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Department:	Corporate Services	**Responsibility:**	Director Corporate Services
Section:	Procurement	**Authority:**	Executive & Senior Management

PURPOSE

To ensure a consistent approach to the purchasing of all goods and services at Kerang District Health (KDH).

DEFINITIONS

Actual Conflict of Interest - is one where there is a real conflict between an employee's public duties and responsibilities, and their private interests.

Chief Procurement Officer (CPO) - The Chief Procurement Officer role is established by the Chief Executive Officer of a mandated health service. The role has visibility and oversight of the entire non-salary spend profile of the health service.

Conflict of Interest - conflicts of interest in the public sector are conflicts between public duties and private interests. A conflict of interest can arise from avoiding personal losses, as well as gaining personal advantage — whether financial or otherwise. These can be actual, potential or perceived.

FMIS - Financial Management Information System (Oracle)

Gifts & Benefits - gifts and benefits are defined as any item or service with a value greater than $50 individually or in aggregate and include goods, services, travel or hospitality received by an employee, as a consequence of their employment at KDH. It does not include those benefits received by employees from KDH as part of their employment terms.

HealthShare Victoria (HSV) - Established on 1st January 2021 to improve the collective purchasing power of Victorian public health services and hospitals. HSV achieves 'best value' outcomes in the procurement of health-related goods, services and equipment through more than 40 contract categories.

Non-Stock Items - These items are not held in the Supply Department. They are not listed in the catalogue and are purchased on an "as required basis" with a completed "purchase order requisition".

Perceived Conflict of Interest - can exist where a third party could form the view that an employee's private interest could improperly influence the performance of their duties, now or in the future.

Potential Conflict of Interest - arises where an employee has private interests that could conflict with their public duties.

Probity - honest, proper, fair and ethical conduct in all matters.

RFQ - Request for Quotation

Services - These are services provided to Kerang District Health that have been appropriately authorised e.g. external consultants and external contractors.

Stock Items – These are chosen by way of instruction/requests by Department Heads and staff together with the Supply Officer, after consideration of quality, price, standardisation, and source of supply.

PRINCIPLES

Principles to be observed by Kerang District Health when purchasing goods and services:

- Observance of best practice commercial principles including probity principles, value for money, open and fair competition, and accountability through corporate governance.

These purchasing principles assist in establishing Kerang District Health's credibility in the relevant markets as a reliable purchaser of goods and services, and otherwise achieve quality outcomes from the operation of its purchasing procedure.

Kerang District Health Employees and Agents will:

- Follow the process and approval requirements in accordance with the KDH Instrument of Delegation and the approved KDH purchasing procedures listed in this policy.
- Advise their Manager of any actual, potential or perceived conflict of interest at the earliest possible time.
- Ensure funds are spent efficiently and effectively in accordance with KDH and government policies and guidelines.
- Ensure all proceedings meet the requirements for professional integrity and probity.
- Act ethically and maintain confidentiality of personal and commercial information consistent with their legal obligations.
- Describe goods generically rather than using brand names in tender specifications.
- Not purchase goods or services from a Supplier who does not have a valid Australian Business Number unless the Supplier can produce satisfactory evidence that they are not required to hold one.
- Not split purchase orders for identical goods or services, or vary approval, in order to circumvent established internal financial delegations.
- Ensure that all potential Suppliers are provided with timely, adequate and identical information upon which to base their quotation or tender including the fact that any supply of goods and/or services to KDH arising from acceptance of a quotation or tender will be made on the terms and conditions of purchase as established by KDH from time to time.
- Not accept gratuities from current or potential Suppliers outside of Government policy, KDH Purchasing Procedure and any guidelines issued by the Executive group.
- Not accept any gift or benefit offered by a Tenderer where the employee is engaged in an active Tender process for goods or services.
- Offer prompt responses to all enquiries from potential or existing Suppliers.
- Not enter into any financing arrangements, (e.g. leases) without express written approval from the Chief Executive Officer.
- Not undertake procurement activities for goods, services or equipment inconsistent with any HSV review, tender, contract, policy or guidelines.
- Ensure that where a purchase transaction is to be conducted by electronic means, the other party to that transaction has consented to that method of conduct.

Responsibilities

The CPO is responsible for all direct and indirect sourcing and procurement across all divisions and departments of KDH.

The CPO will prepare a detailed Procurement Activity Plan annually of all anticipated significant procurement activities of KDH in the next 12 months. A high-level summary plan of the activities must be published on the KDH website.

Authority Levels

The employee authorised by the Instrument of Delegation to approve the appropriate level of expenditure is the authorised delegate for these procedures.

For Expenditure Less than $1,000 Only one quotation is required and this quotation may be written or verbal.
For Expenditure Greater than $1,001 and less than $5,000 One written quotation is required. A justification statement is raised by the relevant manager for consideration, and if thought fit, approval by the relevant Business Director or Executive Director in accordance with the Instrument of Delegation.
For Expenditure Greater than $5,001 and Less than $20,000 At least two written/relevant quotations as required. A justification statement including recommendations is raised by the business/unit manager and passed to the Executive Director who will arrange for approval in line with the Instrument of Delegation.
For Expenditure Greater than $20,001 and Less than $150,000 At least three written/relevant quotations as required. A justification statement including recommendations is raised by the business/unit manager and passed to the Executive Director who will arrange for approval in line with the Instrument of Delegation.
For Expenditure Greater than $150,000 All contracts with a value of more than $150,000 are subject to an approach to the open market through a public tender. Advice and assistance should be sought from Procurement Department prior to proceeding.

NB: Exceptions to the above process must be in accordance with HSV Procurement Policies.

Equipment Requests/Trials and Evaluations
Please refer to the Equipment Requests/Trails and Evaluations Procedure.

Authority to Accept a Trial
Goods and services must not be accepted on a trial basis on behalf of KDH, unless the arrangement is documented and signed off by the CPO and the delegate authorised to approve the relevant level of expenditure if the transaction proceeds. Appropriate authorisation must be obtained prior to trial goods being implemented.

Progression to KDH Inventory Status
KDH has an inventory of frequently used items which accommodate the everyday running needs of the health service.

To be included in the inventory, items must satisfy the following criteria:

- The item requested would need to be issued at least ten times per year.
- A long term use is envisaged for the item.

Please refer to the Purchasing Standard Goods and Services procedure for detailed guidance on ordering items from the inventory.

Free Service
An offer to KDH of equipment supplied at no charge that is offered on the basis of the KDH buying other goods or services from the supplier, should not be accepted unless the arrangement is documented and is signed off by the CPO and a KDH delegate authorised to approve the relevant level of expenditure on the purchased goods or services.

Equipment and Consumables for Use in Clinical Areas
No equipment or consumables may be introduced into KDH clinical areas without the prior written approval of the Director of Clinical Services.

Technology
Opportunities will arise with changes to technology. With these opportunities, the principles applicable to the purchasing policy and procedure listed in this protocol remain.

PROCEDURE

1. Determine if product/service is covered by a Healthshare Victoria Contract?

Health Services within Schedule 1 and 5 of the Health Services Act 1988 (VIC) must only purchase from a HSV collective agreement, arrangement, or supply chain, any good or service that has been sourced by HSV. This information can be found on the HSV website, via the Supply Officer or DCB login. Only the Supply Officer and the DCB, will have access to this information.

HSV send regular email correspondence, advising of contract variations, novation and temporary substitutions to the Supply Department. This is monitored daily.

If the particular goods or service is not listed on a HSV contract, however, an alternate similar product is available on the contract, you are obligated to procure said good or service.

If the goods or service does not have a category listed on HSV contract, you are free to procure as per the procedure listed below.

Approval to exercise the delegation must be obtained before the purchasing process is commenced.

All purchases of goods and services must comply with the requirements of the KDH Financial Management Information System (FMIS) regardless of the type of purchase method used.

2. Strategic Analysis

To achieve the best value for money, KDH need to first assess the complexity of a procurement activity. This activity needs to be scalable according to the overall value of the goods or services.

A Complexity Assessment should be undertaken when beginning a procurement activity that is strategic and high risk, and should include the assessment of profile, relevance of category, strategy and any high risks for the health service.

Please note a complexity assessment is not required where the procurement activity is from an aggregated demand contract where it is a sole supplier arrangement.

This is attained by utilising and completing the following tools;

1. Complexity analysis tool (multiple)
2. Complexity analysis tool (single)

The assessment of complexity will analyse:

- internal and external factors that affect the procurement;
- the characteristics of the good or service being procured;
- the capacity, capability, and motivation of the market;
- the value created by the procurement to the health service;
- opportunities to improve value for money;
- the potential for aggregating purchasing demand;
- the potential to improve the opportunities for Australia and New Zealand small to medium sized enterprises to participate in government procurement; and

- the best way to approach the market that is cost-effective to suppliers and buyers while considering opportunities for local businesses to participate.

Market analysis and review follows the assessment of complexity of the procurement activity either at the category level or at the individual procurement level where the procurement activity falls outside of a category or is critical or high risk.

The following tools should be completed to assist in the analysis;

- Market analysis tool
- Risk analysis tool

Approaching the market is predominantly a process task to ensure all potential suppliers are treated fairly, have access to the same information and that standards of probity, confidentiality, and security are applied in all interactions between the health service and suppliers.

3. Determine the Market Approach

Once you have conducted a complexity analysis and market analysis of the procurement (if required) you will then be able to determine the market approach to take, i.e.

- Purchase Order
- Request for Quote (RFQ)
- Request for Tender (RFT)

An Invitation to Supply must be formulated and be specific as to whether it is;

a) Open – Public Invitation to all potential parties, or,

b) Limited/Selective – Invitation to nominated/selected parties

It is recommended to use Buying for Victoria's Invitation to Supply template to ensure that the following minimum requirements are met;

a) name and address of organisation;

b) details of the supply requirement;

c) process timelines;

d) address/site/method where documentation can be obtained;

e) address/site/method where further information will be provided (if relevant);

f) address/site/method for receiving submissions; and

g) contact details of person(s) managing the market approach.

The templates offer a range of options to suit both high and low complexity activities.

Purchase Orders

If there is no other documentation, the Purchase Order on its own represents the contract between KDH and the provider of the goods or services.

A Purchase Order generated electronically by the system is the basic authority for payment for purchase of goods or services of any value.

The Purchase Order is generated via FMIS. The name of the Supply Officer that appears on the order will be authorised by KDH to place the order with the supplier. The Purchase Order will be processed electronically in accordance with the approval levels in the KDH Instrument of Delegation. No physical signature is required on a Purchase Order that has been electronically generated. All Purchase Orders are to be GST Exclusive.

The full Terms and Conditions relating to Purchase Orders are to be on the KDH website.

If the KDH delegate authorised to approve the Purchase Order deems it necessary to change the standard terms and conditions to address any specific circumstances in which that Purchase Order is being used approval and any subsequent changes must be obtained from the CPO in accordance with the Instrument of Delegation.

To enable processing for payment a valid tax invoice must contain a reference to a corresponding Purchase Order number when forwarded to Accounts Payable. An invoice without a purchase order number cannot be processed and will have to be returned to the responsible KDH delegate**.**

Request for Quotation (RFQ)
This process is generally used for purchases less than $150,000 and could be extended to more than one supplier.

A quotation, to enable KDH and the supplier to enter into a binding contract in the event that KDH elects to accept the quotation, should be requested from a prospective supplier(s). Both the RFQ and the quotation are to be in writing. The quotation should contain the following information:

- Description of the goods or services
- Price, including method of payment and any discounts or rebates offered and any price payment schedule
- Terms of delivery, including passing of ownership in the case of goods.
- Specifications including conditions and Key Performance Indicators
- Any other relevant matters, such as warranties and KDH insurance and indemnity requirements.
- Training.

Request for Tender (RFT)
This purchasing method will be used by KDH for purchase of either goods or services in excess of $150,000 and may be employed for other reasons. Once the need to proceed to tender is agreed upon, the decision should be fully documented. The process is as follows:

Tender Preparation

- After the necessary analysis of the approach to market is complete, the CPO in consultation with the relevant Business Manager and the Executive Director (or delegate) recommends the process to be used and if that should include an initial public request for expressions of interest. The CPO will also recommend whether tenders are to be invited using the public advertisement method or the selective tender method.
- In the interests of fairness and equity to all parties intending to submit, contact or communication with prospective tenderers must cease once tender preparation has commenced.
- The CPO will ensure that the Finance Officer confirms that funds are available.
- Approval to proceed to tender is then sought in accordance with the Instrument of Delegation.
- If approved to proceed to tender, the decision will be implemented by the CPO.
- The CPO in consultation with the project team/relevant manager prepares tender documentation. These documents require careful consideration because they will form the basis of the contract should there be a successful tenderer. Tender documents include:
  - ✓ The general KDH terms and conditions of tender, which must incorporate selection criteria specific to the project, and a weighting of those criteria (if needed).

- ✓ A specification of need, including key performance indicators and a process by which those indicators will be monitored and evaluated during the term of any contract with a successful tenderer.
- ✓ A Form of Tender, which must include a requirement for a Statement of Compliance to be completed by every tenderer.
- ✓ Time frames including Tender Release, Tender Close, Tender Evaluation Complete and Contract Commencement dates.
- ✓ A public advertisement where necessary.
- ✓ A contract checklist to ensure there are no elements missing in the process.

- If the value of the tender is over $50K per year and the CPO or Executive Director in charge considers it necessary, the tender documentation may be referred to a legal advisor.
- The relevant Executive Director will appoint a tender evaluation panel. This may include the project team and any additional appropriately qualified persons as considered necessary. In all cases the CPO or delegate is to be a member of the evaluation panel.
- An individualised Evaluation Plan needs to be developed prior to the tender closing

Tender Procurement

- Whether open or selective tender is used, the CPO will be responsible for convening information sessions and acting as contact point for communication with prospective tenderers. There will be no contact between any KDH staff and potential tenderers except as approved by the tender evaluation panel.
- If open tender has been specified, tenders are advertised by the CPO.
- The CPO is responsible for the security of tender documents once lodged and for opening and recording of tenders in accordance with best practice protocols.
- If it is a public tender a list of respondents who submit a tender or expression of interest is developed.

General Provisions

- Except as otherwise specified in this Protocol, choice of purchasing method is the responsibility of the KDH employee authorised within the authority of the Instrument of Delegation to approve the relevant level of expenditure (the “authorised delegate”) in consultation with the CPO.
- Any purchase may be subject to a random probity audit.
- The CPO or Supply Manager will retain original documents comprising a contract. Original documentation will be securely filed and kept available for reference if required. The CPO will provide copies of the contract to the relevant Business Manager for use in ongoing management of the contract.
- It is a standing KDH requirement that when signing any document which has the effect of legally committing KDH, KDH employees must print his/her name adjacent to their signature and endorse the document with the date of signing.
- In cases where the document requires the relevant signature to be witnessed by another person, the signing must be done in the presence of the witness, and in accordance with any other specific procedure (e.g. application of a seal) required by the nature of the document.

- Where a unit, department or individual is involved in offering a tender, for example tendering for the purchase of a KDH vehicle for private ownership, no preferential treatment will be allowed.
- If a KDH employee is involved in preparing an in-house tender for any project which KDH has also put out to public or selective external tender, he/she must not take part in developing or evaluating that tender or any other tender submitted relating to the same project.
- Delegation of authority to a staff member temporarily acting in a more senior position must be in writing. Written approval of a temporary delegation for a specified period is to be forwarded to accounts payable to notify the change in delegation.

4. Lodgement of Submissions

To support confidentiality and security, KDH will;

- provide a secure, physical submission facility and/or the facility to receive electronic submissions;
- allocate responsibility for managing either system to a business unit in the organisation;
- implement a process to inform suppliers of successful receipt of their submission;
  - immediately in the case of an electronic system; or
  - within five working days of a submission closing date in the case of a physical receipt facility.
- apply procedures in relation to late submissions that accord with the following protocols:
  - late submissions are not to be accepted unless the supplier can clearly document to the satisfaction of the Chief Procurement Officer that it was due to an event of exceptional circumstances; and
  - the Chief Procurement Officer ought to be satisfied that accepting a late submission would not compromise the integrity of the market approach.

5. Evaluation of Submissions

The Evaluation Panel evaluates the submissions in accordance with the selection criteria as weighted.

Probity and confidentiality must be maintained at all stages of the evaluation process.

The Panel prepares an evaluation report including its recommendation as to which (if any) of the tenders/offers should be accepted. KDH will always specify and retain the right to not approve or select tenders.

Evaluation processes need to be established prior to an invitation of offers, as tenderers should know the basis on which their offers will be evaluated. Evaluation criteria and methodology must be clearly explained, remembering that this also represents an undertaking by the entity to conduct the tender evaluation according to the protocol advised to tenderers.

Prospective tenderers must be advised of the basis on which their offers are to be evaluated. It is important to advise the range of criteria to be used, to identify those for which mandatory compliance is required, and those for which compliance is desirable. When conducting a tender evaluation, you will be evaluating both the tender's capability and the quality of the offer received.

Evaluation criteria generally fall into 6 broad groups:

1. Compliance with tender requirements
2. Financial capacity, technical expertise and management ability of tenderer
3. Acceptance of terms and conditions

4. Meeting specifications
5. Total cost
6. Whole of life costs.

When a decision to award a contract has been made, there must be appropriate documentation detailing the decision-making process. The documentation must support the decision-making process including the evaluation process and the reasons underlying the choice of supplier, consequently, the documentation should detail why the procurement is necessary, processes that were followed, the comparative analysis undertaken, and all authorisations and the basis of those delegations being exercised.

A tender evaluation report should contain:

- A summary of the evaluation process
- A summary of each received submission
- A summary of the assessment of each submission
- Reasons for any elimination of a submission from further consideration
- Recommendations concerning the preferred submissions
- Details of any issues which need resolution during subsequent contract negotiations.

The report is to be signed by the procurement officer or members of a panel / committee making the recommendation and addressed to the delegate exercising approval. The delegate then signs the report if they are in agreement with the recommendations. This report can also assist with providing feedback to unsuccessful tenderers.

6. Negotiation of Submissions

Negotiation is an iterative activity conducted after shortlisting suppliers and carried out when the evaluation panel decides that it will add value to the outcome of the procurement activity.

Expectations include:

a) The negotiation process is transparent, recorded and conducted in a manner that is fair and equitable for all parties shortlisted; and

b) Negotiations that seek further information, improvements to a supplier's bid or a best and final offer are conducted in a consistent manner and that any accepted improvements are within the scope of the market approach.

After the panel conducts any necessary post-tender negotiations and/or interviews a short list of preferred tenderers/suppliers is developed

The CPO will advise in writing tenderers/suppliers not included on the short list that their tenders/submission have been unsuccessful.

7. Supplier Selection

Supplier selection establishes a relationship that can deliver value-added improvements beyond the requirements of the contract.

The evaluation report, together with a tender checklist and recommendation, is submitted by the panel to the relevant Executive Director for consideration and instruction for further action, along with all other appropriate documentation such as a draft letter of acceptance of offer, inclusive of any necessary clarification of non-conforming responses.

A letter of acceptance of offer in the prescribed format signed by the authorised delegate is provided by KDH to the preferred supplier. This letter, the tender documents prepared by the CPO, Purchase Order and the successful tender together normally constitute the whole contract. A separate agreement is required only if it is necessary to record acceptance by KDH of a non-conforming tender.

The CPO will notify in writing all other short-listed tenderers that their tenders have been unsuccessful and that a debrief session is available if required. It is important that suppliers who make a submission or submit tenders in a procurement process are advised of the decision as soon as possible and in the case of unsuccessful suppliers that they are offered the opportunity for a debriefing when it is requested.

8. Contract Management

Each manager must actively manage contracts relating to their particular areas of responsibility.

This includes participation in the development of selection criteria and key performance indicators for inclusion in tender documentation and (where appropriate) RFQ.

It also includes reviewing performance of the provider of goods or services under the contract conditions at least annually or more often if required by the terms of the contract. Where a significant breach by a HSV contracted Supplier occurs and the matter is not able to be resolved directly with the Supplier, HSV must be notified immediately.

Please refer to *KDH Procedure* – Contract Management for adherence to this step in the procurement process.

9. Asset Disposal

Please refer to *KDH Procedure* - Asset Management (Acquisition, Operation, Maintenance, and Disposal) for adherence to this step in the procurement process.

KEY ALIGNED/RELATED DOCUMENTS

Policy – Gifts, Benefits and Hospitality

HSV Purchasing Policy 1 – Governance

- KDH Policy – Procurement Governance
- KDH Procedure – Procurement Strategy
- Plan – Annual Procurement Activity Plan (PAP)
- KDH Procedure – Procurement Capability Statement
- KDH Procedure – Procurement Capability, Assessment and Development Plan
- KDH Procedure – Supplier Engagement Plan
- KDH Procedure – Procurement Critical Incident Procedure
- KDH Procedure – Procurement Complaints Management

HSV Purchasing Policy 2 – Strategic Analysis

HSV Purchasing Policy 3 – Market Approach

- KDH Procedure – Purchasing

HSV Purchasing Policy 4 – Contract Management and Asset Disposal

- KDH Procedure – Contract Management
- KDH Procedure – Contract Management Strategy
- KDH Procedure – Asset Management (Acquisition, Operation, Maintenance, Disposal)

HSV Purchasing Policy 5 – Collective Purchasing and Supply Chain

- KDH Procedure – Purchase Standard of Goods and Services

KEY LEGISLATION, ACTS & STANDARDS

Electronic Transactions (Victoria) Act 2000

Fair Trading Act (Vic) 1999

Goods Act (Vic) 1958
Trade Practices Act (Commonwealth) 1974

REFERENCES
Corporate Contracting (Legal Status) Policy
Code of Conduct for the Victorian Public Sector
Conflict of Interest Policy Framework for the Victorian Public Sector
Protocol for Visiting Company Rep's
Fixed Asset Purchase Approval Form
Justification Statement
Computer Equipment Request
HSV Procurement Governance Policy
HSV Strategic Analysis Policy
HSV Market Approach Policy
HSV Contract Management & Asset Disposal Policy
HSV Collective Purchasing Policy

EVALUATION
This policy is to be reviewed every three years or earlier if required. 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.

Approved by Executive Director/Committee/Department Head

	Name	Position	Service/Program/Final Endorsement	Date
Document Owner:	M Maritz	DCB		
Lead reviewer:	M Maritz	DCB		
Contributors:				
Committee/s:			Executive and Senior Management	19/12/2024
Last Review Date:				18/12/2024
				21/05/2021
				13/08/2020
				15/12/2017
Next Review Date				18/12/2025