



HSV Purchasing Policy 1

Governance

Establishing a governance framework for procurement

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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.

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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.
 - vii. submit in the form provided, all secondary procurement activities that have been notified to HSV by the health service.
- 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:
- hold a qualification in procurement or hold qualifications with a definable procurement component; and/or
 - 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:
- providing expert advice and guidance on matters related to the governance framework;
 - overseeing the lifecycle of the governance framework;
 - ensuring that the complaints management process is equitable;
 - 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;
 - assessing the procurement capability of the health service on an annual basis;
 - managing the preparation of a capability development plan;
 - identifying major procurement categories;
 - reviewing performance and capability at regular intervals; and
 - 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
- The Procurement Governance Framework: - 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).	- The Procurement Governance Framework: - 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).

3.2.2 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
Implementation of a procurement complaints management policy. - 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.	Implementation of a procurement complaints management policy. - 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 working days of the receipt of a complaint outcome from a health service. Please send to:
- Chief Executive
HealthShare Victoria
Level 11, 50 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:
- a) evidence that the health service did not correctly apply HSV PPs in relation to a procurement activity;
 - b) evidence that the health service's complaints management procedures were not applied correctly;
 - c) a copy of all relevant correspondence between the complainant and the health service in relation to the nature of the complaint; and
 - d) any additional material requested by HSV to assist it in its findings.
- 3.6.4 HSV:
- a) will inform the health service and complainant of its findings and any further action it intends to take in relation to the matter;
 - b) can require the AO to audit its application of Procurement Policies in relation to the procurement activity;
 - c) can inform the Minister of its review of a complaint and advise the Minister of further action that could be taken; and
 - d) 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	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: • 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. 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.
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 a mandated health service purchases goods or services under a HSV collective agreement and then re-supplies the products to another entity. This includes the provision or sale of products or services to a separate entity (for example, another health or related service or non-health entity) through the provision of warehousing and logistics services or otherwise, including where products or services are provided at no cost. This could be under the terms of another agreement, for example, provision of clinical or non-clinical services, tenancy or public private partnership (PPP). For clarity, where a public hospital supplies products or services purchased under HSV Collective Agreements to their wholly owned entities, this is not considered to be on-selling for the purpose of the HSV Purchasing Policies.
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	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. (Victorian Public Sector Commission)
Potential conflict of interest	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. (Victorian Public Sector Commission)
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
	- 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). Note: The Procurement Strategy may consist of the above elements but may or may not be called the Procurement Strategy.
Secondary procurement	Secondary procurement refers to any activity which would result in one or more health services obtaining further or additional value in connection with goods or services purchased under a HSV Collective Agreement. Value includes any advantage, benefit or incentive, including but not limited to: - reductions in HSV-contracted pricing (including by way of discounts, credits, rebates, additional stock); - additional equipment whether provided on loan or transferred in ownership — contingent on the purchase of an agreed volume of goods or services under a HSV Collective Agreement; and - training or education, including conference travel and hospitality.
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