

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

## **1.0 OBJECTIVES AND SCOPE**

1.1 The purpose of this document is to provide guidance and support to Mansfield District Hospital (MDH) employees, contractors and health services participants for procurement activities including planning, sourcing and contract management, to ensure compliance with internal procurement procedures (aligned to Health Purchasing Policy framework) and the organisation objectives.

The MDH Procurement Policy is aligned with MDH's operational plan and strategic goals and will provide visibility and a tool to manage procurement activities across MDH.

The policy applies to all MDH Business units undertaking procurement activities .The procurement policy framework establishes processes, authorities, responsibilities and relationships within MDH that will assist in managing an efficient and effective procurement function. The framework allows for transparency of MDH actions and aims to ensure probity, equity, integrity and honesty in MDH's procurement activities including all capital and construction works.

1.2 In conducting procurement at MDH, all planning, sourcing and contract management activities will be based on the following principles shown:

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

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

1.3 MDH will benchmark its policy framework against other equivalent health services. MDH policy requirements must be met and will be monitored on a regular basis by MDH's Chief Executive Officer and reported to the MDH Board of Management.

This policy must also be read in conjunction with the MDH procurement strategy, and MDH's own policies and procedures on conflict of interest; gifts bribes and benefits; and complaints management. All the relevant documents can be found on the MDH Intranet under the

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'Policy and Procedures site'.

The Procurement Governance Framework includes high level management responsibilities including that of the MDH Board, MDH Audit and Risk Committee, MDH Finance Committee and the Chief Executive Officer (CEO).

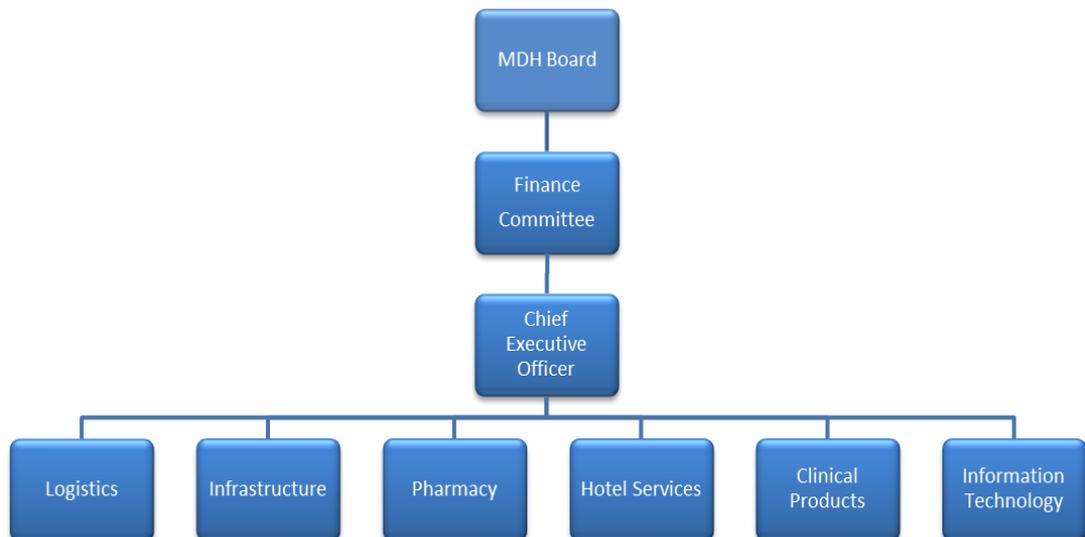
When procuring in partnership with other Hume Region Health Services, the Hume Region Chief Procurement Officer Steering Committee provides additional governance to the procurement process.

**2.0 RESPONSIBLE AUTHORITY**

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

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

All procurement processes are managed centrally by the Finance Committee which provides oversight to all other business units across MDH.



**Figure 1. Procurement Governance Framework**

**2.2 Roles and responsibilities**

The MDH CEO undertakes the role of the Chief Procurement Officer (CPO). The CEO has visibility and oversight of the entire non-salary spend profile of MDH, this includes, but is not

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limited to, consumable supplies including prosthesis and pharmaceuticals, capital equipment, information technology supplies and services, engineering, facilities management and support services, and professional and clinical services.

The CEO must:

- Provide expert advice and guidance to the CEO on matters related to procurement governance framework and any strategic procurement initiatives
- Endorse major procurement categories
- Oversee the development, application and on-going assessment of the governance framework for approval by the CEO, including:
  - i. Assessing the capability of MDH and develop plans to improve capability to ensure it is appropriate for the scope, nature and complexity of the procurement activity
  - ii. Identifying major procurement categories for MDH
  - iii. Reviewing performance in procurement and capability at regular intervals and report annually to the Audit and Risk Committee
- Ensure that all procurement activity applies strategies, policies, procedures, practices and probity that comply with HPV policies and any other requirements in the *Health Services Act 1988* or imposed by the Board through the instrument of delegation
- Ensure that the procurement complaints management and reference group establishment process demonstrates due process and integrity
- Develop a procurement strategy for MDH

The Finance committee will coordinate all procurement activity across MDH.

The CEO supports procurement governance in the management of programs, projects and business operations to ensure compliance with our procurement policies (aligned to Health Purchasing Policies requirements).

### **3.0 PROCEDURE**

#### **3.1 Procurement process**

The procurement process is based on the types of sourcing that is undertaken by MDH. In all sourcing activities MDH will adopt a strategic approach, using category segmentation to guide the procurement approach for any given good or service, to derive best value for money outcomes.

Approval of spend at MDH is managed by the Instrument of Delegation approved by the Board. The CEO must approve the categorisation of spend and the intended approach to market for each category.

#### **3.2 Market approach and contract management**

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

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

<b>Complexity Quadrant</b>	<b>Level of Probity Oversight</b>	<b>EOI*</b>	<b>RFI</b>	<b>RFQ</b>	<b>RFT</b>	<b>RFP</b>
Transactional	Probity oversight provided by trained MDH staff			✓	✓	
Leveraged	Probity oversight provided by experienced MDH staff	✓		✓	✓	
Focused	Probity oversight provided by experienced MDH staff			✓	✓	✓
Strategic	Auditor may be applicable in some instances	✓	✓	✓	✓	✓

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

MDH category and supplier management framework aligns the contract management approach (refer to MDH Contract Management Strategy for further information) to the category segmentation, and aims to:

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

**3.3 Critical incident**

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Critical incident protocols and processes (as per MDH Emergency Manual) are invoked when a relevant Minister or the CEO at MDH declares a critical incident to exist by reason of at least one of the following:

- An emergency within the meaning of the *Emergency Management Act 1986*
- An incident that causes MDH's business continuity plan to be activated
- An incident that represents a serious and urgent threat to the health, safety or security of a person or property
- A situation that represents a serious or urgent disruption to services, including patient care, provided by MDH

In a critical incident, MDH will adopt streamlined and flexible procurement processes to facilitate an immediate response to an emergency, crisis or disaster as per the MDH Critical Incident Procurement Procedure.

MDH's annual report is to separately disclose the following information regarding procurement activity during a critical incident:

- Total value of goods purchased
- Total value of services purchased
- The nature of the critical incident
- The CEO is to define a date at which procedures under critical incidents cease

#### 3.4 **Probity**

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

#### 3.5 **Personal and corporate sponsorships**

From time to time suppliers offer personal and/or corporate sponsorship to support research in an MDH Department, open days, clinical symposiums, and functions such as Research Week. It is accepted practice for MDH to accept appropriate sponsorship where there is a demonstrable benefit to MDH and where the sponsorship allows MDH to optimise its limited resources. All sponsorships must be approved by the MDH Finance Committee and the Board of Management. However personal or corporate sponsorship cannot be considered from a company while MDH is undertaking a procurement process for which the company may be a bidder.

Such offers should also be reported to your Executive Manager and entered on the Gifts, Bribes and Benefits Register (maintained by the Executive Team) to ensure transparency. In these circumstances the cost of the Gift must be borne either from the departmental cost centre concerned or, if the matter is of personal interest, by the MDH staff member themselves. At all other times MDH encourages its suppliers and local business to support the hospital. The distinction between corporate sponsorship (permitted except during a tender) and personal gifts (prohibited) is that corporate sponsorship benefits the hospital or a department as a whole, rather than individual staff members.

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### 3.6 **Confidentiality**

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

### 3.7 **Tender Evaluation**

Tender evaluation panel members should be selected on the basis of their expertise in and knowledge of the evaluation criteria. Establish an official MDH file at the beginning of the process and ensure that all communications with bidders and the deliberations of the tender evaluation panel are properly recorded. Brief all panel members on their responsibilities with regard to advising of potential or actual conflicts of interest both before and during the process, and act swiftly when conflicts of interest arise. The Chief Executive Officer is responsible for monitoring the tender process. Negotiations after the closure of the tender must not adversely affect the confidence of participants in the process. Manage both written and telephone communication carefully to ensure that all bidders receive the same information.

### 3.8 **Gifts, Bribes and benefits**

Gifts, improper payments and bribes are covered in detail in the MDH Gifts, Bribes and Benefits Policy, all staff involved in the procurement process should familiarise themselves with the content of this policy.

### 3.9 **Procurement Complaints management**

To minimise or avoid supplier complaints, MDH must:

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

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

A complainant can refer a complaint to the HPV Board for review if not satisfied with the findings and actions of the mandated health service involved. This could be related to the management of the complaint or the application of the Health Purchasing Policies (refer to

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Figure 3 – Procurement Complaints management model).

Complaints submitted to the HPV Board must be lodged by letter, email or fax within 10 working days of the receipt of the findings by the organisation to:

The Chair  
HPV Board  
Health Purchasing Victoria  
Level 34, 2 Lonsdale Street  
Melbourne Victoria 3000

The complainant must provide the following material:

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

The HPV Board:

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

### 3.10 **Social procurement**

#### **Access for small medium enterprises (SME)**

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

To facilitate SME engagement, MDH is required to (where appropriate):

- Allow for continuity of any arrangements with local businesses, where the impact and benefit to the local community is the best value outcome for the particular good or service

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- Implement procurement practices that provide opportunities for SMEs to participate in new and upcoming procurement activities
- Encourage supply chain management within existing and new agreements to involve more SMEs

### **Sustainable purchasing**

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

MDH's commitment to improve sustainable health procurement practices includes:

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

### **3.11 Procurement performance monitoring**

The CEO is responsible for ensuring MDH procurement policies, strategy and procedures comply with the HPV Health Purchasing Policies, and other relevant government legislation and requirements e.g. the Victorian Industry Participation Policy, and good probity practice. All MDH staff are responsible for ensuring that procurement practices within MDH are conducted in accordance with the MDH policy and procurement strategy.

The MDH Board via the Audit and Risk committee will conduct regular audits to ensure procurement and probity practices are in alignment with policy.

MDH is mandated to:

- Purchase from HPV collective purchasing agreements
- Report compliance with HPV agreements and provide periodic purchasing and associated details as requested by HPV
- Comply with the "Guide to Exemptions from HPV Collective Agreements"
- Refrain from any activity that subverts the effectiveness of HPV contracts or functions
- Assist HPV to identify any aggregation opportunities
- Provide input into business case development

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- Inform HPV about warehousing and logistics services that MDH provide for other entities

### 3.12 **Asset disposal**

Assets considered to be redundant, unserviceable, obsolete or surplus to requirements are to be disposed of by business units in accordance with the Asset disposal procedures and the Instrument of Delegation.

Acceptable methods of disposal are:

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

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

Responsibilities of MDH Head of Departments:

- Manage the disposal of relevant surplus assets
- Conduct an annual review of the functionality of assets under their control – this review may involve the Domestic and Catering Department or the Maintenance Department, documenting all decisions made in the disposal process
- Take into account the costs of undertaking disposal activities
- Observe appropriate accounting and audit procedures
- Provide clear instructions to agents engaged to undertake selling activities
- Specifically consider disposals that involve potentially hazardous and pollutant assets
- Business units must assess the most viable form of disposal based on the following:
  - initial cost of the asset
  - estimated sales price of the asset (net of disposal costs)
  - the existence of an active market for the goods proposed for disposal

## **4.0 RECORDS**

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

The Procurement Policy will be available as follows:

- In the ISO Quality Manual kept on the PROMPT

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4.2

<b>Accreditation Standards</b>	
<b>Standard</b>	<b>Action Description</b>
<b>National Safety &amp; Quality Health Service Standard #1.1</b>	There are integrated systems of governance to actively manage patient safety and quality risks
<b>Australian Aged Care Quality Agency – Accreditation Standards #1.7</b>	Stocks of appropriate goods and equipment for quality service delivery are available
<b>Common Care Standards #1 Effective Management #1.8</b>	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

4.4

**Related documents**

- MDH Procurement Strategy
- MDH Procurement Activity Plan
- MDH Capability Development Plan
- MDH Supplier Engagement Plan
- MDH Contract Management Strategy
- Instrument of Delegation
- MDH Emergency Management Plan
- Other Policies/Procedures
- Conflict of Interest Procedure
- Gifts, Bribes and Benefits
- Procurement Complaints Management
- MDH Code of Conduct
- Financial Code of Practice
- Critical Incident Procurement Procedure
- MDH Asset Disposal Procedure

**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.

**6.0**

**DEFINITIONS**

6.1

<b>Procurement terminology</b>	<b>Definition</b>

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(Category) Analysis	The analysis conducted to understand the category (or an individual procurement) in terms of the demand profile, total cost, business needs, specification of requirements for the goods or services, market dynamics, in particular the number of potential suppliers and level of market competitiveness, the social, technological, political, legal and economic environment of the category, the complexity and risks.
Capability	Competence, capability and capacity are often used interchangeably to describe an individual's or organisation's ability to perform tasks or activities effectively. In the context of managing procurement activity, the term 'capability' is increasingly used to describe the combination of an organisation's expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities.
Chief Procurement Officer (CPO)	The CPO provides strategic expert advice and oversight of the procurement function to drive and ensure value-for-money outcomes in the organisation. The CPO is responsible for developing and monitoring a number of strategic procurement activities. The CPO for MDH is the Executive Director Corporate & Financial Services.
Contract Management	The processes of ensuring the contractual obligations of successful suppliers are 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 KPI's and contract activity, and may involve regular meetings with stakeholders and/or suppliers. Proactive management will also seek to work with supplier to identify opportunities for additional benefits from the contract.
Evaluation	Evaluation is the systematic consideration of the value, quality, importance or worth of something or someone. Procurement processes often require judgements to be made, for example deciding whether to approve a potential supplier, deciding which offer represents best value, or deciding whether to single source or adopt a different strategy. This means that the decision-making processes to evaluate alternative options need to be systematic and repeatable, and because of the obligation to demonstrate probity, decision-making also needs to be transparent and recorded.
Health Purchasing Policies	A set of rules to promote best practice in conducting and documenting procurement practices in public hospitals or health services.

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**MANSFIELD DISTRICT HOSPITAL**

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Invitation to Supply / Approach to Market	The process involved in engaging the market to provide a proposal(s) to supply the good or services to be procured. This includes the process of evaluating responses and recommending one or more suppliers to negotiate a final agreement or contract.
Probity	Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.

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