



HSV Purchasing Policy 1 Governance

Establishing a governance framework for procurement

1 January 2024

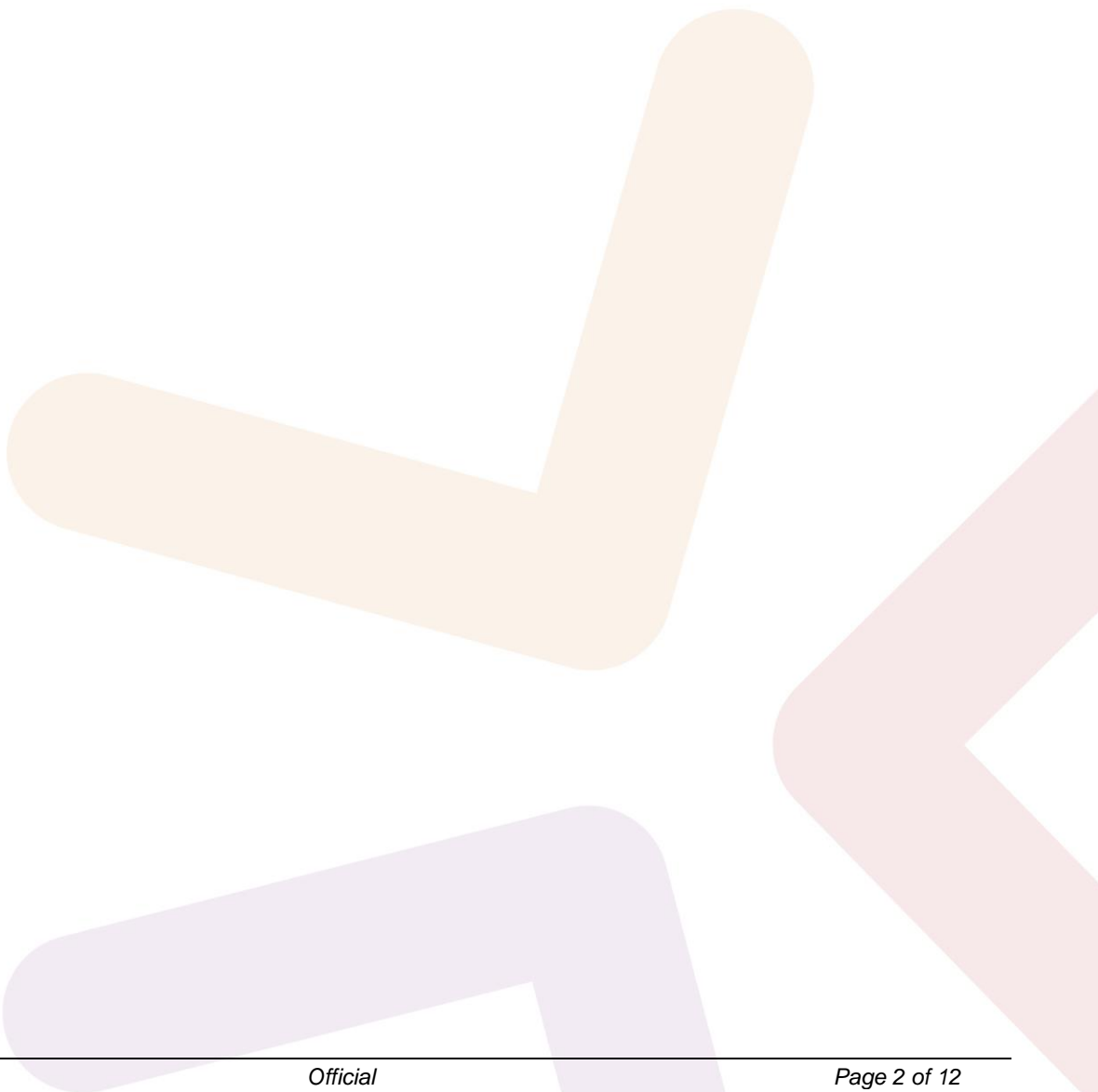
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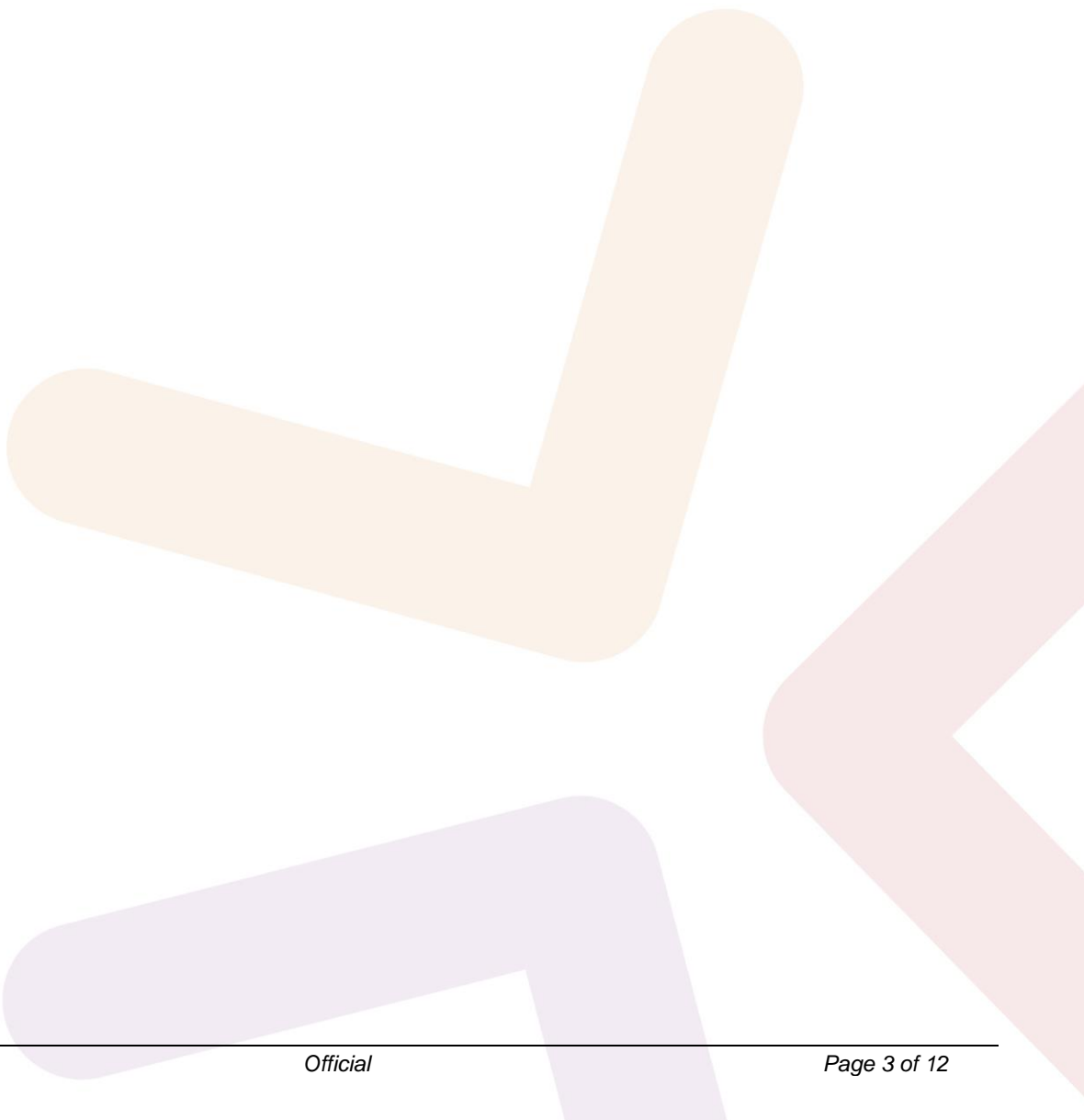
Disclaimer

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Contents

Part 1: Introduction.....	4
Part 2: Governance principle and requirements	4
Part 3: Governance supplementary material.....	6
Part 4: Definitions.....	10



Part 1: Introduction

1.1 Authority of policies

- 1.1.1 Under section 134(1) of the *Health Services Act 1988 (Vic)*, HealthShare Victoria (HSV)¹ is responsible for the establishment of purchasing policies relating to the supply of goods and services to health services and the management and disposal of goods by health services.
- 1.1.2 Health services listed in Schedule 1 and 5 of the *Health Services Act 1988 (Vic)* are responsible under section 134(3) of the *Health Services Act 1988 (Vic)* for complying with each purchasing policy.

1.2 Obligation

- 1.2.1 This policy outlines the mandatory Principle/s and Requirements for all Schedule 1 and 5 health services listed in the *Health Services Act 1988 (Vic)*.
- 1.2.2 [Part 3](#) is provided to assist with meeting the compliance obligations and the type/s of evidence a health service may provide to an auditor. Part 3 materials are not assessable in the audit.

Part 2: Governance principle and requirements

2.1 Governance principle:

Health services to establish, implement, and regularly review a Procurement Governance Framework² (PGF) to monitor and manage procurement and emergency procurement³ across the health service.

2.2 Governance associated requirements:

- a) Health services' roles, responsibilities, and capabilities, including the Accountable Officer (AO) and Chief Procurement Officer (CPO)⁴, are identified and documented within the PGF.
- b) Health services to develop and implement a Procurement Strategy⁵ that outlines the procurement profile. HSV may request a review of the procurement plan and component parts at any time.
- c) Health services must develop an emergency management plan that is clear, concise, streamlined, flexible, proportionate and identifies relevant information in-line with evidence contained in [Part 3: 3.3](#).

¹ HealthShare Victoria is the assumed trading name for Health Purchasing Victoria that remains as an independent public entity incorporated under the *Health Services Act 1988 (Vic)*.

² The PGF may consist of Policies and/or Procedures to make up the PGF but may/or may not be called the PGF.

³ Emergency Procurement does not apply to urgent or unplanned procurement activities undertaken as part of routine operations. Emergency Procurement must not be used to avoid or shortcut procurement planning, approvals or competitive processes.

⁴ The AO of a health service may choose not to create a separate role for the CPO role, but instead include the duties within an existing role in the health services. The AO must be satisfied that governance structures and reporting requirements are in place to conduct the health service's procurement activity and to maintain compliance with HSV Purchasing Policies.

⁵ See [Part 4: Definitions](#)

2.2 Governance associated requirements:

d) Health services are to implement a complaints procedure which supports procedural fairness.

e) Annually health services are required to:

- i. conduct a self-assessment of performance against HSV's purchasing policies, collective agreements and supply chain;
- ii. complete an attestation of compliance with HSV's purchasing policies within the health service's annual report in the form prescribed by HSV;
- iii. report activation of emergency within the health service's annual report including the following details:
 - the nature of the emergency;
 - a summary of the goods and services procured;
 - total spend on goods and services; and
 - the number of contracts awarded valued at \$100,000 (GST inclusive) or more.
- iv. submit a Procurement Activity Plan to HSV and publish on the health service's website;
- v. submit in the form provided, a register of current contracts⁶ for the purchasing of goods and services, or the management and disposal of goods in respect of the health services business which are in place at the time of submission; and
- vi. submit approved on-selling arrangements.

f) Health services to submit a board approved audit report detailing the outcomes of audits of compliance with HSV Purchasing Policies requested in the HSV Audit Schedule or as part of a separate request by HSV.

⁶ Excluding any matters which are commercial in confidence, which will adversely affect intellectual property, and trade secrets.

Part 3: Governance supplementary material

3.1 Roles, responsibilities, accountabilities and qualifications

3.1.1 The AO identifies the roles and responsibilities, processes, and performance standards within the governance framework.

3.1.2 The AO establishes the CPO Role to include the following criteria:

- a) hold a qualification in procurement or hold qualifications with a definable procurement component; and/or
- b) has experience and expertise in managing a procurement function that matches the health service's procurement profile.

3.1.3 The CPO role is accountable for:

- a) providing expert advice and guidance on matters related to the governance framework;
- b) overseeing the lifecycle of the governance framework;
- c) ensuring that the complaints management process is equitable;
- d) establishing that all procurement activity applies strategies, policies, procedures, practices, and probity that comply with HSV Purchasing Policies, and any other requirements in the *Financial Management Act 1994 (Vic)* or imposed by the AO;
- e) assessing the procurement capability of the health service on an annual basis;
- f) managing the preparation of a capability development plan;
- g) identifying major procurement categories;
- h) reviewing performance and capability at regular intervals; and
- i) reporting annually to the AO on the health service's procurement activities.

Options for small and rural health services	Options for metro and regional health services
<ul style="list-style-type: none"> • The Procurement Governance Framework: <ul style="list-style-type: none"> ○ identifies and defines roles and responsibilities; ○ provides a basis for the development and implementation of procurement strategies. • The CPO role is established or CPO duties are incorporated within an existing position. • Health services may work together with others in their region to establish and document a collective Procurement Governance Framework. • Evidence of qualifications for CPO role/duties includes position description and individual qualifications (e.g. certificate, diploma, certification). 	<ul style="list-style-type: none"> • The Procurement Governance Framework: <ul style="list-style-type: none"> ○ identifies and defines roles and responsibilities; ○ provides a basis for the development and implementation of procurement strategies. • The CPO role is established within the health service. • Evidence of qualifications for CPO role include position description and individual qualifications (e.g. certificate, degree, masters).

3.2 Procurement strategy components

3.2.1 The governance framework is underpinned by a procurement plan. This plan provides an overview of the health service's procurement profile and includes the following components:

- a) Procurement Activity Plan: a detailed list of procurement activities anticipated to be taken to market in the next 12-18 months.
- b) Capability Development Plan: steps to improve the capability to undertake procurement.
- c) Contract Management Plan: a framework based on the health service spend profile which assists in the management of procurement categories and individual procurement at the contractual stage.
- d) Supplier Engagement Plan: processes, systems, and communication strategies to maintain good relationships with suppliers (existing and prospective).

3.2.1 The AO ensures that the procurement plan is reviewed annually to alignment with the health service's procurement profile, broader government objectives and / or changes to HSV Purchasing Policies.

Options for small and rural health services

- Health services located in the same region may work together to establish and document a Procurement Plan.

3.3 Emergency procurement

3.3.1 Health service's Emergency Procurement Plan is:

- a) clear, concise, streamlined, flexible, and proportionate;
- b) identifies the AO or delegate for activating and ceasing the Emergency Procurement Plan;
- c) is integrated with the health service's emergency response and business continuity plans, including preparation for foreseeable types of emergencies;
- d) requires application of procurement principles of value for money, accountability, probity and scalability;
- e) may allow flexible application of the mandatory requirements of other HSV Purchasing Policies; but only:
 - i. when necessary,
 - ii. to the extent necessary, and
 - iii. for the time necessary;
- f) details how risks are to be managed appropriately;
- g) requires conflicts of interest to be declared and managed for each emergency procurement activity;
- h) requires consideration of the impacts of an emergency on key suppliers and supply chains;
- i) requires appropriate records to be created and maintained in accordance with records management policies; for activating and ceasing⁷ Emergency Procurement, and reporting.

⁷ When a health service activates an Emergency Procurement Plan, the AO or delegate must set a date for review or cessation not exceeding 90 calendar days from the date of activation. If applicable, on a review date the AO or delegate may set a further date for review or cessation not exceeding 90 calendar days from the date of review. Activation and cessation must be communicated appropriately to the organisation.

3.4 Complaints management process

- 3.4.1 The complaints management process sets out the process and procedures for addressing procurement complaints. All investigations of complaints and subsequent responses should be overseen by a person who is not involved in the subject matter of the complaint. The complaints management system should be accessible to a complainant. All complaints should be received in written format, addressed to the health service AO or CPO. Health services inform HSV within five working days of any complaint that was not resolved to the satisfaction of both parties.
- 3.4.2 The Complaint management system outlines:
- how the investigation will be dealt with;
 - the documentation required for the health service to conduct an investigation;
 - contact and lodgement details for all documents;
 - timelines for conducting the investigation and provision of a response;
 - the range of outcomes available to the health service for responding to a complaint;
 - the process for review by HSV; and
 - other government bodies that may be able to assist.
- 3.4.3 Each health service ought to check that its procurement governance framework includes measures to implement a dispute resolution mechanism as required by Australia’s international free trade agreements.

Options for small and rural health services	Options for metro and regional health services
<p>Implementation of a procurement complaints management policy.</p> <ul style="list-style-type: none"> A health service can incorporate a procurement complaints policy into its general complaints management policy. Complaints are handled by a person who had no knowledge or involvement in the process that led to the complaint. Smaller health services may use other health services within the region to assist with the complaint. The complaints management policy in place is publicly available (e.g. website). Implementation of a complaints register is recommended. 	<p>Implementation of a procurement complaints management policy.</p> <ul style="list-style-type: none"> Complaints are handled by a person who had no knowledge or involvement in the process that led to the complaint. The complaints management policy in place is publicly available (e.g. website). Implementation of a complaints register is recommended.

3.5 Procurement Activity Plan

- 3.5.1 Health services are only required to submit to HSV and publish on their website a summary of their 12 – 18-month Procurement Activity Plan.

3.6 Referring a complaint to HSV for review

3.6.1 Complaints can be referred to HSV for review if the complainant is not satisfied with the outcome of a complaint to the health service. This could be related to the management of the complaint or the application of HSV Purchasing Policies.

3.6.2 All referrals of a complaint to HSV must be made in writing within 10 (ten) working days of the receipt of a complaint outcome from a health service. Please send to:

Chief Executive
HealthShare Victoria
Level 34, Casselden, 2 Lonsdale Street
MELBOURNE VIC 3001
Electronically to: complaints@healthsharevic.org.au

3.6.3 For an effective review to occur the complainant needs to provide the following material:

- evidence that the health service did not correctly apply HSV PPs in relation to a procurement activity;
- evidence that the health service's complaints management procedures were not applied correctly;
- a copy of all relevant correspondence between the complainant and the health service in relation to the nature of the complaint; and
- any additional material requested by HSV to assist it in its findings.

3.6.4 HSV:

- will inform the health service and complainant of its findings and any further action it intends to take in relation to the matter;
- can require the AO to audit its application of Procurement Policies in relation to the procurement activity;
- can inform the Minister of its review of a complaint and advise the Minister of further action that could be taken; and
- note the outcome of a review in relation to any complaint in its annual report to Parliament.

Part 4: Definitions

Terminology	Definition
Accountable Officer (AO)	Means Chief Executive Officer (by whatever name called) of a health service.
Actual conflict of interest	There is a real conflict between an employee's public duties and private interests. (<i>Victorian Public Sector Commission</i>)
Asset	An item or thing that has potential value to an organisation, and for which the organisation has a responsibility. Asset does not include financial assets. Please refer to the Department of Treasury and Finance's Asset Management Accountability Framework regarding asset management.
Categories	Categories are groupings of similar goods or services with common supply and demand drivers and suppliers. For example, a blood collection tube would be in the pathology consumables procurement category. A category can be defined at any level above a single procurement. Categories will vary according to the size and type of organisation and the supply market.
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.
Collective Purchasing	Collective Purchasing, also referred to 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 by HSV on behalf of health services.
Conflict of interest	Conflicts may be actual, potential or perceived. (<i>Victorian Public Sector Commission</i>)
Complaint	A complaint is an issue or concern expressed by a supplier in relation to the process and probity applied by a health service when conducting a procurement activity.
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.
Contract Management Strategy (CMS)	Identifies how individual contracts in a procurement category could be managed. It positions contract management issues at the beginning of the procurement planning cycle and allows for the effective allocation of resources.

Terminology	Definition
Emergency procurement	<p>An emergency in Victoria is defined by the <i>Emergency Management Act 2013 (Vic)</i> (the Act). In summary, an emergency is the actual or imminent occurrence of an event that in any way:</p> <ul style="list-style-type: none"> • endangers or threatens to endanger the safety or health of any person; • destroys or damages, or threatens to destroy or damage, any property; or • endangers or threatens to endanger the environment. <p>The definition in the Act includes a disruption to essential services (for example transport, fuel, power, water, sewerage). The Emergency Procurement Policy may also be applied to an event that significantly disrupts or threatens provision of an organisation's key services.</p>
Eligible health services	As outlined in Part 6 in the <i>Health Services Act 1988 (Vic)</i> .
Health service	Public hospitals and health services outlined in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> .
On-selling	On-selling occurs if an entity purchases goods or services under a HSV 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, possibly under the terms of another agreement e.g., provision of clinical or non-clinical services, tenancy, public private partnership (PPP) etc.
Participating health service	Health services listed in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> and approved eligible health services accessing HSV collective agreements.
Perceived conflict of interest	<p>The public or a third party could form the view that an employee's private interests could improperly influence their decisions or actions, now or in the future.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Potential conflict of interest	<p>An employee has private interests that could conflict with their public duties. This refers to circumstances where it is foreseeable that a conflict may arise in future and steps should be taken now to mitigate that future risk.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Procurement Activity Plan (PAP)	A procurement activity plan is a list of all procurement activities that the health service anticipates taking to market over a period (ideally 12-18 months). What constitutes a procurement activity will depend on each health service and their internal process for determining those sourcing activities that require a market approach. This will usually be based on value depending on the organisation's spend profile.
Procurement Strategy	<p>A Procurement Strategy contains the following elements:</p> <ul style="list-style-type: none"> • Procurement Activity Plan: a detailed list of procurement activities anticipated to be taken to market in the next 12-18 months.

Terminology	Definition
	<ul style="list-style-type: none"> • Capability Development Plan: steps to improve the capability to undertake procurement needs. • Contract Management Plan: a framework based on the health service spend profile which assists in how procurement categories and individual procurement will be managed at the contractual stage. • Supplier Engagement Plan: processes, systems, and communication strategies to maintain good relationships with suppliers (existing and prospective). <p>Note: The Procurement Strategy may consist of the above elements but may or may not be called the Procurement Strategy.</p>
SEPC	Sole Entity Purchase Contracts
SPC	State Purchase Contracts
Supply chain	Supply chain management encompasses the planning and management of all activities involved in the sourcing and procurement, conversion and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers. In essence, supply chain management integrates supply and demand management within and across entities.
Value for money	Involves a balanced judgment of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues and price.
VGPB	Victorian Government Procurement Board



HSV Purchasing Policy 2 Strategic Analysis

Determining the market dynamic, the complexity of procurement
and aligning capability

1 January 2023

Version 1
OFFICIAL



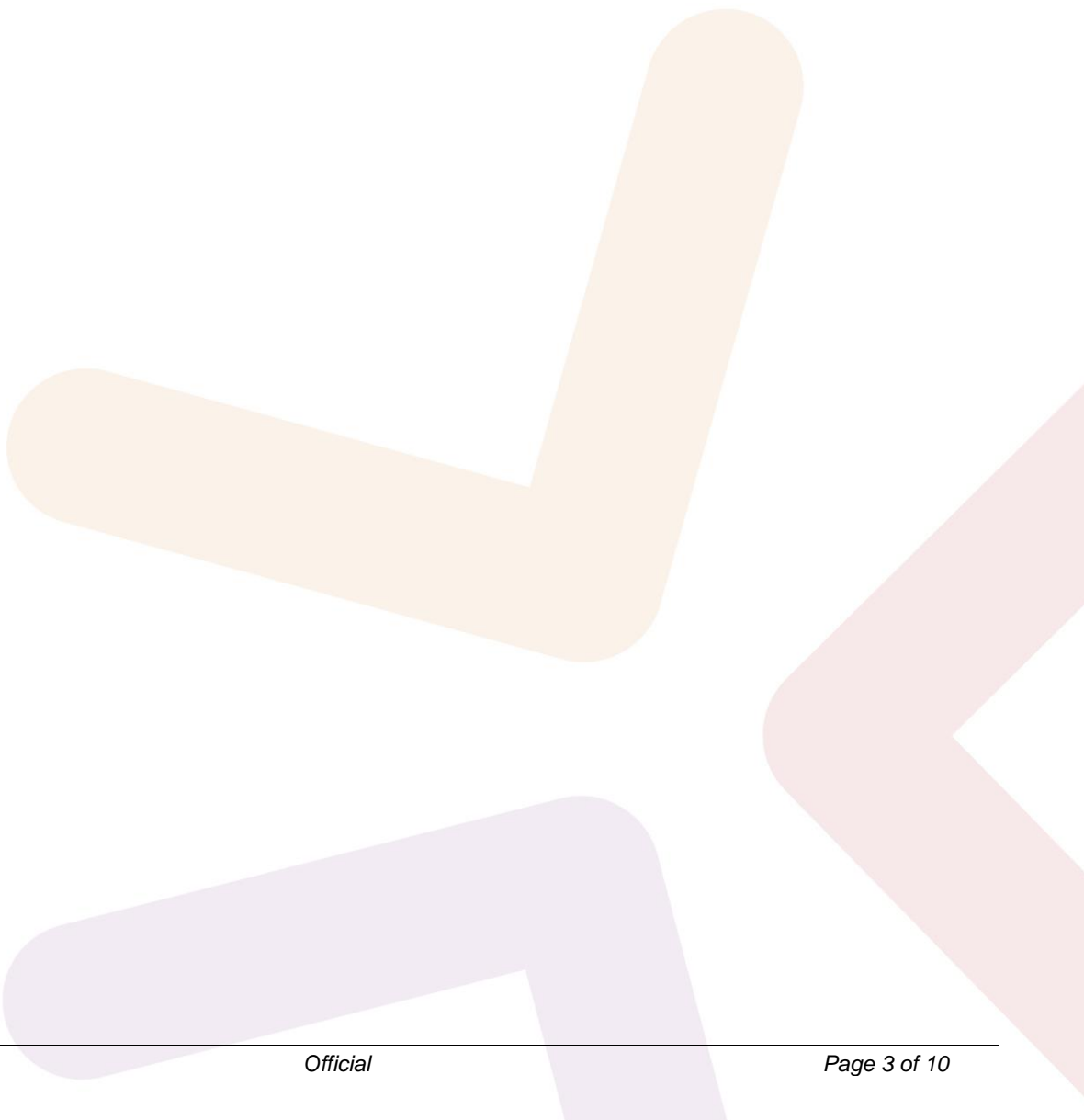
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Contents

Part 1: Introduction.....	4
Part 2: Strategic analysis principle and requirements.....	4
Part 3: Strategic analysis supplementary material	5
Part 4: Definitions.....	8



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1.2 Obligation

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Part 2: Strategic analysis principle and requirements

2.1 Strategic analysis principle:

Health services are to determine the complexity of the procurement activity and the corresponding capability level required to complete a successful procurement.

2.2 Strategic analysis associated requirements:

- a) Health services are to understand the complexity of both internal and external factors of procurement activities.
- b) Health services are to systematically review market analysis, including the characteristics, capacity and capability of the supply chain.
- c) Health services are to assess procurement capability, ascertaining the right match of people, resources, systems, and processes to the complexity of the procurement for the most appropriate value outcomes.

¹ HealthShare Victoria is the assumed trading name for Health Purchasing Victoria that remains as an independent public entity incorporated under the *Health Services Act 1988 (Vic)*.

Part 3: Strategic analysis supplementary material

3.1 Complexity assessment before beginning a procurement including profile, relevance of category, strategy and any high risks for the health service

- 3.1.1 To achieve the best value for money, a health service needs to first assess the complexity of a procurement activity. This assessment may be supported by a risk matrix that provides an objective criterion.
- 3.1.2 The assessment of complexity should be applied to:
- a) relevant categories of procurement; and
 - b) any individual procurement activity that:
 - i. does not fall into a relevant category; and
 - ii. is strategic or high risk to the business of the health service.
- 3.1.2 Carrying out an assessment of complexity at the category level can identify individual procurement(s) and strategic and high-risk procurement(s) that require an individual complexity assessment.
- 3.1.3 An assessment of complexity will analyse:
- a) internal and external factors that affect the procurement;
 - b) the characteristics of the good or service being procured;
 - c) the capacity, capability, and motivation of the market;
 - d) the value created by the procurement to the health service;
 - e) opportunities to improve value for money;
 - f) the potential for aggregating purchasing demand;
 - g) the potential to improve the opportunities for Australia and New Zealand small to medium sized enterprises to participate in government procurement; and
 - h) the best way to approach the market that is cost-effective to suppliers and buyers while considering opportunities for local businesses to participate.
- 3.1.4 When the complexity assessment has been completed, procurement categories and individual procurements will be allocated into 1 of 4 quadrants.

Complexity category	Description
Transactional	Small value and low-risk transactions where approved suppliers (e.g. HSV collective agreements) are not available or viable.
Leveraged	Frequently used goods/services in a competitive marketplace procured by an individual mandated health service or whole of health sector, where the mandated health service has the ability to drive value.
Focused	Procured goods/services where a limited number of suppliers are available or where novel commercial arrangements are in place.
Strategic	Goods/services in a competitive market that are high value, where business criticality is high, and/or where the good/service is of significance.

3.1.5 The health service's **CPO is to be consulted** when determining the approach to market for any procurement identified as strategic or high risk. Consideration should also be given to engaging a probity advisor or probity auditor.

3.1.6 Health services are not required to carry out an assessment of complexity of a procurement activity where the procurement is from an aggregated demand contract where it is a sole supplier arrangement.

Options for small and rural health services	Options for metro and regional health services
<ul style="list-style-type: none"> • A health service's procurement spend profile has been identified prior to the completion of the complexity assessment • a complexity assessment has been completed before a procurement activity begins for each procurement activity. • Multiple health services may work together in their region to establish and document a complexity assessment with individual spend profiles. 	<ul style="list-style-type: none"> • A health service's procurement spend profile has been identified prior to the completion of the complexity assessment • a complexity assessment has been completed before a procurement activity begins for each procurement activity.

3.2 Market analysis and approach is to understand the capacity of the supply chain and embed policies, processes and procedures for the end-to-end supply and disposal of a procured item(s).

3.2.1 Market analysis and review follows the assessment of complexity of the procurement activity either at the category level or at the individual procurement level where the procurement activity falls outside of a category or is critical or high risk.

3.2.2 Health services may:

- a) consider the outcome of the complexity assessment to determine if the assessment at the category level establishes the basis to approach the market;
- b) undertake further complexity analysis of the individual procurement activity where the category assessment provides insufficient detail to determine the optimal approach to market;
- c) conduct market analysis to identify the capability and capacity of the market to supply and identify opportunities for market-based solutions;
- d) reassess the procurement requirement regarding the market analysis; and
- e) prepare a statement of grounds or business case, which supports the decision to proceed with the procurement and identifies the optimal market engagement strategy.

3.2.3 Approaching the market is predominantly a process task to ensure all potential suppliers are treated fairly, have access to the same information and that standards of probity, confidentiality, and security are applied in all interactions between the health service and suppliers.

3.2.4 A sourcing process is not required when purchasing from a sole entity purchase contract or a state purchase contract where there is an arrangement in place.

Options for health services
<ul style="list-style-type: none"> • Market analysis is conducted for procurement categories and individual procurement activities that fall outside a category or are strategic or of high risk to the health service. • A business case or statement of grounds is appropriately documented with required approvals and a review process that aligns with the health service's governance framework.

3.3 The Accountable Officer is accountable for entity’s resourcing the expertise required for successful procurement outcomes

3.3.1 The Accountable Officer (AO) ensures that the health service has access to the appropriate level of procurement expertise, resources, systems, and processes that enable procurement activities to be completed successfully.

3.3.2 Health services should not carry out procurement where there is an insufficient level of capability.

3.3.3 The assessment of capability will:

- a) be carried out by people with appropriate knowledge and expertise;
- b) identify the capabilities needed to carry out the procurement activity; and
- c) identify whether the capabilities in the organisation need to be developed or supplemented to undertake the procurement activity.

3.3.4 An assessment of capability may be based on the whole organisation or on particular business unit.

3.3.5 Where the health service's capability does not match the procurement complexity, the AO ought to ensure the required level of capability is secured from external sources.

Options for small and rural health services	Options for metro and regional health services
<ul style="list-style-type: none">• A capability assessment and a capability plan are in place, regularly reviewed and approved as per the governance framework.• The governance framework makes the roles and responsibilities clear, including who conducts the capability assessments.• A small or rural health service may choose to work with other health services in the region, if the right capability can be achieved.	<ul style="list-style-type: none">• A capability assessment and a capability plan are in place, regularly reviewed and approved as per the governance framework.• The governance framework makes the roles and responsibilities clear, including who conducts the capability assessments.• The organisational chart identifies the procurement function.• The health service outlines their capability and if it is deemed insufficient for the level of procurement required, ought to demonstrate that external sources are/have been engaged.

Part 4: Definitions

Terminology	Definition
Accountable Officer (AO)	Means Chief Executive Officer (by whatever name called) of a health service.
Actual conflict of interest	There is a real conflict between an employee's public duties and private interests. (<i>Victorian Public Sector Commission</i>)
Asset	An item or thing that has potential value to an organisation, and for which the organisation has a responsibility. Asset does not include financial assets. Please refer to the Department of Treasury and Finance's Asset Management Accountability Framework regarding asset management.
Categories	Categories are groupings of similar goods or services with common supply and demand drivers and suppliers. For example, a blood collection tube would be in the pathology consumables procurement category. A category can be defined at any level above a single procurement. Categories will vary according to the size and type of organisation and the supply market.
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.
Collective Purchasing	Collective Purchasing, also referred to 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 by HSV on behalf of health services.
Conflict of interest	Conflicts may be actual, potential or perceived. (<i>Victorian Public Sector Commission</i>)
Complaint	A complaint is an issue or concern expressed by a supplier in relation to the process and probity applied by a health service when conducting a procurement activity.
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.
Contract Management Strategy (CMS)	Identifies how individual contracts in a procurement category could be managed. It positions contract management issues at the beginning of the procurement planning cycle and allows for the effective allocation of resources.

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Eligible health services	As outlined in Part 6 in the <i>Health Services Act 1988 (Vic)</i> .
Health service	Public hospitals and health services outlined in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> .
On-selling	On-selling occurs if an entity purchases goods or services under a HSV 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, possibly under the terms of another agreement e.g., provision of clinical or non-clinical services, tenancy, public private partnership (PPP) etc.
Participating health service	Health services listed in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> and approved eligible health services accessing HSV collective agreements.
Perceived conflict of interest	<p>The public or a third party could form the view that an employee's private interests could improperly influence their decisions or actions, now or in the future.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Potential conflict of interest	<p>An employee has private interests that could conflict with their public duties. This refers to circumstances where it is foreseeable that a conflict may arise in future and steps should be taken now to mitigate that future risk.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Procurement Activity Plan (PAP)	A procurement activity plan is a list of all procurement activities that the health service anticipates taking to market over a period (ideally 12-18 months). What constitutes a procurement activity will depend on each health service and their internal process for determining those sourcing activities that require a market approach. This will usually be based on value depending on the organisation's spend profile.
Procurement Strategy	A Procurement Strategy contains the following elements:

Terminology	Definition
	<ul style="list-style-type: none"> • Procurement Activity Plan: a detailed list of procurement activities anticipated to be taken to market in the next 12-18 months. • Capability Development Plan: steps to improve the capability to undertake procurement needs. • Contract Management Plan: a framework based on the health service spend profile which assists in how procurement categories and individual procurement will be managed at the contractual stage. • Supplier Engagement Plan: processes, systems, and communication strategies to maintain good relationships with suppliers (existing and prospective). <p>Note: The Procurement Strategy may consist of the above elements but may or may not be called the Procurement Strategy.</p>
SEPC	Sole Entity Purchase Contracts
SPC	State Purchase Contracts
Supply chain	Supply chain management encompasses the planning and management of all activities involved in the sourcing and procurement, conversion and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers. In essence, supply chain management integrates supply and demand management within and across entities.
Value for money	Involves a balanced judgment of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues and price.
VGPB	Victorian Government Procurement Board



HSV Purchasing Policy 3 Market Approach

Ensuring fair, transparent and unbiased practices when
engaging with the market

1 January 2023

Version 1
OFFICIAL



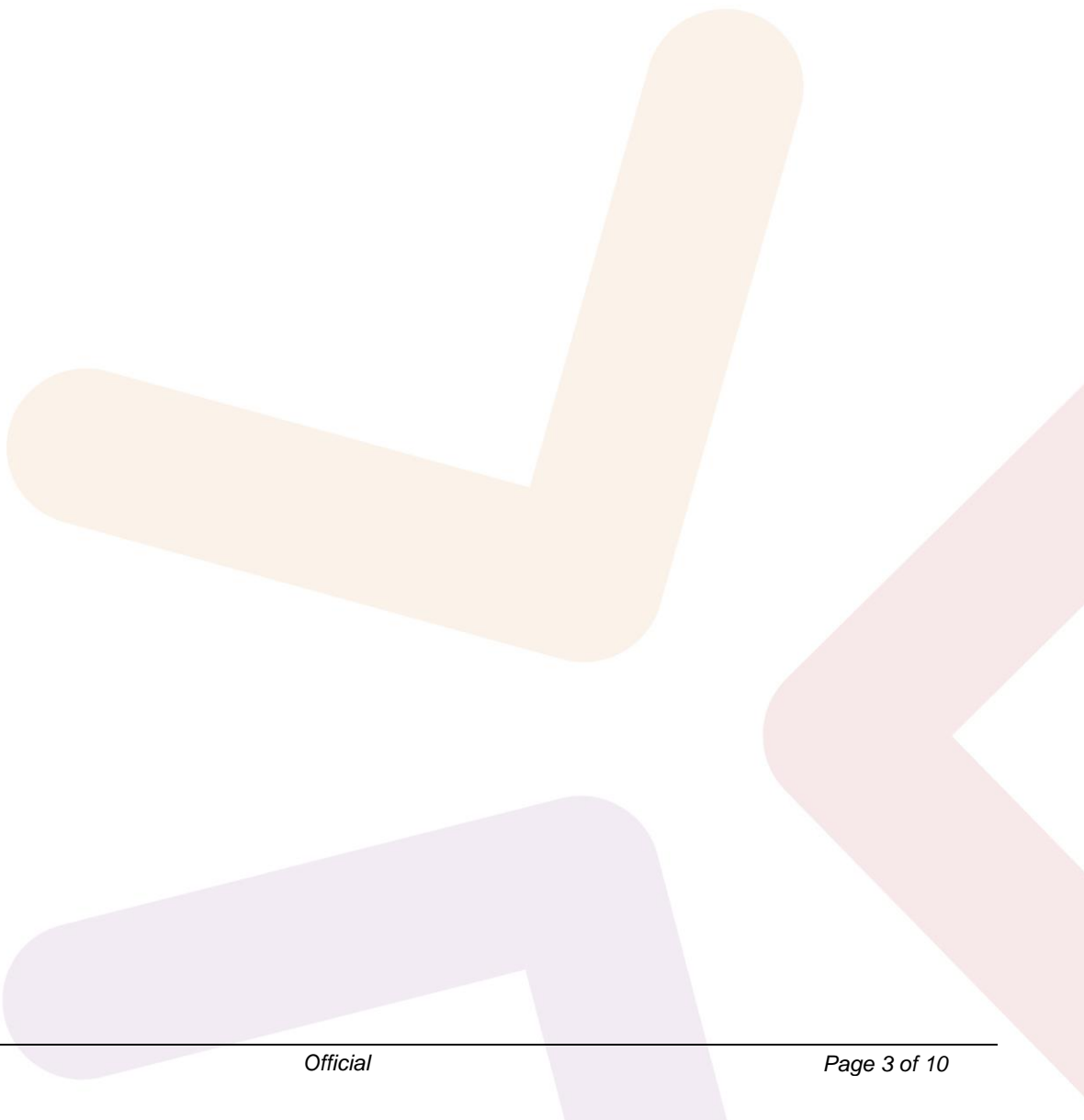
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Data Classification	Official

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.

Contents

Part 1: Introduction	4
Part 2: Market approach principle and requirements	4
Part 3: Market approach supplementary material	5
Part 4: Definitions	8



Part 1: Introduction

1.1 Authority of policies

- 1.1.1 Under section 134(1) of the *Health Services Act 1988 (Vic)*, HealthShare Victoria (HSV)¹ is responsible for the establishment of purchasing policies relating to the supply of goods and services to health services and the management and disposal of goods by health services.
- 1.1.2 Health services listed in Schedule 1 and 5 of the *Health Services Act 1988 (Vic)* are responsible under section 134(3) of the *Health Services Act 1988 (Vic)* for complying with each purchasing policy².

1.2 Obligation

- 1.2.1 This policy outlines the mandatory Principle/s and Requirements for all Schedule 1 and 5 health services listed in the *Health Services Act 1988 (Vic)*.
- 1.2.2 [Part 3](#) is provided to assist with meeting the compliance obligations and the type/s of evidence a health service may provide to an auditor. Part 3 materials are not assessable in the audit.

Part 2: Market approach principle and requirements

2.1 Market approach principle:

Health services systematically, efficiently and fairly manage procurement analysis and planning, when approaching the market, to maximise operational and financial performance and minimise risk.

2.2 Market approach associated requirements:

- a) Health services implement minimum requirements for engaging and sharing information with potential suppliers in a fair, transparent³ manner and supporting probity, security, and confidentiality as set out in [Part 3: 3.1](#).
- b) Health services implement minimum requirements for evaluation, negotiation and selection that supports fairness, transparency, probity, security, confidentiality, and value for money.

¹ HealthShare Victoria is the assumed trading name for Health Purchasing Victoria that remains as an independent public entity incorporated under the *Health Services Act 1988 (Vic)*.

² To the extent that it applies to the health service.

³ Transparency is about the openness of a procurement to scrutiny by interested parties, and relevant oversight bodies, such as the Victorian Auditor General's Office. It involves providing documented reasons for decisions and giving appropriate information to relevant stakeholders and tender participants. (VGPB)

Part 3: Market approach supplementary material

3.1 Processes and procedures that support probity, fairness, consistency, impartiality with identifiable criteria /weighting that supports negotiation and sound decision making

3.1.1 Health services may develop and apply an appropriate market approach that:

- a) encourages participation from the market segment relevant to the procurement activity;
- b) adopts a market engagement strategy that is cost effective for the buyer and supplier;
- c) applies a market approach that eliminates barriers to participation by small and medium enterprises (SMEs);
- d) engages with potential suppliers in a fair and equitable manner;
- e) has processes in place to protect the confidentiality and security of bids from suppliers;
- f) provides sufficient time for potential suppliers to prepare a submission taking into account the complexity of the procurement activity and market factors; and
- g) makes any material change to a procurement requirement available to all suppliers selected or registered to participate in the procurement process.

3.1.2 Health services detail requirements⁴ that:

- a) identify the conditions for participation;
- b) foster innovative or alternate supply solutions where appropriate;
- c) structure specifications that have relevance to Australia and New Zealand SMEs where appropriate;
- d) specify applicable broader government policy⁵ where relevant, including but not limited to any government supplier charters or codes of conduct;
- e) adopt an evaluation plan for carrying out supplier selection;
- f) specify the criteria and general weightings where appropriate to be used when evaluating submissions;
- g) indicate whether the selection process includes a process for shortlisting; and
- h) do not adopt processes, technical specifications, conditions or a market engagement strategy that preclude relevant suppliers from participating in the potential supply arrangement.

3.1.3 Health services ought to provide the following minimum information:

- a) name and address of organisation;
- b) details of the supply requirement;
- c) process timelines;
- d) address/site/method where documentation can be obtained;
- e) address/site/method where further information will be provided (if relevant);
- f) address/site/method for receiving submissions; and
- g) contact details of person(s) managing the market approach.

3.1.4 Fairness and impartiality need to be considered at all stages throughout a procurement process. To be fair, impartial and equitable, health services:

⁴ It may not be appropriate to disclose all requirements to vendors. While disclosure is at the discretion of the health service, processes that support consistency, impartiality and fairness must be applied.

⁵ For example, *Fair Jobs Code* which comes into effect 1 December 2022.

- a) refrain from engaging in any conduct that would defeat the purpose of a fair and transparent selection process.
- b) identify and actively manage actual, potential and perceived conflicts of interest;
- c) provide equal access to information at the same time for all interested tender participants (except information that is commercial in confidence);
- d) provide clarification arising from an individual potential tender participant query to all potential tender participants, where feasible in writing either electronically or in hard copy.
- e) If the closing date is extended, provide an extension notice to all potential tender participants with adequate notice before the originally published closing date and time.

Options for small and rural health services

- **Health services located in the same region may work together to develop and apply an appropriate market approach.**

3.2 Market approach processes encourages participation, with confidentiality and security for 'bidders' paramount, the ITS and management of any submissions as well as processes for lodgement, acceptance and information including decision making protocols

Lodgement

3.2.1 Health services in supporting confidentiality and security:

- a) provide a secure, physical submission facility and/or the facility to receive electronic submissions;
- b) allocate responsibility for managing either system to a business unit in the organisation;
- c) implement a process to inform suppliers of successful receipt of their submission;
 - i. immediately in the case of an electronic system; or
 - ii. within five working days of a submission closing date in the case of a physical receipt facility.
- d) apply procedures in relation to late submissions that accord with the following protocols:
 - i. late submissions are not to be accepted unless the supplier can clearly document to the satisfaction of the Chief Procurement Officer that it was due to an event of exceptional circumstances; and
 - ii. the Chief Procurement Officer ought to be satisfied that accepting a late submission would not compromise the integrity of the market approach.

Evaluation

3.2.2 Evaluating submissions requires high standards of probity and a consistent evaluation of criteria for each tender.

3.2.3 Health services ought to:

- a) evaluate risks to the organisation in a consistent manner with the ability to report on the risks;
- b) develop an evaluation plan⁶ as appropriate, which reflects the level of complexity and risk of the procurement activity;

⁶ Depending on the procurement activities, complexity, and risk an evaluation plan may not be required.

- c) conduct the evaluation process with probity, fairness, consistency and impartiality, and evaluate each submission equally against specified criteria and weighting where provided;
- d) note and address any real or potential conflict of interest before starting the evaluation process;
- e) clearly define the role of the probity auditor/probity advisor and/or advisory groups formed to advise and assess elements of a submission;
- f) separate the roles of the probity auditor and probity advisor where appropriate for procurement activity that is critical and/or high risk; and
- g) document and provide evidence for all stages of the decision-making process.

3.2.4 Health services may articulate in support of probity that:

- a) the evaluation process will only consider a bid that meets the mandatory requirements of participation in the procurement process;
- b) where alternative offers are encouraged, they are submitted and evaluated together with other conforming offers; and
- c) the capability of the people conducting an evaluation or negotiation process is adequate for the complexity of the procurement activity.

Negotiation

3.2.5 Negotiation is an iterative activity conducted after shortlisting suppliers and carried out when the evaluation panel decides that it will add value to the outcome of the procurement activity.

3.2.6 Health services need to make sure:

- a) the negotiation process is transparent, recorded and conducted in a manner that is fair and equitable for all parties shortlisted; and
- b) negotiations that seek further information, improvements to a supplier's bid or a best and final offer are conducted in a consistent manner and that any accepted improvements are within the scope of the market approach.

Supplier selection

3.2.7 Supplier selection establishes a relationship that can deliver value-added improvements beyond the requirements of the contract.

3.2.8 To support and evidence their process health services ought to:

- a) develop a formal agreement between parties for the selected supplier(s);
- b) debrief unsuccessful suppliers in relation to their submission if requested; and
- c) inform all suppliers of the status of their submissions throughout the process.

Options for small and rural health services

- Health services located in the same region may work together to create a market approach process.

Part 4: Definitions

Terminology	Definition
Accountable Officer (AO)	Means Chief Executive Officer (by whatever name called) of a health service.
Actual conflict of interest	There is a real conflict between an employee's public duties and private interests. <i>(Victorian Public Sector Commission)</i>
Asset	An item or thing that has potential value to an organisation, and for which the organisation has a responsibility. Asset does not include financial assets. Please refer to the Department of Treasury and Finance's Asset Management Accountability Framework regarding asset management.
Categories	Categories are groupings of similar goods or services with common supply and demand drivers and suppliers. For example, a blood collection tube would be in the pathology consumables procurement category. A category can be defined at any level above a single procurement. Categories will vary according to the size and type of organisation and the supply market.
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.
Collective Purchasing	Collective Purchasing, also referred to 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 by HSV on behalf of health services.
Conflict of interest	Conflicts may be actual, potential or perceived. <i>(Victorian Public Sector Commission)</i>
Complaint	A complaint is an issue or concern expressed by a supplier in relation to the process and probity applied by a health service when conducting a procurement activity.
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.
Contract Management Strategy (CMS)	Identifies how individual contracts in a procurement category could be managed. It positions contract management issues at the beginning of the procurement planning cycle and allows for the effective allocation of resources.

Terminology	Definition
Emergency procurement	<p>An emergency in Victoria is defined by the <i>Emergency Management Act 2013 (Vic)</i> (the Act). In summary, an emergency is the actual or imminent occurrence of an event that in any way:</p> <ul style="list-style-type: none"> • endangers or threatens to endanger the safety or health of any person; • destroys or damages, or threatens to destroy or damage, any property; or • endangers or threatens to endanger the environment. <p>The definition in the Act includes a disruption to essential services (for example transport, fuel, power, water, sewerage). The Emergency Procurement Policy may also be applied to an event that significantly disrupts or threatens provision of an organisation's key services.</p>
Eligible health services	As outlined in Part 6 in the <i>Health Services Act 1988 (Vic)</i> .
Health service	Public hospitals and health services outlined in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> .
On-selling	On-selling occurs if an entity purchases goods or services under a HSV 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, possibly under the terms of another agreement e.g., provision of clinical or non-clinical services, tenancy, public private partnership (PPP) etc.
Participating health service	Health services listed in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> and approved eligible health services accessing HSV collective agreements.
Perceived conflict of interest	<p>The public or a third party could form the view that an employee's private interests could improperly influence their decisions or actions, now or in the future.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Potential conflict of interest	<p>An employee has private interests that could conflict with their public duties. This refers to circumstances where it is foreseeable that a conflict may arise in future and steps should be taken now to mitigate that future risk.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Procurement Activity Plan (PAP)	A procurement activity plan is a list of all procurement activities that the health service anticipates taking to market over a period (ideally 12-18 months). What constitutes a procurement activity will depend on each health service and their internal process for determining those sourcing activities that require a market approach. This will usually be based on value depending on the organisation's spend profile.
Procurement Strategy	<p>A Procurement Strategy contains the following elements:</p> <ul style="list-style-type: none"> • Procurement Activity Plan: a detailed list of procurement activities anticipated to be taken to market in the next 12-18 months.

Terminology	Definition
	<ul style="list-style-type: none"> • Capability Development Plan: steps to improve the capability to undertake procurement needs. • Contract Management Plan: a framework based on the health service spend profile which assists in how procurement categories and individual procurement will be managed at the contractual stage. • Supplier Engagement Plan: processes, systems, and communication strategies to maintain good relationships with suppliers (existing and prospective). <p>Note: The Procurement Strategy may consist of the above elements but may or may not be called the Procurement Strategy.</p>
SEPC	Sole Entity Purchase Contracts
SPC	State Purchase Contracts
Supply chain	Supply chain management encompasses the planning and management of all activities involved in the sourcing and procurement, conversion and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers. In essence, supply chain management integrates supply and demand management within and across entities.
Value for money	Involves a balanced judgment of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues and price.
VGPB	Victorian Government Procurement Board



HSV Purchasing Policy 4

Contract Management and Asset Disposal

Ensuring value for money outcomes are realised with effective and efficient contract management

1 January 2023

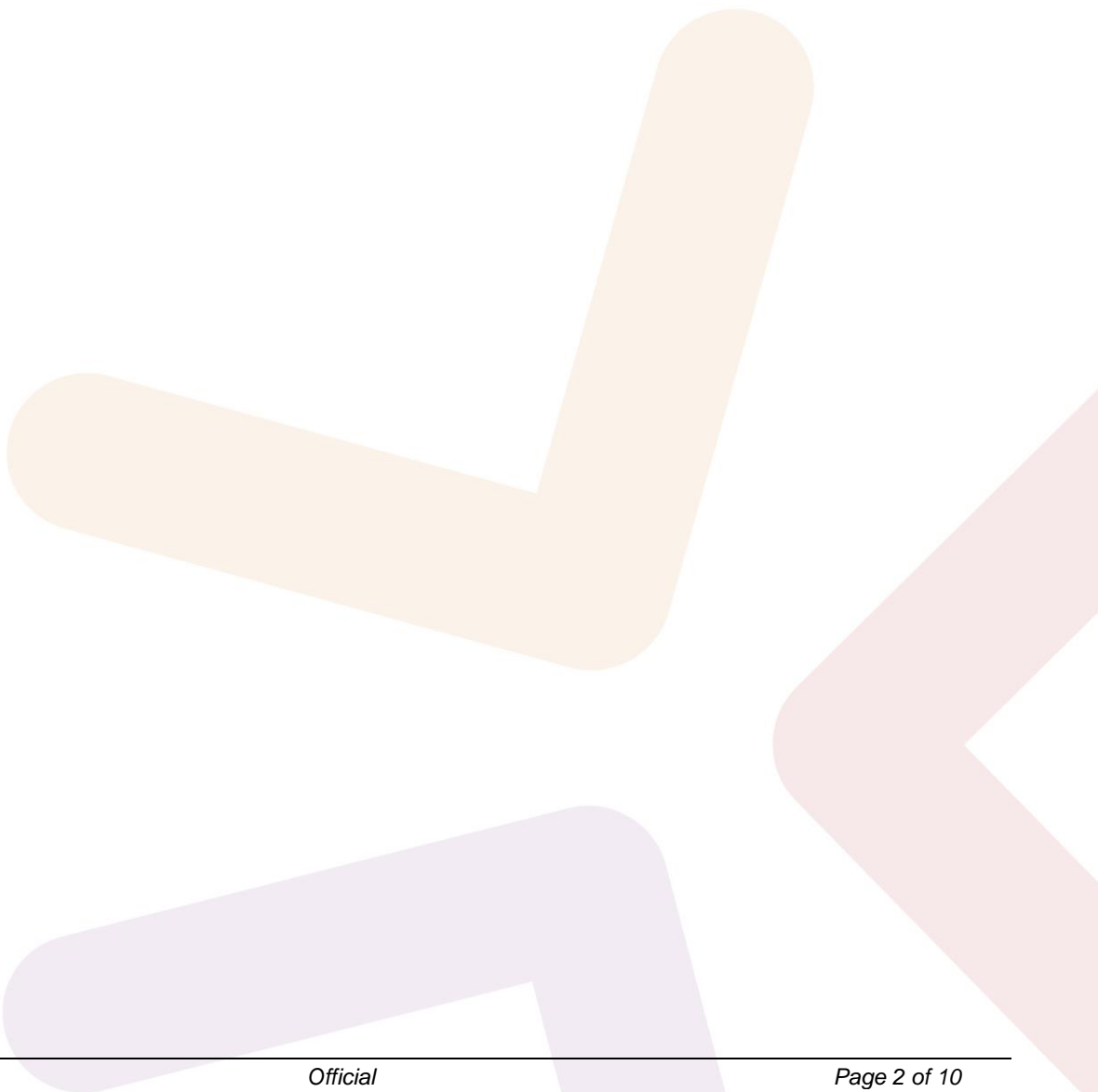
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OFFICIAL



Author	Finance, Risk and Governance
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Data Classification	Official

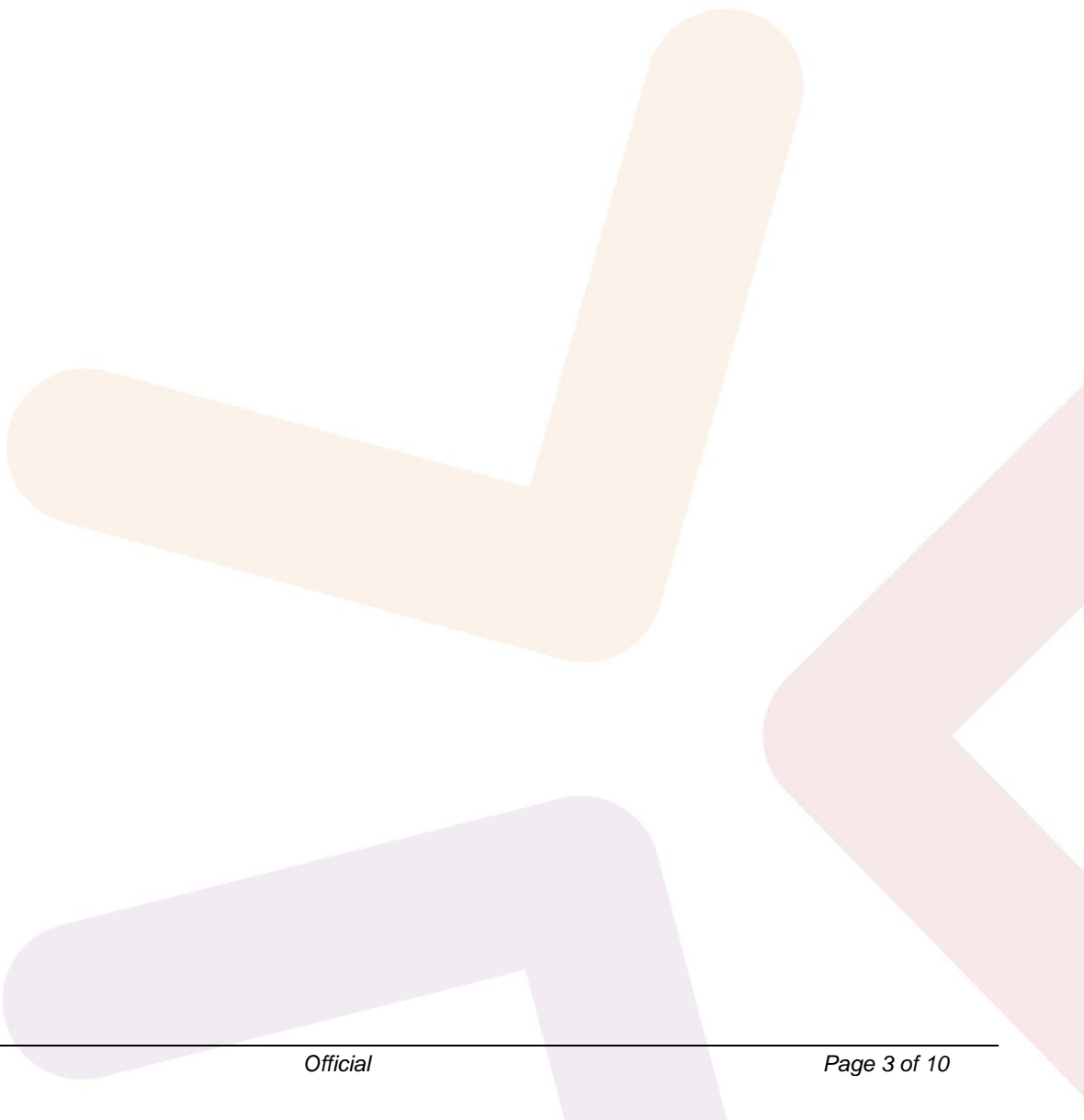
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Contents

Part 1: Introduction.....	4
Part 2: Contract management and asset disposal principle and requirements	4
Part 3: Contract management and asset disposal supplementary material	5
Part 4: Definitions.....	8



Part 1: Introduction

1.1 Authority of policies

- 1.1.1 Under section 134(1) of the *Health Services Act 1988 (Vic)*, HealthShare Victoria (HSV)¹ is responsible for the establishment of purchasing policies relating to the supply of goods and services to health services and the management and disposal of goods by health services.
- 1.1.2 Health services listed in Schedule 1 and 5 of the *Health Services Act 1988 (Vic)* are responsible under section 134(3) of the *Health Services Act 1988 (Vic)* for complying with each purchasing policy.

1.2 Obligation

- 1.2.1 This policy outlines the mandatory Principle/s and Requirements for all Schedule 1 and 5 health services listed in the *Health Services Act 1988 (Vic)*.
- 1.2.2 [Part 3](#) is provided to assist with meeting the compliance obligations and the type/s of evidence a health service may provide to an auditor. Part 3 materials are not assessable in the audit.

Part 2: Contract management and asset disposal principle and requirements

2.1 Contract management and asset disposal principle:

Health services systematically and efficiently manage contract creation, execution and asset disposal for maximising operational and financial performance and minimising risk.

2.2 Contract management and asset disposal associated requirements:

- a) Health services implement minimum requirements to effect contract management², including individual procurement and the overarching entity contract management strategy.
- b) Health services include the following minimum clauses³ within contracts:
- i. Transition clause
 - ii. Confidentiality clause
 - iii. Supplier code of conduct
- c) Health services establish and implement processes and mechanisms for the disposal of assets to support a whole of life cycle procurement approach in line with the Department of Treasury and Finance Asset Management Accountability Framework.

¹ HealthShare Victoria is the assumed trading name for Health Purchasing Victoria that remains as an independent public entity incorporated under the *Health Services Act 1988 (Vic)*.

² See [Part 4: Definitions](#)

³ 3.2 of the Supplementary materials provides wording for health services regarding clauses.

Part 3: Contract management and asset disposal supplementary material

3.1 Health services to implement minimum requirements to give effect to contract management, including individual procurement and overarching entity contract management strategy

- 3.1.1 Contract management is the systematic and efficient management of contract creation, execution and analysis for the purpose of maximising financial and operational performance and minimising risk.
- 3.1.2 Contract management operates at two distinct levels:
- at the level of the organisation as a high-level Contract Management Strategy (CMS); and
 - at the level of individual procurement activity.

Contract management at the organisational level

- 3.1.3 A CMS can identify how individual contracts in a procurement category could be managed at the health service level. It positions contract management issues at the beginning of the procurement planning cycle and allows for the effective allocation of resources.
- 3.1.4 Developing a CMS is part of the procurement planning process after identifying procurement categories and carrying out an assessment of complexity.
- 3.1.5 Health services may include the following components in their CMS:
- the overall approach that will be used to manage contracts for categories or individual procurement activities in each complexity quadrant;
 - processes to ensure people are allocated to manage each contract for which they are responsible or accountable;
 - a description of how performance measures (i.e. key performance indicators) will be established and monitored for contracts in each complexity quadrant;
 - processes for identifying and managing risks in contracts, including any contingency planning; and
 - processes to ensure any potential additional value is achieved through continuous improvement.

Contract management at the individual procurement level

- 3.1.6 At the individual procurement activity level, contract management is the management of contracts made with the supplier(s) to ensure that goods and services are delivered as agreed over the life of the contract and that value for money is achieved.
- 3.1.7 Contract management as a function can extend beyond the current term of the contract, where there are ongoing obligations associated with the contract, e.g. confidentiality, liability, guarantees, warranties or maintenance agreements.
- 3.1.8 Consideration of contract management issues is relevant across the elements of market analysis and review, and market approach. At the market approach stage of sourcing, it can inform prospective suppliers about the organisation's intended legal arrangement in delivering the procurement requirement, including any performance standards and review mechanisms.

- 3.1.9 Health services should manage their contracts in a manner that is appropriate for the complexity and risk of the procurement activity.
- 3.1.10 A health service, to support its processes, may develop:
- a) a CMS for categories that represent a significant proportion of the health services spend;
 - b) a Contract Management Plan (CMP) for each individual procurement activity that is critical and/or high risk.
- 3.1.11 The AO of the health services should be satisfied that:
- a) contracts are managed on behalf of the health service by people with sufficient accountability and responsibility; and
 - b) contracts clearly define the deliverables, performance standards and review mechanisms required from the supplier.
- 3.1.12 The health service ought:
- a) keep an appropriate record of contracts on a contract register;
 - b) monitor contracts to ensure that key events are managed effectively, including:
 - i. the contract expiry date, by initiating any necessary procurement action well in advance of expiry;
 - ii. that timely decisions are made with regard to any contract options available; and
 - iii. the expiry date of insurance or other relevant certificates and that new certificates are obtained prior to expiry; and
 - c) support CMPs to be implemented and monitored effectively.

3.2 Minimum clauses within contracts

- 3.2.1 The following clauses⁴ (which may change from time to time) have been developed to assist health services:
- a) **Transition clause:**
[Health services transition contract clause](#)
 - b) **Confidentiality clause:**
[Health services confidentiality contract clause](#)
 - c) **Supplier code of conduct:**
[Health services supplier code of conduct clause](#)
- 3.2.2 Include other clauses⁵ as directed by Victorian State Government Departments or Agencies within health services contracts.

⁴ These clauses are compulsory but certain legal departments may want to add other information for clarity.

⁵ For example, *Fair Jobs Code* which comes into effect 1 December 2022.

3.3 Health services establish and implement processes and mechanisms for disposal of assets to support a whole of life cycle procurement approach that is in line with the Department of Treasury and Finance Asset Management Accountability Framework.

- 3.3.1 A health service AO ought to assign responsibility, accountability and reporting requirements to establish and maintain asset management to optimise value for money, minimise risk and sustain maximum service provision.
- 3.3.2 Disposal of assets may be considered when the asset is identified as being:
- a) obsolete due to changed procedures, functions or usage patterns;
 - b) no longer complying with clinical or occupational health and safety standards;
 - c) reaching its optimum selling time to maximise returns;
 - d) beyond repair; and
 - e) surplus to requirements.
- 3.3.3 Disposal of assets can present the health service with opportunities to optimise the use of an asset, including:
- a) extending the life of an asset by transferring it to another business unit or organisation;
 - b) recovering material for recycling prior to sending the asset to landfill; and/or
 - c) transferring assets to not-for-profit organisations.
- 3.3.4 The disposal of assets is a key consideration in the forward planning of any procurement activity. Assets of (or belonging to, or in the care, custody, or control of) a health service are to be disposed of in a way that takes into account probity, security, sustainability and transparency, as well as environmental and social factors. A health service may develop and apply an asset disposal process that details:
- a) parties/business unit responsible for managing the process;
 - b) reasons for disposal;
 - c) disposal options appropriate to the nature of the asset and broader government objectives;
 - d) management of issues of risk, liability, safety and security;
 - e) the process for keeping the health service's assets register up to date; and
 - f) issues of risk, liability, safety and security associated with the use of an asset by other parties when transferring an asset to another location or entity.
- 3.3.5 The method of disposal will depend on whether the asset can be:
- a) modified to extend the life of the asset;
 - b) transferred to another party;
 - c) recycled;
 - d) traded-in; and/or
 - e) disposed of by way of public auction or public tender.
- 3.3.6 Disposal of assets ought to be in accordance with the principle of probity, taking into consideration the cost of disposal to achieve the best value outcome.
- 3.3.7 Health services are reminded to refer to the Department of Treasury and Finance's Asset Management and Accountability Framework for guidance and compliance regarding assets.

Part 4: Definitions

Terminology	Definition
Accountable Officer (AO)	Means Chief Executive Officer (by whatever name called) of a health service.
Actual conflict of interest	There is a real conflict between an employee's public duties and private interests. (<i>Victorian Public Sector Commission</i>)
Asset	An item or thing that has potential value to an organisation, and for which the organisation has a responsibility. Asset does not include financial assets. Please refer to the Department of Treasury and Finance's Asset Management Accountability Framework regarding asset management.
Categories	Categories are groupings of similar goods or services with common supply and demand drivers and suppliers. For example, a blood collection tube would be in the pathology consumables procurement category. A category can be defined at any level above a single procurement. Categories will vary according to the size and type of organisation and the supply market.
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.
Collective Purchasing	Collective Purchasing, also referred to 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 by HSV on behalf of health services.
Conflict of interest	Conflicts may be actual, potential or perceived. (<i>Victorian Public Sector Commission</i>)
Complaint	A complaint is an issue or concern expressed by a supplier in relation to the process and probity applied by a health service when conducting a procurement activity.
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.
Contract Management Strategy (CMS)	Identifies how individual contracts in a procurement category could be managed. It positions contract management issues at the beginning of the procurement planning cycle and allows for the effective allocation of resources.

Terminology	Definition
Emergency procurement	<p>An emergency in Victoria is defined by the <i>Emergency Management Act 2013 (Vic)</i> (the Act). In summary, an emergency is the actual or imminent occurrence of an event that in any way:</p> <ul style="list-style-type: none"> • endangers or threatens to endanger the safety or health of any person; • destroys or damages, or threatens to destroy or damage, any property; or • endangers or threatens to endanger the environment. <p>The definition in the Act includes a disruption to essential services (for example transport, fuel, power, water, sewerage). The Emergency Procurement Policy may also be applied to an event that significantly disrupts or threatens provision of an organisation's key services.</p>
Eligible health services	As outlined in Part 6 in the <i>Health Services Act 1988 (Vic)</i> .
Health service	Public hospitals and health services outlined in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> .
On-selling	On-selling occurs if an entity purchases goods or services under a HSV 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, possibly under the terms of another agreement e.g., provision of clinical or non-clinical services, tenancy, public private partnership (PPP) etc.
Participating health service	Health services listed in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> and approved eligible health services accessing HSV collective agreements.
Perceived conflict of interest	<p>The public or a third party could form the view that an employee's private interests could improperly influence their decisions or actions, now or in the future.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Potential conflict of interest	<p>An employee has private interests that could conflict with their public duties. This refers to circumstances where it is foreseeable that a conflict may arise in future and steps should be taken now to mitigate that future risk.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Procurement Activity Plan (PAP)	A procurement activity plan is a list of all procurement activities that the health service anticipates taking to market over a period (ideally 12-18 months). What constitutes a procurement activity will depend on each health service and their internal process for determining those sourcing activities that require a market approach. This will usually be based on value depending on the organisation's spend profile.
Procurement Strategy	<p>A Procurement Strategy contains the following elements:</p> <ul style="list-style-type: none"> • Procurement Activity Plan: a detailed list of procurement activities anticipated to be taken to market in the next 12-18 months.

Terminology	Definition
	<ul style="list-style-type: none"> • Capability Development Plan: steps to improve the capability to undertake procurement needs. • Contract Management Plan: a framework based on the health service spend profile which assists in how procurement categories and individual procurement will be managed at the contractual stage. • Supplier Engagement Plan: processes, systems, and communication strategies to maintain good relationships with suppliers (existing and prospective). <p>Note: The Procurement Strategy may consist of the above elements but may or may not be called the Procurement Strategy.</p>
SEPC	Sole Entity Purchase Contracts
SPC	State Purchase Contracts
Supply chain	Supply chain management encompasses the planning and management of all activities involved in the sourcing and procurement, conversion and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers. In essence, supply chain management integrates supply and demand management within and across entities.
Value for money	Involves a balanced judgment of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues and price.
VGPB	Victorian Government Procurement Board



HSV Purchasing Policy 5

Collective Purchasing and Supply Chain

Understanding the requirements for collective purchasing and supply chain including the obligations under such arrangements

1 January 2023

Version 1
OFFICIAL



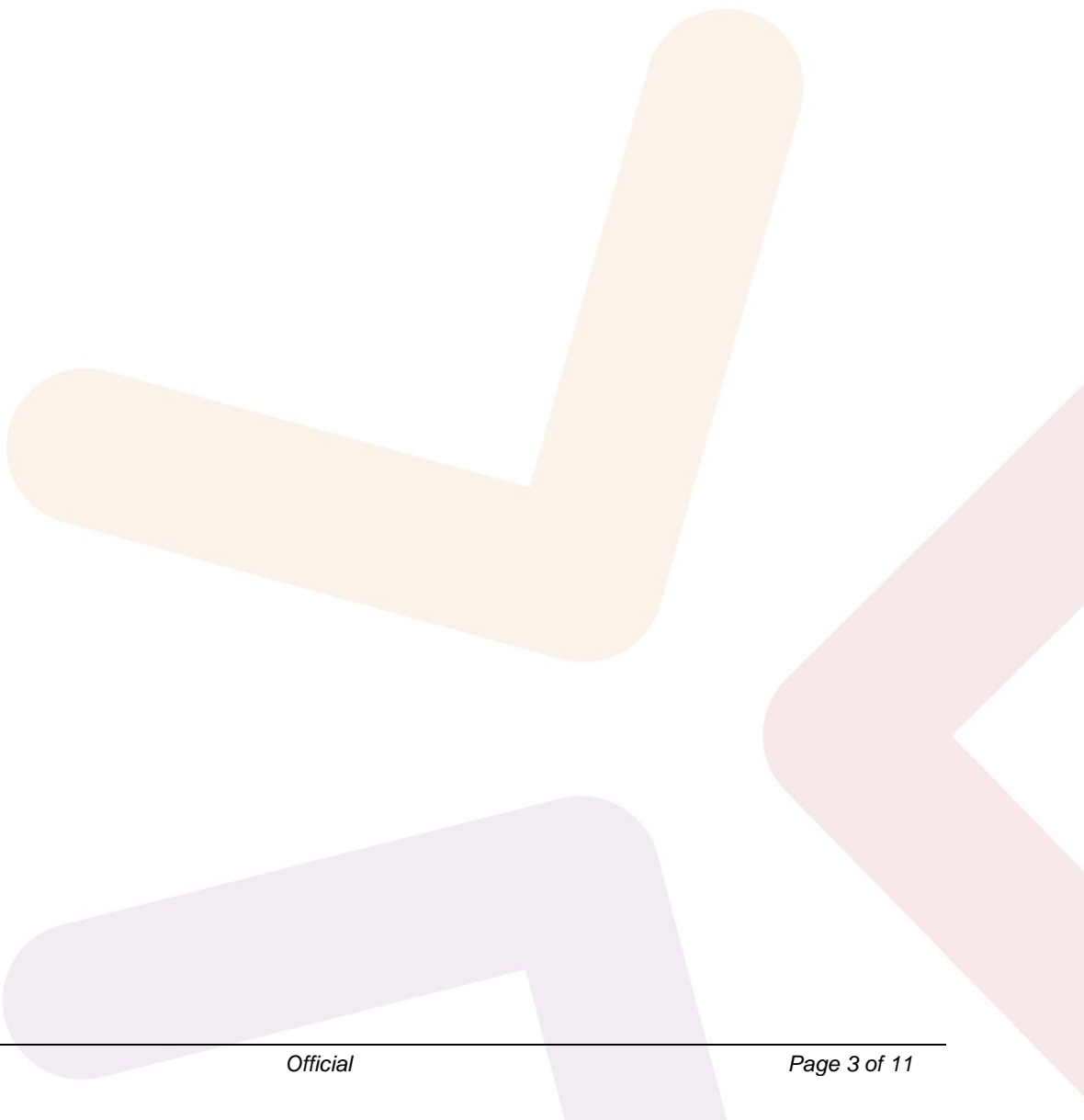
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Disclaimer

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.

Contents

Part 1: Introduction	4
Part 2: Collective purchasing and supply chain principle and requirements	4
Part 3: Collective purchasing and supply chain supplementary material	6
Part 4: Definitions	9



Part 1: Introduction

1.1 Authority of policies

- 1.1.1 Under section 134(1) of the *Health Services Act 1988 (Vic)*, HealthShare Victoria (HSV)¹ is responsible for the establishment of purchasing policies relating to the supply of goods and services to health services and the management and disposal of goods by health services.
- 1.1.2 Health services listed in Schedule 1 and 5 of the *Health Services Act 1988 (Vic)* are responsible under section 134(3) of the *Health Services Act 1988 (Vic)* for complying with each purchasing policy.

1.2 Obligation

- 1.2.1 This policy outlines the mandatory Principle/s and Requirements for all Schedule 1 and 5 health services listed in the *Health Services Act 1988 (Vic)*.
- 1.2.2 [Part 3](#) is provided to assist with meeting the compliance obligations and the type/s of evidence a health service may provide to an auditor. Part 3 materials are not assessable in the audit.

Part 2: Collective purchasing and supply chain principle and requirements

2.1 Collective purchasing and supply chain principle:

Comply with HSV's collective agreements, supply chain² conditions/specifications or approved Victorian Government SPC / SEPC to gain value for money through aggregated demand.

2.2 Collective purchasing and supply chain associated requirements:

- a) Health services within Schedule 1 and 5 of the *Health Services Act 1988 (Vic)* must only purchase from a HSV collective agreement, arrangement, or supply chain, any good or service that has been sourced by HSV.
- b) Compliance with HSV collective agreements, supply chain conditions/specifications, and HSV approved SPC and SEPC opportunities³, including reporting.
- c) Health services are to be actively responsible and accountable for the establishment of internal processes and ongoing requirements of compliance with HSV collective agreements. [Part 3: 3.2.](#)
- d) Health services are to assist⁴ HSV in:
- i. identifying potential aggregation opportunities, including:

¹ HealthShare Victoria is the assumed trading name for Health Purchasing Victoria that remains as an independent public entity incorporated under the *Health Services Act 1988 (Vic)*.

² See [Part 4: Definitions](#)

³ For HSV approved SPC and SEPC please see Schedule to HSV Purchasing Policy 5. Collective Purchasing and Supply Chain – HSV Mandated SPC and SEPC contracts.

⁴ Assisting HSV will be dependant on the Health Service complexity, capability, and capacity.

2.2 Collective purchasing and supply chain associated requirements:

- informing HSV if any spend analysis or complexity assessment indicates grounds for aggregating demand or benefits from HSV involvement; and
- working with HSV to collect procurement data to assist in the identification process and to develop the HSV sourcing program.
- ii. providing input into the development of business cases as requested;
- iii. nominating participants in consultative and advisory groups, where appropriate, including executive, product or service reference groups or other advisory groups that will contribute toward:
 - development of specifications;
 - evaluation of bid responses and/or other negotiations with suppliers;
 - development of contract key performance indicators (KPIs) and a contract management plan;
 - an understanding of health service's resourcing, clinical and operational requirements to enable a successful transition to any HSV collective agreement;
 - ongoing management of the category to optimise contract utilisation and review supplier performance;
 - acting as HSV's agent in conducting sourcing activities where mutually agreed upon; and
 - establishing appropriate processes to ensure the security of all confidential and commercially sensitive information, in particular, supplier information.

e) Refrain from engaging in practices that may subvert HSV's function⁵.

f) Seek approval from HSV to on-sell, and report any on-selling⁶ approved arrangements to HSV annually.

g) Apply for an exemption from HSV collective agreements, supply chain arrangements, and HSV approved SPC and SEPC only in specific circumstances.

⁵ Section 131 of the *Health Services Act 1988 (Vic)*

⁶ See [Part 4: Definitions](#)

Part 3: Collective purchasing and supply chain supplementary material

3.1 Compliance with HSV collective agreements, supply chain, or HSV approved SPC/SEPC opportunities, including reporting of periodic purchasing

- 3.1.1 Health services are to have evidence to support their adherence to results of sourcing outcomes, which HSV (or its appointed agent) institutes by this policy, and the terms and conditions of any resulting agreements entered by HSV (or its appointed agent) and supply chain.
- 3.1.2 Health services are only to purchase from an HSV collective agreement or supply chain any goods or services HSV has sourced, and all corresponding evidence will demonstrate this compliance.
- 3.1.3 Where HSV has reviewed the terms of an SPC or SEPC and considered the arrangement good value and by the existence of the SPC or SEPC, decided not to enter into an agreement in its own right on behalf of health services, a health service will evidence purchase from that SPC or SEPC only.
- 3.1.4 Health services have evidence of compliance with HSV agreements/supply chain and provide periodic purchasing and associated details as requested by HSV, such as:
 - a) purchasing data from items purchased by the health services compared to HSV Supply Chain Inventory list.
- 3.1.5 Health services may require the following evidence to demonstrate compliance against HSV agreements and supply chain:
 - a) a specific agreement applies only to certain health services, and the health service is excluded; or
 - b) evidence of an approved HSV exemption as per clause 2.2 g).

3.2 Health services are to be actively responsible and accountable for the establishment of internal processes and ongoing requirements of compliance with HSV collective agreements

- 3.2.1 Health services are responsible and accountable for:
 - a) the day-to-day purchases under the agreements;
 - b) resolving any local Service Level Agreement (SLA) or local supplier performance issues that arise;
 - c) reporting as required on supplier performance to HSV;
 - d) working proactively with suppliers and HSV to transition within the designated timeframes to new HSV collective agreements;
 - e) communicating their requirements under the agreement directly with suppliers by issuing a purchase order or similar;
 - f) establishing SLAs with supplier(s), where required;
 - g) monitoring the performance of suppliers;
 - h) meeting obligations under the agreements, in particular with respect to payment terms, communication with suppliers and maintaining the security of all confidential and commercially sensitive information as per the terms and conditions of the agreements; and
 - i) immediately notifying HSV of any significant breach of the agreement by a supplier that cannot be resolved successfully directly with the supplier.

3.3 Refrain from practices that may subvert HSV's function

3.3.1 Health services maintain evidence of their processes and procedures which would support that they have refrained from engaging in any practices that may have a subverting effect on HSV functions.

Some options of evidence:

- Approved exemption or gazette to purchase off contract.
- Social Procurement requirements
- Local Jobs First requirements
- Fair Jobs Code requirements

3.4 Reporting any on-selling to HSV

3.4.1 Health services demonstrate reporting annually, or as otherwise requested by HSV, details of all on-selling arrangements that relate to goods or services under a HSV collective agreement and supply chain.

3.4.2 HSV may approve arrangements under 2.2 f) or grant an exemption under 2.2 f) at its absolute discretion and subject to any number of conditions.

3.4.3 Where fees or charges are levied for on-selling goods or services, health services have legal obligations to comply with the Victorian Department of Treasury and Finance's Competitive Neutrality Policy and other applicable legislation or policy.

3.5 Process to apply for an exemption from HSV collective agreements, supply chain, and HSV approved SPC and SEPC, only in specific circumstances

3.5.1 The HSV Board, under its powers established in section 134 of the *Health Services Act 1988 (Vic)*, (the Act) may exercise its absolute discretion at any time to grant an exemption to a participating health service from any of the provisions of this policy, where it is reasonably established that a special circumstance exists to justify the exemption, with or without condition. HSV will, in exercising its discretion to grant exemptions, have regard to the factors referred to in section 133 of the Act.

3.5.2 Specifically, health services may request, and HSV may grant, an exemption from purchasing from a HSV collective agreement in the following circumstances:

- a) where a health service has a current contract in force in respect to the supply of particular goods and/or services at the time notification occurs that those goods and/or services are part of a PAP; or
- b) on clinical grounds; e.g. to ensure that patients of the health service will receive clinically appropriate treatment or care; or
- c) for operational reasons; e.g. to ensure the effective administration of the health service; or
- d) where there is a significant negative impact on the viability of small or medium sized businesses, or local employment growth or retention.

3.5.3 All requests for exemption are to be submitted by the Accountable Officer (AO) of the health service to HSV in accordance with the "Guide to Exemptions from HSV Collective Agreements".

3.5.4 When applying for an exemption the application is to be accompanied by:

- a) a statement of the reasons, including reasonable evidence of any arrangement the mandated health service has in place that may impact the relevant HSV collective agreement, or otherwise any reasons effectively preventing it at law from complying.

- b) any supporting documentation or other material which HSV believes is required to assist the making of a decision.

3.5.5 HSV is to record all requests for exemption and notify the HSV Board in accordance with the agreed delegations of authority for exemption decisions.

3.6 HSV's confirmed annual sourcing program

3.6.1 As part of its procurement activity plan, HSV will, in consultation with stakeholders, develop a schedule of prospective sourcing requirements covering a minimum of twelve months, which will include both 'greenfield' categories and currently contracted categories due for renewal, with the intention to supplant (and perhaps expand upon) existing collective agreements.

3.6.2 HSV will publish a schedule of procurement activities derived from the prospective sourcing program, to be known as the 'Procurement Activity Plan (PAP)', at least annually for the coming two (2) years, but more often as may be desirable or necessary to meet the needs of both stakeholders and the market.

3.6.3 Before publication, the PAP may be amended by HSV to:

- a) add categories, including any which may be required by the government to fulfil a particular need, but which are not subject to consultation or notice as above;
- b) defer previously scheduled categories to a subsequent year; and
- c) to remove a category from the PAP.

3.6.4 At the date of publication of the PAP, health services may only enter into a new contract, or renew any current contract, with suppliers for categories of goods or services which are not subject of the PAP, where there is a contractual capacity to terminate any such contract forthwith when a relevant HSV collective agreement for the same deliverables is entered into. This obligation is removed for any category of goods or services removed from the PAP.

3.7 HSV's collective agreements responsibilities

3.7.1 HSV is responsible for:

- a) establishing HSV collective agreements;
- b) any formal variation of the HSV collective agreements; and
- c) managing supplier performance, including resolution of any formal disputes and breaches of contract.

3.7.2 HSV will:

- a) ensure adequate advance notification to participating health services of the details, including agreement price schedules and key contract terms, for:
 - i. newly established collective agreements;
 - ii. agreement renewals, including any options to extend agreements exercised; and
 - iii. any other variations to agreements, including price variations
- b) provide sufficient time for participating health services to transition to any new agreement;
- c) assist participating health services in identifying best value options in HSV agreements;
- d) maintain a database of sales activity under HSV agreements, as reported by suppliers and/or health services and regularly share this information with participating health services;
- e) where agreed with participating health services, maintain contract performance data reported by suppliers and/or health services;
- f) communicate any changes to the rules of use or contract management terms; and
- g) take the necessary action in the case of a substantial breach of contract by any supplier that cannot be resolved by a participating health service.

Part 4: Definitions

Terminology	Definition
Accountable Officer (AO)	Means Chief Executive Officer (by whatever name called) of a health service.
Actual conflict of interest	There is a real conflict between an employee's public duties and private interests. (<i>Victorian Public Sector Commission</i>)
Asset	An item or thing that has potential value to an organisation, and for which the organisation has a responsibility. Asset does not include financial assets. Please refer to the Department of Treasury and Finance's Asset Management Accountability Framework regarding asset management.
Categories	Categories are groupings of similar goods or services with common supply and demand drivers and suppliers. For example, a blood collection tube would be in the pathology consumables procurement category. A category can be defined at any level above a single procurement. Categories will vary according to the size and type of organisation and the supply market.
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.
Collective Purchasing	Collective Purchasing, also referred to 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 by HSV on behalf of health services.
Conflict of interest	Conflicts may be actual, potential or perceived. (<i>Victorian Public Sector Commission</i>)
Complaint	A complaint is an issue or concern expressed by a supplier in relation to the process and probity applied by a health service when conducting a procurement activity.
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.
Contract Management Strategy (CMS)	Identifies how individual contracts in a procurement category could be managed. It positions contract management issues at the beginning of the procurement planning cycle and allows for the effective allocation of resources.

Terminology	Definition
Emergency procurement	<p>An emergency in Victoria is defined by the <i>Emergency Management Act 2013 (Vic)</i> (the Act). In summary, an emergency is the actual or imminent occurrence of an event that in any way:</p> <ul style="list-style-type: none"> • endangers or threatens to endanger the safety or health of any person; • destroys or damages, or threatens to destroy or damage, any property; or • endangers or threatens to endanger the environment. <p>The definition in the Act includes a disruption to essential services (for example transport, fuel, power, water, sewerage). The Emergency Procurement Policy may also be applied to an event that significantly disrupts or threatens provision of an organisation's key services.</p>
Eligible health services	As outlined in Part 6 in the <i>Health Services Act 1988 (Vic)</i> .
Health service	Public hospitals and health services outlined in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> .
On-selling	On-selling occurs if an entity purchases goods or services under a HSV 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, possibly under the terms of another agreement e.g., provision of clinical or non-clinical services, tenancy, public private partnership (PPP) etc.
Participating health service	Health services listed in Schedule 1 and 5 in the <i>Health Services Act 1988 (Vic)</i> and approved eligible health services accessing HSV collective agreements.
Perceived conflict of interest	<p>The public or a third party could form the view that an employee's private interests could improperly influence their decisions or actions, now or in the future.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Potential conflict of interest	<p>An employee has private interests that could conflict with their public duties. This refers to circumstances where it is foreseeable that a conflict may arise in future and steps should be taken now to mitigate that future risk.</p> <p>(<i>Victorian Public Sector Commission</i>)</p>
Procurement Activity Plan (PAP)	A procurement activity plan is a list of all procurement activities that the health service anticipates taking to market over a period (ideally 12-18 months). What constitutes a procurement activity will depend on each health service and their internal process for determining those sourcing activities that require a market approach. This will usually be based on value depending on the organisation's spend profile.
Procurement Strategy	<p>A Procurement Strategy contains the following elements:</p> <ul style="list-style-type: none"> • Procurement Activity Plan: a detailed list of procurement activities anticipated to be taken to market in the next 12-18 months.

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