



Procurement Framework

Purchasing for value, sustainability and
positive social impact

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1.0 Introduction

The Victorian Government Purchasing Board (VGPB) and Health Purchasing Victoria (HPV) provide a range of procurement requirements, which must be met by all Government Departments and public sector agencies. Kyabram District Health Service (KDHS), as a public sector agency, must also comply with these reforms.

The requirements ensure that modern probity, forward planning, category analysis as well as clear accountability and transparency and a commitment to building a fair, inclusive and sustainable community underpin procurement models.

A key aspect of the requirements is the concept of choosing the most appropriate procurement approach based on an assessment of the level of complexity of a procurement activity, whilst also considering social value.

2.0 Purpose

The purpose of the procurement framework is to provide a clear outline and approach to conducting procurement activities at KDHS. The framework (and associated policies and procedures) will bring a focus on forward strategic planning, equity of local businesses, social benefit and demonstrate value for money.

Through implementation of this procurement framework, it is expected that the following benefits will be achieved:

- A clearer line of accountability and responsibility
- Greater oversight, visibility and strategic alignment of expenditure
- Increased leverage of expenditure to increase buying power
- Consistent approach to contract management
- Professionalised approach
- Improved value for money, achieves savings and productivity
- Positive social impacts for the Victorian Community especially for disadvantaged or marginalised groups

To assist in achieving these benefits, this framework is accompanied by:

- Procurement Strategy
- Social Procurement Strategy
- Procurement Governance Policy
- Procurement Policy
- Procurement Contract Management Policy
- Annual Procurement Activity Plan
- Procurement Individual Activity Procedure
- Procurement tools and templates, including a range of policies and procedures.

3.0 Definitions

Approach to market: The process involved in engaging the market to provide a proposal to supply the good or services to be procured. This includes the process of evaluating responses and recommending one or more suppliers to negotiate the final agreement or contract.

Capability: An individual's or organisation's ability to perform tasks or activities effectively. It is the combination of an organisation's expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities.

Complexity: Procurement complexity is the level of intricacy and scope of issues involved in procuring a good or service. The complexity assessment considers a broad range of factors including risk, total cost of ownership and market dynamics associated with the 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 supplier to identify opportunities for additional benefits from the contract.

Engagement: The practice of securing procurement influence upon procurement projects at an early stage of evolution, typically before the procurement strategy is set or the supply market engaged. Early involvement is important as it prevents the scope of procurement influence from being reduced, for example for negotiating the price. When involved earlier procurement influence can affect the nature and timing of demand, the specification, the sourcing strategy and the market engagement, as well as the selection of suppliers.

Evaluation: Evaluation is the systematic consideration of the value, quality, importance or worth of something or someone. The decision-making processes to evaluate options need to be systematic and repeatable, and because of the obligation to demonstrate probity, decision-making also needs to be transparent and recorded.

Market analysis: This determines whether the market has the ability to meet procurement needs and also assists with deciding the best way to approach the market.

Market approach: The approach sets out how KDHS is to interact with the market in a consistent and structured manner and aims to ensure all potential suppliers are treated fairly, have access to similar information and that standards of probity, confidentiality and security are applied in the conduct of all actions between KDHS and suppliers.

Negotiation: Following evaluation of responses there may be a need to negotiate the final terms of an agreement to supply the goods or services with one or more suppliers, until the final supplier or panel of supplier is selected. This includes determining the final terms of the agreement, including prices and KPIs, with the successful supplier(s).

Probity: Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in a general sense to mean good process.

Procurement: The end to end process of sourcing a supplier, contracting, purchasing the good or service, managing the contract, including supplier performance, and contract expiry or review. Procurement is a more comprehensive term than purchasing, which is more focused on the tactical acquisition of goods and services and the execution of plans rather than the development of strategies. Procurement can be a department, a role and/or a process.

Procurement activity plan: A procurement activity plan is a list of all the significant anticipated procurement activities of the health service over a period of time (ideally 12-18 months). A significant procurement activity to each health service depends on the size of the organisation and is generally associated with a procurement activity that covers a large portion of spend for the organisation given its usual spend profile.

Procurement categories: A grouping of related goods or services based on similar characteristics. An example of a procurement category is administration and stationary as a sub-category.

Procurement governance: The overall systems and arrangements to ensure that the procurement process applies appropriate levels of control and probity. The key components of a governance regime are an appropriate procurement policy; procedures defining how the process should be managed; allocation of roles and responsibilities so that roles are separated and appropriately capable staff manage the key processes; and controls and review processes to monitor the performance of the procurement process.

Social procurement: purchasing of goods and services that deliver social, economic and environmental benefits.

4.0 Principles

KDHS understands that developing a clear and strategic procurement framework is important in ensuring that the organisation continues to grow and change with other businesses and health services as well as to demonstrate that all procurement decisions and actions are justifiable and defensible.

KDHS is dedicated to integrating the following principles¹ into all procurement activities.

Principles for Procurement	
Principle	Description
Accountability	As KDHS is a public health service, it is required that those using and disbursing public resources work to clear objectives in a transparent way, accept responsibility for their decisions and actions, seek the best use of resources, and submit to appropriate scrutiny.
Ethical behaviour	Behaving honestly and with integrity, probity, diligence, fairness, trust, respect and consistency. Ethical behaviour also means avoiding conflicts of interest and improper use of an individual's position
Open and fair competition	To ensure competition is open and fair, multiple suppliers should be encouraged to bid to provide goods and services to public sector agencies or for public construction projects. Potential bidders and tenderers must be treated fairly, consistently and even-handedly. They should all get the same information, and the procurer should respect the security and confidentiality of competitive information and documentation.
Probity	Probity concerns the fairness, impartiality and integrity of the process. It is important to treat, and interact with, potential suppliers consistently to ensure probity standards are met. Probity is also critical for value-for-money. Potential suppliers may decide against tendering if they doubt the fairness or impartiality of the process. Fewer solutions are then available and the bids less competitive. Probity should be considered throughout all phases of procurement.
Risk management	All procurement involves some risk, which must be managed, in all phases of the procurement process, and in what is being procured.
Transparency	Appropriate record keeping is important for transparency. The procurer should create and maintain supporting documentation so that decisions can be scrutinised, and to show that they followed procurement principles and complied with requirements.
Value for money	Value for money means optimum quality, quantity, risk management, timeliness and cost, and should be determined on a whole-of-contract and whole-of-asset-life basis.
Local business opportunities	In alignment with KDHS's strategic plan, procurement activities should encourage the participation of local businesses.
Environmental impacts	KDHS's procurement processes and activities must consider and minimise the environmental impacts of procuring goods and services.

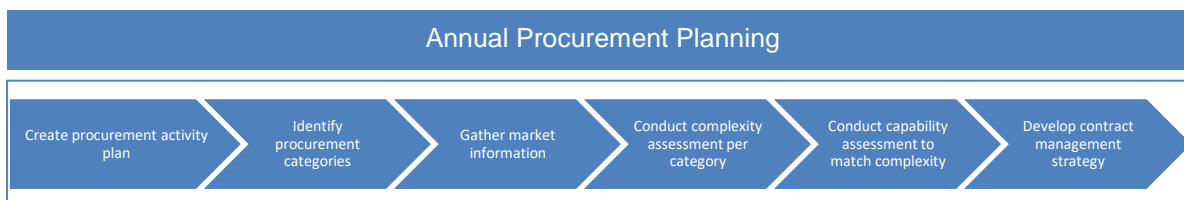
¹ Adapted from: Victorian Auditor-General's Office Public Sector Procurement: Turning Principles into Practice (2007–08:5).

Opportunities for Victorian Aboriginal people	We will engage with Victorian Aboriginal businesses and Social Traders in the region to participate in procurement activities
Opportunities for disadvantaged Victorians	We will encourage Social Traders to participate in procurement activities.
Sustainable Victorian regions.	We will encourage employment for people in regions with entrenched disadvantage.

5.0 The procurement process

Procurement at KDHS is divided up into two key processes, these being annual procurement planning and the individual procurement activity.

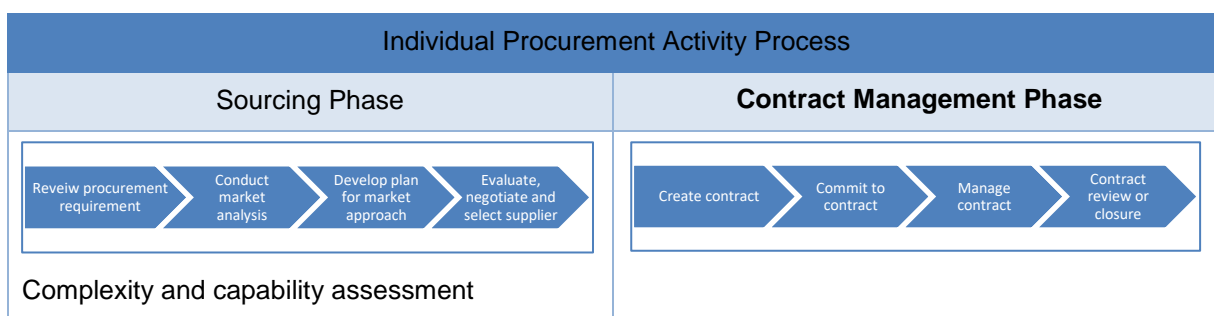
5.1 Annual Procurement Planning



Annual procurement planning consists of six steps and is used to map out KDHS procurement activity plan, procurement categories and develop the associated contract management strategies. Mapping this activity enables appropriate funding, resources and capability to be aligned. In addition, it allows prioritisation of spending according to available resources and to take advantage of market conditions.

Annual planning occurs at a category level, where spend data is used to identify procurement categories (and sub categories where relevant). Each of these categories undergoes a broad market analysis and a complexity assessment to determine their complexity quadrant (refer to the Procurement Sourcing Procedure). The assigned quadrant determines which contract management strategy used.

5.2 Individual Procurement Activity Process



The individual procurement activity process is informed by the information and analysis developed at the category level in annual procurement planning. A more detailed analysis is performed when the category analysis does not provide sufficient information to determine the appropriate approach to market for the individual procurement activity. This individual activity has two phases:

1. The **sourcing phase** is where the procurement research and analysis occurs and based on these outcomes the market approach is developed and a supplier is selected.

2. The **contract management phase** relates to the development and management of the supplier contract including reviewing and closing a contract.

6.0 Social Procurement considerations, including environmental sustainability.

Kyabram District Health Service (KDHS) considers procurement to be a core business and strategic function. Social procurement creates an opportunity for KDHS to use our buying power to deliver positive social impacts that help to build a fair, inclusive and sustainable Victoria.

KDHS's Social Procurement Strategy has been developed in response to the Victorian Government's Social Procurement Framework (SPF) released in April 2018. The SPF demonstrates an increased priority for delivering benefits to Victorian communities through KDHS's procurement processes.

KDHS recognises the link between environmental sustainability, climate change and human health and therefore is dedicated to reducing our environmental impact. Across the health sector, there is a growing emphasis on considering sustainability as part of total cost when assessing value for money.

In alignment with KDHS Environmental Management Plan procurement activities will:

- Avoid unnecessary consumption and manage demand
- Minimise the environmental impacts of goods and services over their whole of life
- Encourage socially responsible and ethical behaviour of the products manufacturers and suppliers

7.0 Asset management cycle

Equipment is essential to the delivery of healthcare and represents a significant proportion of the total asset base of all health services, including KDHS. Management of equipment is one of the main risk-critical issues to keep health services functioning, because the unavailability of equipment or failure of equipment presents risks to patients, staff and service delivery.

The primary goal of asset management is to enable KDHS to meet its service delivery objectives efficiently and effectively, and minimise the risk associated with asset failure.

Managing the risk includes sustaining existing equipment capacity and planning for timely replacement. The risk of equipment failure increases as equipment approaches the end of its effective life. Knowing when an asset is reaching the end of its effective life enables KDHS to plan for a replacement (amongst other options). This activity will be incorporated into the annual KDHS Procurement Strategy Plan.

KDHS is compliant with the mandated Asset Management Accountability Framework (AMAF) and more information on our process can be found in the Asset Management and Asset Accounting Policies.

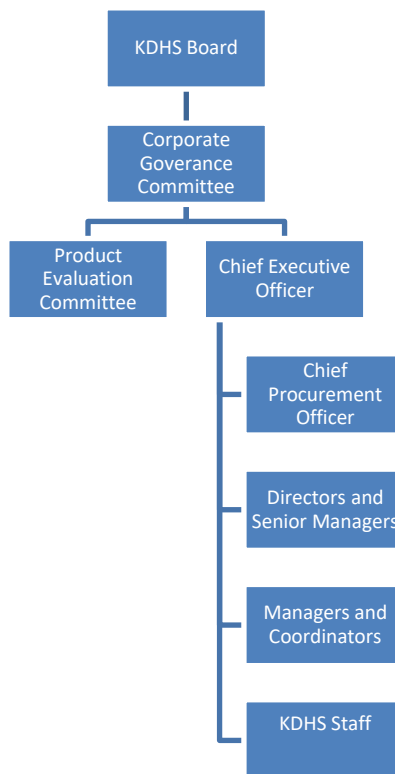
8.0 Accountabilities and authorities

8.1 Procurement Governance

The purpose of the KDHS procurement governance structure is to ensure that the procurement processes are adhered too in a consistent manner, whilst also providing direction and oversight where required.

Procurement governance, including roles and responsibilities, helps to establish and support the business need for a product or service.

Kyabram District Health Service Procurement Structure



8.2 Roles & Responsibilities'

KDHS has clearly defined roles and responsibilities for procurement; these are outlined in the KDHS Procurement Governance Policy.

9.0 Monitoring Performance

Monitoring performance is one of the most important steps in the procurement process. It is an essential component of procurement, which ensures that we know that the strategies for undertaking procurement effectively are actually working as intended. The following will be monitored to determine if this framework is efficient and effective:

- Annual feedback from key staff involved in procurement as to whether this framework is practicable and appropriate;
- Review of productivity arising from the procurement framework;
- Review of the procurement framework every three years; and
- Value for money achieved in contracts
- Social procurement achievements

10.0 Relationship to other processes

Procurement at KDHS is not a standalone process. In order to maximise the benefits and opportunities from effective procurement management processes it needs to be integrated with existing organisational business processes. Some of the key business processes at KDHS with which procurement is necessary are:

Environmental Sustainability Framework: KDHS is committed to minimising the environmental impacts associated with our operations to the greatest extent possible, and seeks to achieve continual improvement in the management of our environmental effects. It is our intention to integrate the concept of sustainable development into all of our business operations.

Risk Management: At KDHS we are committed to integrating the principles of risk management into everyday work practice so all staff are aware of how they can actively participate in managing risk. Every day we encounter factors which impact on the quality of our service and the safety of patients, staff and visitors, this is also risk. We are committed to actively managing these risks to reduce the likelihood and consequences of unintended harm and impact on strategic and operational objectives of the organisation.

Quality Improvement Framework: KDHS quality improvement approach encompasses clinical governance, risk management and performance reporting and monitoring. KDHS recognises that effective quality improvement requires a commitment to the development of organisational systems and structures to support quality improvement, the development of workforce skills and knowledge of quality improvement methodologies, a clear understanding and focus on results and the system impact of quality improvement and the required culture and behaviours of staff across the organisation to support and value quality improvement.

Organisational Review & Planning: The KDHS approach to organisational planning is the review and planning process – recognizing achievements and planning together. Key to its success is the integration of identified risks, key focus areas for improvement and the business goals of the organisation. The process links together Strategic goals, enterprise risks, quality and safety improvement priorities and business goals of the organisation to develop an annual set of aims at the organisation, department and individual staff level.

Performance Management: All risk responsibilities; whether a general responsibility to use the risk management process or specific responsibilities such as risk ownership or implementation of risk treatments are included within the relevant individual's performance plan.

Internal Audit: Internal audit reviews assess the effectiveness of controls. Alignment between the internal audit function and that of the controls within the risk management process is critical. KDHS will seek to improve alignment of these functions to identify sub-optimal use of resources.

Business Continuity Management: Business continuity management (BCM) is an integrated enterprise wide risk management process that identifies potential impacts of events likely to interrupt business functions of the organisation, for example weather events and power failures. Business continuity management provides organizational capability and capacity for an effective prevent, response, recovery, restoration and resumption of business activity. KDHS has a business continuity process that ensures there is a clear plan regarding organizational response in the event of large scale systems failures. This is to ensure that inconvenience and risk impact is minimized as much as possible when such a situation occurs. Further information is outlined in the KDHS Business Continuity Plan.

11.0 References/legislation/supporting documents

- Health Purchasing Victoria procurement policy (2013)
- Health Services Act (1988)
- Victorian Government Purchasing Board procurement policy (2011)
- Victorian Auditor-General's Office Public Sector Procurement: Turning Principles into Practice (2007–08:5)
- Asset Management Accountability Framework
- Victoria's Social Procurement Framework

12.0 Links to other KDHS documents

- Procurement Strategy
- Social Procurement Strategy
- Procurement Governance Policy
- Procurement Policy
- Procurement Complaints Management Policy
- Procurement Critical Incidents Policy
- Collective Procurement Policy
- Contract Management Policy
- Procurement Activity Plan
- Asset Management Policy
- Asset Accounting Policy
- Environmental Management Plan

13.0 Author / Contributors

Version	Revision Date	Summary of Changes	Prepared By	Approved By
V1	30/12/15	<i>Author</i>	<i>David Edwards</i>	<i>Corporate Governance Committee</i>
V2	4/4/2019	<i>Review and Update</i>	<i>David Edwards</i>	<i>Corporate Governance Committee</i>
V3	29/11/19	<i>Review and Update</i>	<i>David Edwards</i>	<i>Corporate Governance Committee</i>

14.0 Committee Approval / Endorsement

Name of committee	Date of endorsement
Corporate Governance Committee	10/12/2019
Board of Management	17/12/2019