

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

1.0 OBJECTIVES AND SCOPE

1.1 In June 2014 Health Purchasing Victoria introduced a new procurement policy framework, reforming the way in which the procurement process is conducted in the Victorian Public health sector. This policy framework supports a more strategic and efficient approach to procurement.

The purpose of this document is to detail MDH's plan for the short and medium terms to ensure:

- the delivery of best value for the contract management function
- that it aligns to MDH's aims and objectives
- that it conforms to the new policy framework

MDH's Contract Management Policy (CMP) must also be read in conjunction with the *MDH Procurement Policy* and the *MDH Guide to Contract Management*, as well as MDH's own policies and guidelines on Conflict of Interest; Gift, Bribes and Benefits and Complaints Management. All the relevant documents can be found on the MDH PROMPT system.

The strategy sets out:

- the scope of the plan and its strategic context
- the contract management aims and objectives
- the principles that underpin MDH's contract management activity
- the use of category segmentation to match procurement complexity to the contract management activity
- the plan ahead for the short term and the medium term

1.2 Scope

The MDH CMP considered five critical questions in the contract management planning context. These include:

- What are the minimum actions that MDH needs to take to ensure that appropriate capability exists to undertake contract management?
- What are the minimum controls needed to determine if supply is at risk and what back up arrangements might be required to ensure the continuity of the service(s)?
- What are the systems and processes that MDH needs to monitor value for money?
- What are our supplier engagement obligations and commitments?
- What method of performance review will be established to ensure a consistent framework for conducting contracts and the broader procurement?

MDH has developed a forward plan to manage the achievement of both short and medium term contract performance. The strategy covers five components within its structure that focuses on:

- People
- Policy strategy and communications
- Contract management systems and processes
- Engaging suppliers
- Performance management and evaluation

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

The strategy compliments the more practical MDH *Guide to Contract Management* that has been developed to assist MDH manage contracts better and contain useful plans, checklists and templates.

1.3 The strategic context

Contract Management has a primary focus in the context of MDH's overall procurement priorities

This CMP forms part of MDH's procurement policy. The procurement policy includes information on MDH's procurement profile and governance structure and its contribution to a shared vision with other Hume Region health services that also adds to the context for more effective contract management and broader procurement management.

1.4 Legislative environment

The framework of legislation that MDH must comply with in delivering its CMS is the *Health Services Act 1988 (the Act)*. MDH also needs to ensure compliance with the Health Purchasing Victoria (HPV) Health Procurement Policies.

1.5 Commissioning

In developing the contract strategy, MDH will consider the following issues, in relation to the procurement:

- nature, scale and significance of the requirement to MDH
- value of the requirement
- type of specification - input or output
- complexity of the requirement
- attractiveness to the market and market capacity
- timescale and phasing, including the product/service lifecycle
- level of understanding of the requirement by stakeholders and potential suppliers

MDH will use category segmentation to assist in guiding the CMP, the nature of any negotiations required and the form of supplier relationship following the award of the contract. For each procurement category, MDH will undertake a complexity assessment at the commencement of the planning phase to match procurement complexity to the contract management activity. The recommended contract management approach related to each complexity quadrant is shown in *Appendix 1*. This is a guide only and may need to be tailored to the requirements of individual categories and the needs of stakeholders. For further details in regard to complexity assessment refer to the *MDH Procurement Process Matrix*.

MDH's Executive and Management Team and other staff and health service stakeholders involved in contract management will play a vital role in this new approach ensuring that lessons learned from sourcing and contracting will be fed back into the commissioning cycle.

2.0 RESPONSIBLE AUTHORITY

2.1 All staff at Mansfield District Hospital who have a responsibility in contract management.

2.2

Roles & Responsibilities	
Organisational Role	Responsibility

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

Board of Management	<ul style="list-style-type: none"> Provide oversight of compliance with external stakeholder requirements such as the Department of Health and State and Commonwealth Government
Finance Committee	<ul style="list-style-type: none"> Maintain awareness of policies relating to contract management and monitor the awarding of contracts in line with MDH policies.
Chief Executive Officer	<ul style="list-style-type: none"> Assign responsibility, accountability and reporting requirements for contract management.
Executive Team	<ul style="list-style-type: none"> Determine and monitor contracts as per contract management policy
Head of Departments	<ul style="list-style-type: none"> Manage contracts as per contract management policy and plan.
Finance Staff	<ul style="list-style-type: none"> Ensure contracts meet contract management policy and plan.
Contractors / Suppliers	<ul style="list-style-type: none"> Are compliant with the contract as per contract management policy

3.0 PROCEDURE

3.1 The objectives of this policy are to:

- **establish a clear strategic direction for contract management that aligns to the MDH Strategic Plan and the MDH Procurement Policy, which includes a list of the procurement objectives for the organisation aligned to the strategic goals**
- deliver robust principles that underpins a common, corporate process of strategic sourcing and contract management (including supplier relationship management outlined in the *MDH Supplier Engagement Plan*)
- ensure the value created in the sourcing process is delivered in the implementation of contracts through continuous review and improvement
- align resources devoted to contract management with the risk, complexity and potential value to be realised in each category
- reap the benefits of collaboration with and between suppliers and health services
- increase the proportion of MDH spend against contracted and approved suppliers (i.e. reduce non-contracted suppliers)
- ensure that current legislation and best practice is applied to MDH's management of contracts, in particular concerning probity
- periodically review MDH's approach to contract management, i.e. monitor and review the CMP to identify opportunities to ensure that the impact of socio-economic and environmental sustainability is considered in MDH's contract management approach, and that all we do supports the delivery of the MDH vision

3.2 Key principles of the contract management strategy

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

A number of key principles have been established to support the delivery of MDH's core values and objectives through the CMP. These are:

- Contract management at MDH is undertaken in a professional manner to ensure the highest standards of probity, transparency, accountability and fairness
- Each contract is effectively managed to achieve the completion of service delivery on time, within budget and in accordance with the specification
- Encourage competition for suppliers to help develop a varied and competitive market place
- Agree contracts for appropriate periods of time to ensure value for money, stability and return for providers and to promote healthy competition
- Ensure flexibility within contracts so that every contract and particularly those that run for a number of years, is able to provide for continuous improvement throughout the contract period
- Work with local suppliers to maximise benefits to the local economy and sustainability where possible
- Achieve compliance and efficiencies in all contract management processes
- Align MDH's contract management processes, where possible, to best practice methods, including HPV's guidelines on complexity, risk and market approach
- Reduce transaction costs as appropriate e.g. through collaboration to find solutions
- Encourage suppliers to adopt environmentally friendly and sustainable processes and supply environmentally friendly and sustainable goods and services
- Actively manage supplier performance through the whole of life contract approach, using those measures agreed in the contract, except where varied by agreement
- Ensure that contract management input is directly proportionate to the complexity value and risks associated with the contract
- Continually explore opportunities for revenue protection and income generation

3.3 **Structure of the contract management strategy**

In developing the CMS, consideration has been given in the structure to planning for the short term (6 to 12 months) and medium term (12 to 24 months) needs of MDH. The five components of the structure are detailed below.

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

3.4 People

MDH will develop the necessary skills and knowledge for selected MDH staff to deliver robust contract management and ensure the benefits of its sourcing activity is realised in the delivery of the subsequent contract.

Timeframe	Activity
Short term	<ul style="list-style-type: none"> • Ensure relevant staff, suppliers, partners and stakeholders are aware of the MDH CMP (as part of the broader <i>MDH Procurement Policy</i>) and understand how it relates to them • Develop a training/awareness program, for all those with contract management responsibilities, on the requirements for effective contract management and how to develop effective contract management strategies and plans for procurements. This is addressed in the <i>MDH Procurement Policy</i> • Capture learnings and share with key stakeholders to develop a culture of continuous improvement and knowledge management
Medium term	<ul style="list-style-type: none"> • Actively promote key messages to all staff, suppliers and stakeholders of their individual accountability for compliance and probity within the CMP • Further develop the skills and knowledge of MDH staff with contract management responsibilities through training, specialisation, coaching and other support mechanisms to ensure more effective and efficient contract management in the implementation of the <i>MDH Procurement Policy</i>

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

3.5 Policy, strategy and communications

In developing the category management model for its procurement process, MDH has developed a CMP to ensure the benefits from its sourcing activities are realised throughout the procurement lifecycle, including the contract management phase.

Timeframe	Activity
Short term	<ul style="list-style-type: none"> MDH will employ a CMP that aligns the resources and contract management approach for individual categories to the risk and complexity of the procurement, utilising the complexity assessment and risk analysis tools The Procurement Process Model provides for increased focus on analysis and development of the contract management plan as part of the sourcing strategy, with a view to ensuring better understanding of the contract requirements by both parties. It also provides for identification of opportunities for continuous improvement through the contract management phase A detailed guideline on contract management (see <i>MDH Guide to Contract Management</i>) has been developed for MDH. As the <i>MDH Procurement Policy</i> is implemented additional processes and tools will be tested and improved, and detailed procedures developed Share best practice, lessons learnt, current issues etc. with stakeholders
Medium term	<ul style="list-style-type: none"> Ensure compliance and probity is embedded in all contract management activities Develop guidelines for reducing sustainability impacts, focusing on high value/high risk/high opportunity areas Further develop relationships with other regional health services and other public sector organisations and partners to share key learnings about effective contract management and best practice

3.6 Contract management systems and processes

MDH has reviewed the contract management processes in line with the Procurement Process Model. The *MDH Guide to Contract Management* details the processes to ensure that MDH Procurement Team, other MDH staff involved in contract management and key stakeholders understand and implement best practice for managing contracts.

Timeframe	Activity
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Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

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| Short term | <ul style="list-style-type: none"> • Ensure contract management planning is implemented as part of the procurement planning process and incorporated into the development of the sourcing strategy • Develop and embed the whole-of-life costing approach to contract management at MDH • Introduce contract management plans and develop a range of agreement templates, aligned to the complexity of the procurement • Promote robust, fair and transparent procedures for all contract management activities and supplier performance management appropriate to the category |
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| Medium term | <ul style="list-style-type: none"> • Develop contract management strategies to encourage collaboration with suppliers to optimise the delivery of goods and services under contract with additional, non-price benefits to MDH • Undertake regular analysis of contract activity and spend to identify opportunities for improved contract management to maximise value delivered and identify and address risks and non-compliance • Continually improve documentation, guidelines, templates and communication, taking account of legal and best practice developments • Procure and implement a Strategic Sourcing System to enhance the efficiency and effectiveness of MDHs contract management practice in: <ul style="list-style-type: none"> ○ enhancing relationships with suppliers ○ improving the development of agreement documents ○ storage and management of legal documents and certificates, such as contracts, insurance certificates and other agreements ○ streamline routine contract management and administrative tasks |
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3.7

Engaging suppliers

MDH's plan for engaging with current and potential future suppliers is detailed in the MDH Supplier Engagement Plan, a separate component of the *MDH Procurement Policy*.

Timeframe	Activity
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Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

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| Short term | <ul style="list-style-type: none"> • Improve access to procurement opportunities for suppliers by: <ul style="list-style-type: none"> ○ simplifying the contract management process where possible to match the value, risk and complexity of the procurement ○ ensuring compliance and probity requirements are addressed in all contracts ○ establish an Issues Register to capture issues raised by suppliers and stakeholders and report annually |
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| Medium term | <ul style="list-style-type: none"> • Maintain fair and open access to contract opportunities for all suppliers especially to identify engagement with suppliers across multiple contracts (Refer to the MDH Supplier Engagement Plan) • Target key suppliers and partners to seek their views on MDH's CMP to help inform its future development • Develop demand trends that capture data for supply to be used for future analysis |
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3.8 Stakeholder engagement

MDH's plan for engaging with stakeholders will provide benefit through increased engagement and provision of timely responses to contract queries. It will also benefit stakeholders if there is a process of improved reporting on sourcing activities to key contacts at MDH.

Timeframe	Activity
Short term	<ul style="list-style-type: none"> • Implementation of Contract Management plans for all new and re-sourced categories defining the level of stakeholder engagement • Increased engagement with other Hume Region Health Services to: <ul style="list-style-type: none"> ○ assist in identifying opportunities for coordinated procurement ○ identify the key contacts in health services for individual categories ○ ensure adequate consultation with other Hume Region Health Services to identify contract management requirements in planning, and ensure contracts are meeting these in the implementation stages

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

- Medium term
- Improve contract reporting to stakeholders through:
 - regular reporting of contract activity for MDH and for individual departments for selected categories
 - Improve contract management utilising the Strategic Sourcing System to:
 - capture and report contract performance against contract key performance indicators (KPIs)
 - capture non-compliance reports from departments for immediate response through the Issues Register
 - improve accuracy of supplier data and provide selective access to departments

3.9 **Performance management and evaluation**

Performance against this policy will be monitored to ensure that:

- contract management activities deliver value for money by measuring the benefits realised through improved contract management
- MDH contracts and agreements meet probity requirements, align with HPV policies and are compliant with relevant legislation
- MDH contracts and agreements meet the needs of our stakeholders

MDH will review this policy at least annually to ensure that the CMP meets the current and future needs of MDH and its stakeholders.

3.10 **Strategy implementation**

Implementation of this strategy is the responsibility of all MDH staff involved in procurement activities and the Executive Team for procurement on behalf of MDH as well as, in particular, the Chief Executive Officer (CEO) for procurement on behalf of MDH.

Implementation of the CMP will be undertaken in line with the *MDH Transition Plan to the new Health Procurement Policy* framework. For details refer the draft *MDH Transition Plan* accompanying the *MDH Procurement Policy*.

4.0 **RECORDS**

4.1 The Contract Management Policy will be made available to each employee of Mansfield District Hospital.

The Contract Management Policy will be available as follows:

- In the ISO Quality Manual kept on the PROMPT

4.2

Accreditation Standards	
Standard	Action Description
National Safety & Quality Health Service Standard #1.1	There are integrated systems of governance to actively manage patient safety and quality risks
Australian Aged Care Quality Agency – Accreditation Standards #1.7	Stocks of appropriate goods and equipment for quality service delivery are available

Policy Name	Contract Management Policy	
Policy Reference Number:		
Related Policy (s)	Finance Procurement Asset	
Authority	Chief Executive Officer	
Revision Number & Date	1 st May 2016	Due for Review:

Common Care Standards #1 Effective Management #1.8

The service provider manages physical resources to ensure the safe delivery of care and services to service users and organisational personnel

4.3 **Evidence of Compliance**

- Internal Audit

5.0 **NON CONFORMANCE**

5.1 Should any aspects of this procedure not be implemented as described, for any reason, then the non conformance procedure must be followed.