

Casterton Memorial Hospital



Procurement Policy

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Casterton Memorial Hospital

Procurement Policy

Document History

Document Location

This document is only valid from the day it was printed and approved. The electronic copy of this document will be accessible via the Applications Tab – PROMPT of the Casterton Memorial Hospital Intranet.

Revision History

Version	Revision Date	Summary of Changes	Prepared By	Approved By
1.0	2023 December	Update to reflect new HSV Purchasing Policies (Jan 2023)	Jason Wass ¹	Internal Audit & Risk Committee

Distribution

This document has been distributed to:

Name	Title	Date of Issue	Version

Related Documents

Other internal and external documents relevant to this document:

Title	Author	Date of Issue	Version
<i>Refer to Related Documents List contained at the end of this Policy.</i>			

¹ Regional Procurement Program Lead

Casterton Memorial Hospital

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Procurement Policy

Purpose

The purpose of this document is to provide guidance and support to Casterton Memorial Hospital employees, contractors and health services participants for procurement activities including planning, sourcing and contract management, to ensure compliance with internal procurement procedures (aligned to HealthShare Victoria's Purchasing Policy framework) and the organisation objectives.

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

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

Definitions

Procurement terminology	Definition
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 several strategic procurement activities. The CPO for Casterton Memorial Hospital is the Corporate Services Officer.
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.
HealthShare Victoria's Purchasing Policies	A set of policies to promote best practice in conducting and documenting procurement practices in public hospitals or health services.
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.

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Procurement terminology	Definition
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.

Table 1. Organisational specific definitions

Procurement Objectives/Principles

In conducting procurement at Casterton Memorial Hospital 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 Casterton Memorial Hospital procurement policies

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

Policy compliance

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

This policy must also be read in conjunction with the Casterton Memorial Hospital Procurement Strategy, and Casterton Memorial Hospital'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 Casterton Memorial Hospital Intranet under the Applications Tab – PROMPT.

The Procurement Governance Framework includes high level management responsibilities including that of the Casterton Memorial Hospital Board, Chief Executive Officer (CEO), Chief Procurement Officer (CPO), Corporate Governance Executive Committee and the Casterton Memorial Hospital Procurement Governance Committee (PGC).

When procuring in partnership with other Barwon South Western Region Health Services, the Regional Logistics & Distribution Steering Group provides additional governance to the procurement process.

Procurement Governance

Procurement Governance Framework

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

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

- **Centralised:** All procurement processes are managed centrally by the <Insert Committee Name> which provides oversight to all other business units across Casterton Memorial Hospital.
- **Decentralised:** Individual business units with a significant procurement profile have their own procurement team with the necessary skills to manage all their procurement needs internally and which manages, with only some purchasing of common consumable goods managed by a supply/purchasing department.

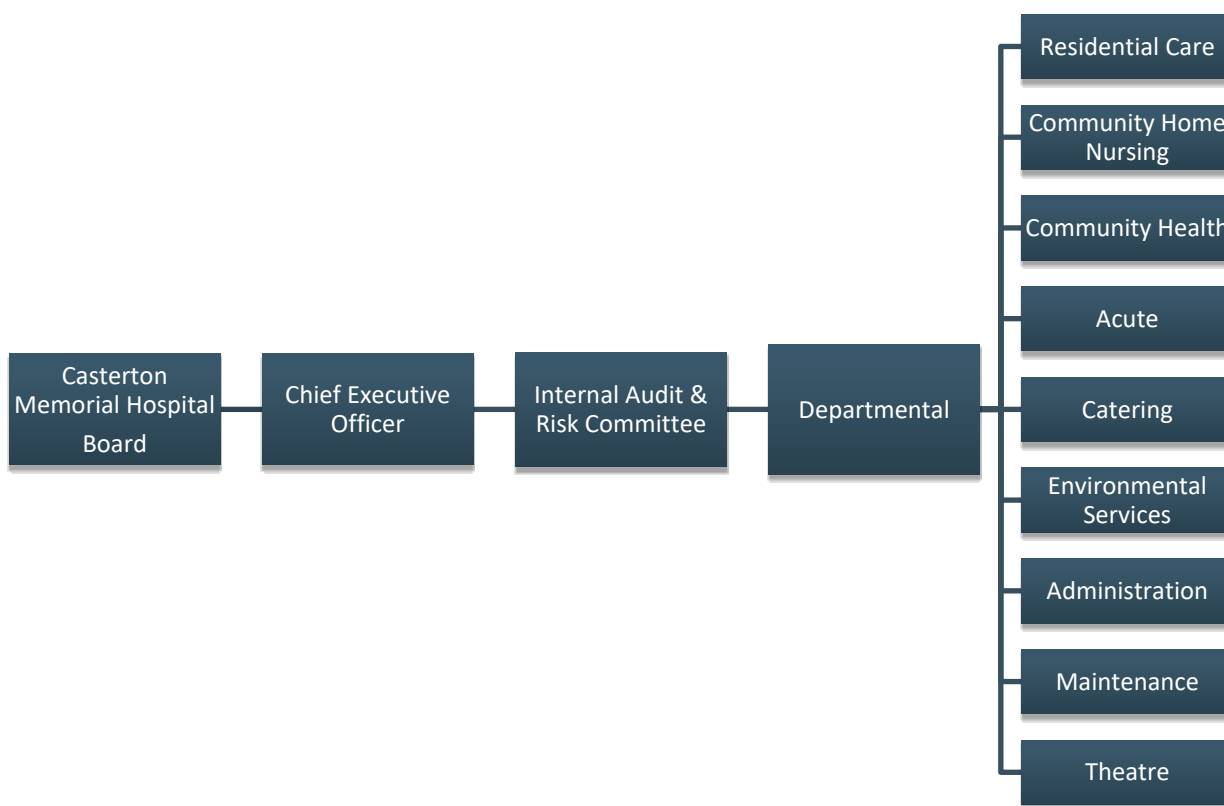


Figure 1. Procurement Governance Framework

Roles and Responsibilities

The Casterton Memorial Hospital CEO has established the role of the Chief Procurement Officer (CPO) and assigned the role to the Corporate Services Officer. The CPO has visibility and oversight of the entire non-salary spend profile of Casterton Memorial Hospital, this includes, but is not 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 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.

The CPO is accountable for:

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- 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 CEO on the health service’s procurement activities.

A procurement governance committee has been established within Casterton Memorial Hospital to coordinate all procurement activities.

The Chief Procurement Officer as member of the Internal Audit & Risk Committee supports procurement governance in the management of programs, projects and business operations to ensure compliance with our procurement policies (aligned to HealthShare Victoria’s Purchasing Polices requirements).

Procurement Process

The procurement process is based on the types of procurement that is undertaken by Casterton Memorial Hospital. In all procurement activities Casterton Memorial Hospital 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 Casterton Memorial Hospital is managed by the Instrument of Delegation approved by the Board. The CPO must approve the categorisation of spend and the intended approach to market for each category.

Market Approach and Contract Management

The category analysis and complexity assessment provides Casterton Memorial Hospital 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 procurement strategy undertaken for any procurement activity, as well as the level of probity risk. See the Casterton Memorial Hospital 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.

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

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

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

Casterton Memorial Hospital category and supplier management framework aligns the contract management approach (refer to Casterton Memorial Hospital 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; and
- drive contractual performance and value optimisation throughout the contract life to inform subsequent sourcing events in the category.

Critical Incident

Critical incident protocols and processes (as per Casterton Memorial Hospital Business Continuity Plan / Emergency Response Plan) are invoked when a relevant Minister or the CEO 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 Casterton Memorial Hospital'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 Casterton Memorial Hospital

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

Casterton Memorial Hospital's CEO will annually provide the Board, the following information regarding any procurement activities undertaken during a critical incident:

- Total value of goods purchased
- Total value of services purchased
- The nature of the critical incident
- The date the critical incident ceased

Probity

Casterton Memorial Hospital 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.

Personal and Corporate Sponsorships

From time to time suppliers offer personal and/or corporate sponsorship to support research in an Casterton Memorial Hospital Department, open days, clinical symposiums, and functions such as Research Week. It is accepted practice for Casterton Memorial Hospital to accept appropriate sponsorship where there is a demonstrable benefit to Casterton Memorial Hospital and where the sponsorship allows Casterton Memorial Hospital to optimise its limited resources. All sponsorships must be approved by the Casterton Memorial Hospital Internal Audit & Risk Committee. However personal or corporate

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sponsorship cannot be considered from a company while Casterton Memorial Hospital is undertaking a procurement process for which the company may be a bidder.

Such offers should also be reported to your Executive Director and entered on the Gifts, Bribes and Benefits Register (maintained by Administration Department) to ensure transparency. In these circumstances the cost of the Gift must be reported to the Casterton Memorial Hospital Chief Executive Officer. At all other times Casterton Memorial Hospital 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 rather than individual staff members.

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 tender information. It is the responsibility of the manager of the procurement process to ensure bids are seen only by tender evaluation panel members. All Invitation to Supply documentation must be kept in a secure location when not in use.

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 Casterton Memorial Hospital 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 appointed Project Manager 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.

Gifts, Bribes and Benefits

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

Procurement Complaints Management

To minimise or avoid supplier complaints, Casterton Memorial Hospital 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 procurement rules and the evaluation plan are followed
- ensure that insurance and liability capping requirements are appropriate for the procurement before the process begins
- that evaluation criteria weightings are provided as part of the published documentation

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

A complainant can refer a complaint to HSV for review if not satisfied with the findings and actions of the Casterton Memorial Hospital involved. This could be related to the management of the complaint or the application of the HSV Purchasing Policies.

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

Chief Executive
HealthShare Victoria
Level 34, 2 Lonsdale Street
Melbourne Victoria 3000
Electronically to: complaints@healthsharevic.org.au

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

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

HSV:

- will inform Casterton Memorial Hospital and complainant of its findings and any further action it intends to take in relation to the matter
- can require the Casterton Memorial Hospital's CEO to audit its application of HSV 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

Local Procurement

Improving access for Small to Medium Enterprises (SME)

Casterton Memorial Hospital will participate in procurement practices that facilitate and encourage small medium enterprises to access procurement opportunities at Casterton Memorial Hospital. 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, Victorian social enterprises, Victorian based Australian Disability enterprises, Victorian Aboriginal businesses and not for profit organisations.

To facilitate SME engagement, Casterton Memorial Hospital 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
- 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

Social Procurement Framework

Social Procurement

In line with Casterton Memorial Hospital social procurement strategy, Casterton Memorial Hospital will implement social procurement practices that provide opportunities for Victorian social benefit suppliers identified through the social

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procurement marketplace including Map for Impact directory, VendorPanel, Social Traders, Supply Nation, Kinaway and Buyability. For instance,

- Identify priority categories for social procurement, set up Victorian social benefit suppliers with the correct ABN in your system to assist with direct social procurement reporting and educate purchasing or procurement staff or facilities maintenance officer to invite the Victorian social benefit suppliers to engage in the chosen market approach.
- Consider different social procurement tactics
 - If there are multiple Victorian social benefit suppliers in categories of lower complexity – Transactional – consider creating a panel to abide by rules of probity.
 - Unbundling a package of work and inviting social benefit suppliers to provide a quote or tender.
- Consider how Victorian social benefit suppliers will keep abreast of health service opportunities. Is there a channel you currently have or need to create to advertise opportunities for social benefit suppliers?
- Review payment terms and check if this is conducive for Victorian social benefit suppliers. Some Victorian Government departments have revised payment terms to 7 or 14 days from delivery of goods and services.
- Reporting annually to the Department Treasury and Finance, in line with SPF Measurement and Reporting guidelines:
 - Direct social procurement benefits reporting – Spend and no. of Victorian social benefit suppliers engaged reported using the ABN Wash tool.
 - Indirect social procurement benefits reporting - commitments made and delivered by suppliers in line with the Measurement and Reporting guidelines and your social procurement strategy or commitment.

Sustainable Purchasing

Casterton Memorial Hospital 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.

Casterton Memorial Hospital'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 Casterton Memorial Hospital needs and provide value for money
- Reporting to the Department of Health and Department of Treasury & Finance on metrics relating to the environmental sustainability of health supply chain

Procurement Performance Monitoring

The CEO is responsible for ensuring Casterton Memorial Hospital procurement policies, strategy and procedures comply with the HSV Purchasing Policies, and other relevant government legislation and requirements e.g. the Local Jobs First Policy, Fair Jobs Code, Social Procurement Framework, Modern Slavery Act, and good probity practice. All Casterton Memorial Hospital staff are responsible for ensuring that procurement practices within Casterton Memorial Hospital are conducted in accordance with the Casterton Memorial Hospital policy and procurement strategy. The CPO is delegated responsibility by the CEO for ensuring compliance to the Casterton Memorial Hospital procurement policy, procedures and practices.

The Casterton Memorial Hospital Board will conduct regular audits to ensure procurement and probity practices are in alignment with policy.

Casterton Memorial Hospital is obligated to:

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- Comply with HSV's collective agreements, supply chain conditions/specifications or approved Victorian Government State Purchase Contracts / Sole Entity Purchase Contract to gain value for money through aggregated demand
- report compliance with HSV collective agreements and provide periodic purchasing and associated details as requested by HSV
- provide annual attestation of compliance with the HSV Purchasing Policies as part of its annual report of operations identifying any material non-compliance issues
- report any material non-compliance issues that arise in relation to the HSV Purchasing Policies as soon it becomes aware of the issue, and remedial actions relating to the issue(s) to HSV
- comply with the "Guide to Exemptions from HSV Collective Agreements"
- establish appropriate processes to ensure the security of all confidential and commercially sensitive information; in particular, supplier pricing information
- refrain from engaging in practices that may subvert HSV's function
- assist HSV to identify any aggregation opportunities
- provide input into business case development
- inform HSV about warehousing and logistics services that Casterton Memorial Hospital provides to other entities

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/Delegation of Authority.

.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 'cannibalise' 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 Casterton Memorial Hospital Business Unit Heads:

- Manage the disposal of relevant surplus assets
- Conduct an annual review of the functionality of assets under their control – this review may involve the IT Department, Bio-Medical Engineering Department and/or Transport Services
- Document 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

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Related Documents

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