance model. Below is an example:



Figure 1: Procurement Governance Framework example

## Roles and responsibilities

Enter details of your organisational roles and responsibilities here. You may choose to direct staff to the procurement strategy of your organisation for more detail on roles and responsibilities in procurement.  
 **Roles and responsibilities example**

The roles and responsibilities, listed [enter location in document], support procurement governance in the management of programs, projects and business operations to ensure compliance with our procurement policies (aligned to HSV Purchasing Policies requirements). The CE/CPO/ or Accountable Officer is responsible for establishing and implementing these roles to meet the needs of the procurement governance framework.

## Procurement process

Enter details of your organisational sourcing process here.

**Procurement process example**

The procurement process for [HEALTH SERVICE] is based on the types of sourcing/activities that is undertaken by [HEALTH SERVICE]. In all sourcing activities [HEALTH SERVICE] will adopt a strategic approach, using category segmentation as necessary to guide the procurement approach for any given good or service, to derive best value for money outcomes. This requires [HEALTH SERVICE] to:

* Undertake an analysis of the spend involved and categorise the spend according to similar goods or services and common end users and suppliers
* Analyse the total cost of ownership, market and environmental factors, risk and complexity associated with each category and determine the potential for collective procurement to add value to the category through leveraging market power or other factors, to segment spend categories
* Provide a guide, based on the category segmentation, to the best market approach and contract management strategy for each category
* Match the resource allocation for sourcing and contract management, both in terms of time and capability, to the procurement

Approval of spend at [HEALTH SERVICE] is managed by a Delegation of Authority (DoA) approved by the Board. The CE/CPO/Accountable Officer must approve the categorisation of spend and the intended approach to market for each category/activity as appropriate within the DoA.

You can choose to have thresholds for procurement decisions at your health services or may choose to have a process based on the procurement complexity of the activity. Below are examples of tables for different approval mechanism.

| Description | Value | Approval | Process |
| --- | --- | --- | --- |
| Capital expenditure within approved budget | <$100K | Chief Financial Officer (CFO) | Seek three quotes (minimum unless there are fewer potential suppliers) and choose supplier offering best value for money. Raise purchase order and seek approval prior to purchase. |
|  | <$250K | Health Service CE / AO | Based on category segmentation, seek sourcing team expertise to determine appropriate path to market. Establish contract with supplier, raise purchase order and seek approval prior to purchase |
|  | >$250K | Health Service Board | Seek sourcing team expertise to determine appropriate path to market. A business case is put forward with endorsement from CEO and the HSV Audit and Risk Committee (ARC). Establish contract with supplier and raise purchase order and seek approval prior to purchase. |
| Continue for all relevant categories/activities etc within your health service | | | |

And/or use the table below

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Value | Approval | Process |
| Greenfield sourcing proposals and outcomes | Any | Approve | Health Service Board |
|  |  | Recommend | Procurement Committee |
| Re-sourcing proposals and outcomes which achieve the Statement of Priorities target | Any | Approve | Procurement Committee |
|  |  | Recommend | Chief Executive / Accountable Officer |
| Continue for all relevant categories within your health service | | | |

## Market approach and contract management

Enter details of how you will approach market and contract management. At a minimum you must clearly state how you will meet the requirements as listed in the policy especially in HSV Purchasing Policy 3. Market Approach and HSV Purchasing Policy 4. Contract Management and Asset Disposal.

The category analysis and complexity assessment provides [HEALTH SERVICE] with an in depth understanding of the market and the various factors that influence a procurement activity. Once a complexity assessment is completed, the options on how to approach the market can be narrowed. Further analysis will assist in choosing the optimal approach to market and how best to engage with the market. It is important to note that the level of probity oversight should match the sourcing strategy undertaken for any procurement activity, as well as the level of probity risk. See the HSV Probity Guidelines for further information. Table 1 (below) provides a list of suggested approaches to market for each complexity quadrant and the level of probity required.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Complexity Quadrant | Level of Probity Oversight | EOI\* | FRI | RFQ | RFT | RFP |
| Transactional | Auditor may be required in limited cases |  |  | Checkmark with solid fill |  |  |
| Leveraged | Auditor application in some instances | Checkmark with solid fill |  |  | Checkmark with solid fill |  |
| Focused | Auditor in all instances, and Advisor in some instances |  |  | Checkmark with solid fill |  | Checkmark with solid fill |
| Strategic | Separate Auditor and Advisor in most instances | Checkmark with solid fill | Checkmark with solid fill | Checkmark with solid fill | Checkmark with solid fill | Checkmark with solid fill |

\* *EOI –Expression of Interest; RFI – Request for Information; RFQ – Request for Quotation; RFT – Request for Tender and RFP – Request for Proposal*

Departure from the recommended options for the approach to market for a sourcing process as detailed above should only be considered in exceptional circumstances, cannot be used for the purpose of avoiding competition, and must be approved by the relevant delegate for approving the procurement process.

**Contract management strategy example**

[HEALTH SERVICE] category and supplier management framework aligns the contract management approach to the category segmentation, and aims to:

* Deliver on-going value for money outcomes as contemplated by the approved sourcing strategy and market outcomes
* Provide on-going analysis of business drivers and market dynamics
* Identify further opportunities and manage service and cost improvement
* Drive contractual performance and value optimisation throughout the contract life to inform subsequent sourcing events in the category

## Emergency Procurement

Enter details of your procurement activity plan where there is a critical incident. Enter description of what your procurement critical incident process here. Ensure it meets the minimum requirements of the HSV Purchasing Policies and aligned to your organisations business continuity plan.

# Probity

Enter details of your probity principles here.

**Probity example**

[HEALTH SERVICE] must ensure probity in its entire procurement process. Probity is the evidence of ethical behaviour in a particular process. It contributes to sound procurement processes that accord equal opportunities for all participants. A good outcome is achieved when probity is applied with common sense:

* Probity should be integrated into all procurement planning and should not be a separate consideration
* The procurement process rules must be clear, open, well understood and applied equally to all parties to the process
* [HEALTH SERVICE] should not seek to benefit from supplier practices that are objectionable, dishonest, unethical or unsafe
* Procurement of services should be conducted in a way that recognises that suppliers are accountable for the delivery of services in the same way as if [HEALTH SERVICE] carried out the service itself
* Conflicts of interest may arise in the course of business operations, especially during the procurement process. All conflicts of interest (actual, potential or perceived) must be declared, documented and effectively managed throughout the procurement process. Some possible conflict of interest may be:
  + where there is a financial interest in the subject of the contract
  + when relatives or friends have an interest in the contract
  + where personal bias or inclination would have the potential to affect decisions
  + where personal obligation, allegiance or loyalty would have the potential to affect decisions
* In carrying out one's duties, [HEALTH SERVICE] employees, contractors and health services participants must not allow themselves to be improperly influenced by family, personal or business relationships.

## Confidentiality

Documents on purchasing and information received from tenderers must be kept confidential. The identity of bidders should not be disclosed during the selection process. A “clear desk” policy is recommended when handling purchasing information and electronic materials should not be opening accessible. It is the responsibility of the manager of the purchasing process to ensure bids are seen only by appropriate staff. All invitation to supply documentation must be kept in a secure location/or accessible only on a ‘needs to know basis’ when not in use.

## Post tender negotiations

Negotiations after the closure of the tender must not adversely affect the confidence of participants in the process. Manage both written/ telephone/electronic communications carefully to ensure that all bidders receive the same information. Select tender evaluation panel members on the basis of their expertise in and knowledge of the evaluation criteria. Establish an official [HEALTH SERVICE] file (including as appropriate hard copy or electronic) at the beginning of the process and ensure that all communications with bidders and the deliberations of the tender evaluation panel are properly recorded. Brief all panel members on their responsibilities with regard to advising of potential or actual conflicts of interest both before and during the process, and act swiftly when conflicts of interest arise. The DoA of your HS and or position descriptions will help identify who is responsible/accountable for monitoring the tender process.

## Gifts and benefits

Gifts, improper payments and bribes are covered in detail in the [HEALTH SERVICE] Gifts Benefits and Hospitality Policy (mandated health services will have this in place), all staff including those involved in the purchasing process should familiarise themselves with the content of this policy.

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| Note: Organisations can choose to have a standalone probity, corporate sponsorship, conflict of interest and/or gifts, benefits and hospitality policies but these should be referenced in the procurement policy. Organisations can also add other relevant ethical practice points here as they see fit. |

# Complaints management

Enter details of your complaints process here.

**Complaints management example**

To minimise or avoid supplier complaints, [HEALTH SERVICE] must:

* Ensure clarity of sourcing documentation
* Provide sufficient time to allow potential respondents to prepare and lodge a response to an approach to the market
* Ensure that sourcing rules and the evaluation plan are followed
* Ensure that insurance and liability capping requirements are appropriate for the procurement before the process begins

However, complaints may still arise and [HEALTH SERVICE] must promote a robust complaints management process. To ensure transparency, accountability and effective complaints handling, [HEALTH SERVICE] must follow the process in the [HEALTH SERVICE] complaints management policy in handling complaints received. Where a complainant is unhappy with the outcome of the complaint investigation or would like to escalate the issue, [HEALTH SERVICE] must provide details of other government organisations that can be approached by the complainant.

You may also include illustrations of your complaints management model – Refer to Appendix One.

# Social procurement

Enter details of your social procurement here.

## Access for small medium enterprises (SME)

[HEALTH SERVICE] will participate in procurement practices that facilitate and encourage small medium enterprises to access procurement opportunities at [HEALTH SERVICE]. As defined by the Australian Bureau of Statistics, small to medium enterprises are organisations with 0-199 employees and, for the purpose of this policy, include local businesses, social benefit suppliers and not for profit organisations.

To facilitate SME engagement, [HEALTH SERVICE] is required to (where appropriate):

* Allow for continuity of any arrangements with local businesses, where the impact and benefit to the local community is the best value outcome for the particular good or service
* Implement procurement practices that provide opportunities for SMEs to participate in new and upcoming procurement activities
* Encourage supply chain management within existing and new collective agreements to involve more SMEs

## Sustainable purchasing

[HEALTH SERVICE] objectives include a commitment to embed sustainable procurement practices into health. This is because over 60% of the environmental impact of healthcare provision occurs as an indirect result of purchased goods and services.

[HEALTH SERVICE] commitment to improve sustainable health procurement practices includes:

* Identifying those categories within the supply chain and managed by [HEALTH SERVICE], that have significant environmental impacts, social impacts, or other sustainability risks and then investigating viable means of mitigating these impacts or risks on behalf of health services
* Evaluating environmental management, by potential suppliers, within the assessment of value for money during Invitations to Supply (ITS)
* Seeking to procure, within ITS, environmentally-preferred goods and services that meet health service needs and provide value for money
* Reporting to the Department of Health on metrics relating to the environmental sustainability of health supply chain

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| Note: Organisations can choose to add other social procurement factors here including environmental purchasing and other contributors to social inclusiveness. For more information refer to the guidelines released by HSV, State and Federal agencies. |

# Procurement performance monitoring

Enter details of your performance monitoring here.

**Procurement performance monitoring example**

The [HEALTH SERVICE] CE /Accountable Officers responsible for ensuring [HEALTH SERVICE] procurement policies, strategy and procedures comply with the HSV Purchasing Policies, and other relevant government legislation and requirements e.g., the Victorian Industry Participation Policy, Modern Slavery, and good probity practice. All [HEALTH SERVICE] staff are responsible for ensuring that procurement practices within [HEALTH SERVICE] are conducted in accordance with the [HEALTH SERVICE] policy and procurement strategy. The [HEALTH SERVICE] CE / Accountable Officer is responsible for ensuring compliance to the [HEALTH SERVICE] procurement policy, procedures and practices. This responsibility can be delegated to the executive leadership team of [HEALTH SERVICE].

The [HEALTH SERVICE] Board will conduct regular audits to ensure procurement and probity practices are in alignment with policy and may require the [HEALTH SERVICE] CE/ Accountable Officer to provide a compliance statement in [HEALTH SERVICE] annual report to the Minister.

You must also add details of how you will deal with HSV contracts and address at a minimum factors listed below:

* Compliance with collective purchasing and supply chain agreements and reporting compliance to HSV
* Process for obtaining exemptions from use of a HSV contract
* Refraining from any activity that subverts the effectiveness of HSV contracts or functions
* Assisting HSV to identify any aggregation opportunities
* Providing input into business case development

# Asset disposal

Enter details of your asset disposal policy here (or provide a reference to a separate policy which aligns with the Department of Treasury and Finance Asset and Accountable Management Framework).

**Asset disposal example**

Assets considered to be redundant, unserviceable, obsolete or surplus to requirements are to be disposed of by business units adopting procedures that by nature are systematic, transparent, and ethical.

Acceptable methods of disposal are:

* Sale by public tender
* Sale by public auction
* Public sale by advertisement
* Donation of the asset to a community service organisation
* Trade-in
* Scrap, destroy or ‘cannibalize’ parts to meet other needs

The choice of the most appropriate disposal option will normally be determined by the nature of the goods to be disposed and by the relevant location and market value of the asset.

Responsibilities of [HEALTH SERVICE] Business Unit Heads:

* Manage the disposal of relevant surplus assets
* Conduct an annual review of the functionality of assets under their control – this review may involve the IT Department, Bio-Medical Engineering Department and/or Transport Services
* All decision made in the disposal process
* Take into account the costs of undertaking disposal activities
* Observe appropriate accounting and audit procedures, and document relevant decisions
* Provide clear instructions to agents engaged to undertake selling activities
* Specifically consider disposals that involve potentially hazardous and pollutant assets

**Asset disposal process example**

The process to be undertaken to dispose of assets is detailed below.

* Business units must contact the Finance department to obtain current financial details pertaining to assets identified for disposal including:
  + initial cost of asset
  + date of acquisition
  + written down book value of asset (at expected date of disposal)
* Business units must obtain estimated selling price for assets proposed for disposal. This may take the form of:
  + written quotes from interest third parties
  + advice from independent markets
  + the price of recent sales of similar items
* Business units must assess the most viable form of disposal based on the following:
  + initial cost of the asset
  + estimated sales price of the asset (net of disposal costs)
  + the existence of an active market for the goods proposed for disposal

# Related procedures/policies

Enter related procedures and policies here or provide links to the documents.

**Related documents**

* [HEALTH SERVICE] Procurement Strategy:
  + [HEALTH SERVICE] Procurement Activity Plan
  + [HEALTH SERVICE] Capability Development Plan
  + [HEALTH SERVICE] Supplier Engagement Plan
  + [HEALTH SERVICE] Contract Management Strategy
  + [HEALTH SERVICE] Delegation of Authority
* Other Policies:
  + Conflict of Interest
  + Gifts and Benefits
  + Complaints

Etc.

# Disclaimer

The information presented in this document is general in nature and based on HealthShare Victoria’s interpretation of the Health Services Act 1988 (Vic) and any ancillary legislation and regulations in effect at the time, and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.

# Appendix One: Complaints Management Process



1. A framework may consist of policies and procedures. [↑](#footnote-ref-2)
2. A framework may consist of policies and procedures. [↑](#footnote-ref-3)