Contents

PURPOSE 2
SCOPE 2
THE STRATEGIC CONTEXT 3
Plan, Priorities and Strategies 3
Legislative Environment 3
Commissioning 3
CONTRACT MANAGEMENT STRATEGY AIMS AND OBJECTIVES 3
KEY PRINCIPLES OF THE CONTRACT MANAGEMENT STRATEGY 4
STRUCTURE OF THE CONTRACT MANAGEMENT STRATEGY 5
People 5
Policy, Strategy and Communications 5
Contract Management Systems and Processes 6
Engaging Suppliers 6
Stakeholder Engagement 7
Performance Management and Evaluation 7
STRATEGY IMPLEMENTATION 8
KEY ALIGNED/RELATED DOCUMENTS 8
KEY LEGISLATION, ACTS & STANDARDS 8
EVALUATION 8
DOCUMENT DEVELOPMENT / REVIEW PROCESS 8
Document Development, Approval and Review 8
APPENDIX 1 – Contract Management Approach 9

Department:	Corporate Services	**Responsibility:**	Director of Corporate Business
Section:	Procurement	**Authority:**	Executive and Senior Management

PURPOSE

HealthShare Victoria's Health Purchasing Policy framework supports a more strategic and efficient approach to procurement and has reformed the way in which procurement is conducted within the Victorian Public Health Sector.

The purpose of this document is to detail Kerang District Health's (KDH) plan for the short and medium terms to ensure:

- the delivery of best value for the contract management function;
- that it aligns to KDH's aims and objectives;
- that it conforms to the HealthShare Victoria's health Purchasing Policies.

KDH's Contract Management Strategy (CMS) must also be read in conjunction with the KDH Procurement Strategy, as well as KDH's own policies and guidelines on Conflict of Interest; Gifts, Benefits and Hospitality and Complaints Management. All the relevant documents can be found on PROMPT.

The strategy sets out:

a) The scope of the plan and its strategic context.
b) The contract management aims and objectives.
c) The principles that underpin KDH's contract management activity.
d) The use of category segmentation to match procurement complexity to the contract management activity.
e) The plan ahead for the short term and the medium term.

SCOPE

The KDH CMS considered five critical questions in the contract management planning context. These include:

- What are the minimum actions that KDH 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 KDH 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?

KDH 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:

1. People
2. Policy strategy and communications
3. Contract management systems and processes
4. Engaging suppliers
5. Performance management and evaluation

THE STRATEGIC CONTEXT

Plan, Priorities and Strategies

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

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

Legislative Environment

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

Commissioning

In developing the CMS, KDH will consider the following issues, in relation to the procurement:

- nature, scale and significance of the requirement to KDH;
- value of the requirement
- type of specification - input or output
- complexity of the requirement
- attractiveness to the market and market capacity (including opportunities to engage social benefit suppliers as part of the market activity)
- timescale and phasing, including the product/service lifecycle
- level of understanding of the requirement by stakeholders and potential suppliers

KDH will use category segmentation to assist in guiding the CMS, the nature of any negotiations required and the form of supplier relationship following the award of the contract.

For each procurement category, KDH will undertake a complexity assessment (where necessary) 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 KDH Procurement Strategy.

KDH's Procurement 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.

CONTRACT MANAGEMENT STRATEGY AIMS AND OBJECTIVES

The objectives of this strategy are to:

- establish a clear strategic direction for contract management that aligns to the KDH Strategic Plan and the KDH Procurement Strategy, 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 KDH 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 other health services
- increase the proportion of KDH spend against contracted and approved suppliers (i.e. reduce non-contracted suppliers)
- ensure that current legislation and best practice is applied to KDH's management of contracts, in particular concerning probity;
- periodically review KDH's approach to contract management, i.e. monitor and review the CMS to identify opportunities to ensure that the impact of Social Procurement Framework (covering socio-economic and environmental sustainability objectives) are considered in KDH's contract management approach, and that all we do supports the delivery of the KDH vision
- Ensure (where applicable) that KDH procurement process incorporates Local Jobs First requirements based on the agreed threshold.

KEY PRINCIPLES OF THE CONTRACT MANAGEMENT STRATEGY

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

- Contract management at KDH 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 KDH's contract management processes, where possible, to best practice methods, including HSV's guidelines on complexity, risk and market approach;
- Reduce transaction costs as appropriate e.g. through collaboration to find solutions;
- Encourage suppliers to demonstrate or deliver social and sustainable objectives prioritised for the procurement activity;
- 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;
- Maintain appropriate KPI reporting in line with the Social Procurement Compliance Plan (or) Social & Sustainable commitments and delivery of Local Jobs First commitments.

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 KDH. The five components of the structure are detailed below.

People

KDH will develop the necessary skills and knowledge for selected KDH 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	• Ensure relevant staff, suppliers, partners and stakeholders are aware of the KDH CMS (as part of the broader KDH *Procurement Strategy*) 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. • Capture learnings and share with key stakeholders to develop a culture of continuous improvement and knowledge management
Medium term	• Actively promote key messages to all staff, suppliers and stakeholders of their individual accountability for compliance and probity within the CMS • Further develop the skills and knowledge of KDH staff with contract management responsibilities through training, specialisation, coaching and other support mechanisms to ensure more effective and efficient contract management

Policy, Strategy and Communications

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

Timeframe	Activity
Short term	• KDH will employ a CMS 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 • Share best practice, lessons learnt, current issues etc. with stakeholders
Medium term	• 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

Contract Management Systems and Processes

KDH has reviewed the contract management processes in line with the Procurement Process Model. The KDH Purchasing Procedure and Procurement Strategy detail the processes to ensure that KDH Procurement Team, other KDH staff involved in contract management and key stakeholders understand and implement best practice for managing contracts.

Timeframe	Activity
Short term	• 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 KDH, • 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
Medium term	• 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 KDH. • 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 KDH's contract management practice in: – 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

Engaging Suppliers

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

Timeframe	Activity
Short term	• Improve access to procurement opportunities for suppliers by: – 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

Medium term	• Maintain fair and open access to contract opportunities for all suppliers specially to identify engagement with suppliers across multiple contracts (Refer to the KDH Supplier Engagement Plan) • Target key suppliers and partners to seek their views on KDH's CMS to help inform its future development • Develop demand trends that capture data for supply to be used for future analysis

Stakeholder Engagement

KDH'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 KDH.

Timeframe	Activity
Short term	• Implementation of Contract Management plans for all new and re-sourced categories defining the level of stakeholder engagement • Increased engagement with other Loddon Mallee Health Services to: – assist in identifying opportunities for coordinated procurement – identify the key contacts in health services for individual categories – ensure adequate consultation with other Loddon Mallee Health Services to identify contract management requirements in planning, and ensure contracts are meeting these in the implementation stages
Medium term	• Improve contract reporting to stakeholders through: – regular reporting of contract activity for KDH 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) including Social Procurement Framework (SPF) objectives and Local Jobs First commitments – capture non-compliance reports from departments for immediate response through the Issues Register – improve accuracy of supplier data and provide selective access to departments

Performance Management and Evaluation

Performance against this plan will be monitored to ensure that:

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

KDH will review this plan at least annually to ensure that the CMS meets the current and future needs of KDH and its stakeholders.

Strategy Implementation
Implementation of this strategy is the responsibility of all KDH staff involved in procurement activities and the Executive Leadership Team (ELT) for procurement on behalf of KDH as well as, in particular, the Chief Procurement Officer (CPO).

KEY ALIGNED/RELATED DOCUMENTS

KDH Policy – Procurement Governance
KDH Procedure – Asset Management (Acquisition, Operation, Maintenance, Disposal)
KDH Procedure – Contract Management
KDH Procedure – Equipment Requests, Trials and Evaluations
KDH Procedure – Procurement Capability, Assessment and Development Plan
KDH Procedure – Procurement Capability Statement
KDH Procedure – Procurement Complaints Management
KDH Procedure – Procurement Critical Incident Procedure
KDH Procedure – Procurement Strategy
KDH Procedure – Purchasing
HSV Purchasing Policy 1 – Governance
HSV Purchasing Policy 2 – Strategic Analysis
HSV Purchasing Policy 3 – Market Approach
HSV Purchasing Policy 4 – Contract Management and Asset Disposal
HSV Purchasing Policy 5 – Collective Purchasing and Supply Chain

KEY LEGISLATION, ACTS & STANDARDS

Health Purchasing Policies - As required under s134 of the *Health Services Act 1988 (the Act) Financial Management Act 1994, Ministerial Directions, Audit Act 1994*
Code of Conduct for the Victorian Public Sector – Code of conduct Victorian Government Purchasing Board

EVALUATION

Contractor performance is evaluated on an annual basis by the relevant department heads and checked by the Director of Corporate Services on renewal of a contract. VHIMS reports are to be monitored.

DOCUMENT DEVELOPMENT / REVIEW PROCESS

This document will be reviewed and updated every *three (3) years* or following substantial changes to relevant legislation, regulation or safety and quality standards.

Document Development, Approval and Review

	Name	Position	Service/Program/Final Endorsement	Date
Document Owner:	M Maritz	DCB		
Lead reviewer:	M Maritz	DCB		
Contributors:				
Committee/s:			Finance, Audit & Risk Committee	18/11/2024
			Executive & Senior Management Committee	22/11/2024
Last Review Date:				12/11/2024
				07.12.2020
				15.05.2015
Next Review Date	M Maritz	DCB	Nil changes review 3 yearly	15.01.2029

APPENDIX 1 – Contract Management Approach

Quadrant	Characteristics	Recommended Contract Management Strategy
Transactional	• Typically low value/low risk items • Low volume/frequency of use • Typically generic or commoditised items • Management of transaction costs - encourage streamlined order/payment processes	• Simple Category Management Plan developed and revised as required • Annual reporting of contract activity/sales including price audit/review, demand trends for supply, average order value, items in use. • Focus on business improvement via process optimisation – Electronic Data Interchange (EDI), & other supply chain efficiencies • Annual risk review • Supplier performance managed through Key Performance Indicators (KPI's) e.g., Delivery in Full on Time (DIFOT), reporting accuracy and timeliness. • Issues Register to capture both simple and recurring issues with suppliers • Annual meeting with top suppliers, selected by Pareto analysis (80/20 rule) to identify how many suppliers fit into your top 80 percentile in that category • Ongoing market intelligence
Leveraged	• High volume/frequency/spread of use • Typically many suppliers • Maintaining competition • Maintaining supplier motivation and performance • Understanding and suppress switching costs • Managing transaction costs - encourage streamlined order/payment processes	• Simple Category Management Plan developed and revised as required • Six Monthly reporting of contract activity/sales including price audit/review • Annual meeting with suppliers • Annual Risk Review • Supplier profiles prepared as required • Identification of spend against single categories and sole source of supply • Supplier performance managed through key KPI's e.g., DIFOT, reporting accuracy and timeliness. • Issues Register to capture both simple and recurring issues with suppliers • Annual meeting with top suppliers, selected by Pareto analysis (80/20 rule) to identify how many suppliers fit into your top 80 percentile in that category • Ongoing market intelligence

Focused	• Limited suppliers/alternatives (“bottleneck”) • Limited volume/ frequency/spread of use • Potentially high risk to operations • Higher level of customisation • Scope for innovation • High switching costs • Identification and management of supply risks • Compliance and consistency management • Identification and management of switching costs	• Category Management Plan revised annually • Six Monthly meeting with suppliers • Identification and implementation of category strategy and development of Category Management Plan, revised as required • Annual meeting with supplier(s) (or more frequently as required) • Potential six monthly risk and issues review and capture of feedback into the Issues Register • Quarterly reporting of contract activity/sales including price audit/review • Bi-annual risk and issue review • Ongoing market intelligence • Supplier profiles prepared as required • Identification of spend against single categories and sole source of supply
Strategic	• High value • Competitive market • High visibility, affects most areas of business/ health services • Critically affects operations • Seek to drive value beyond price • Identification and management of supply risks	• Identification and implementation of category strategy and development of Category Management Plan, revised annually • Quarterly meeting with supplier(s) (or more frequently as required) • Quarterly reporting of contract activity/sales including price audit/review • Quarterly risk and issue review • Ongoing market intelligence • Monthly KPI Review/Reporting • Supplier profiles prepared as required