Special Commission of Inquiry into Healthcare Funding

Statement of Margot Mains

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1. This statement made by me accurately sets out the evidence that I would be prepared, if necessary to give to the Special Commission of Inquiry into Healthcare Funding (**the Inquiry**) as a witness. The statement is true to the best of my knowledge and belief.

A. BACKGROUND

2. My name is Margot Mains. I am the Chief Executive, Illawarra Shoalhaven Local Health District. My curriculum vitae is at Exhibit 7 of the NSW Health Tranche 2 Consolidated Exhibit List.

3. I was previously the Chief Executive Officer of Northern Adelaide Local Health Network. Prior to this, I held senior leadership roles in the New Zealand Health system as Chief Executive Officer, Capital and Coast District Health Board and Chief Executive Officer, Mid Central Health.

4. I am a registered nurse. I have been awarded a Certificate in Community Health from Christchurch Polytechnic, Graduate Diploma of Nursing from Massey University and Bachelor of Laws from the University of Otago. I have also completed the New Zealand Institute of Company Directors' course.

5. I was admitted as a fellow of the University of Wollongong in October 2021 for my contribution to the health and wellbeing of the Illawarra and Shoalhaven community.

6. The ISLHD serves a population of over 420,000 people extending from Helensburgh in the north to North Durras in the south. This catchment covers the 4 local government areas of Wollongong, Kiama, Shellharbour and Shoalhaven. The ISLHD comprises over 7500 staff, 7 hospitals and a network of community facilities, hospital in the home, and virtual health services. The geography of the District covers areas classified as metro, regional and rural for the purposes of health planning and service delivery.

B. SCOPE OF STATEMENT

7. This statement addresses the questions raised in the Inquiry's letter dated 22 December 2023 and also broadly addresses Term of Reference E. On direction from the Inquiry, this statement does not address ISLHD's procurement of capital (less than $10 million) or ISHLHD's interaction with Health Infrastructure (greater than $10 million), and procurement in relation to workforce, including locum medical officers or agency nurses, nor delivery of statewide health treatment services such as networked clinical treatment or the NSW Ambulance Service.

8. I note that the role of Health Infrastructure within any hospital redevelopment does include the procurement of medical equipment, furniture, fittings and Information and Communication

Technology **(ICT**) equipment that fall under the whole-of-government and whole-of-health contracts managed by Healthshare NSW.

9. In discussing delivery of services, this statement focusses on the shared services provided by HealthShare NSW (**HealthShare**) and eHealth NSW (**eHealth**) and the statewide health service provided by NSW Health Pathology (**NSWHP**). On direction from the Inquiry this statement does not address delivery of health treatment services, other than the diagnostic and treatment services of NSWHP.

10. In addressing procurement, this statement relies on the definition of procurement in s. 162 of the *Public Works and Procurement Act 1912*, being: "procurement of goods and services means the process of acquiring goods and services by—

    a. identifying the need to purchase goods and services, and

    b. selecting suppliers for goods and services, and

    c. contracting and placing orders for goods and services,

    and includes the disposal of goods that are unserviceable or no longer required".

11. ISLHD considers that the definition of contracting includes contract management, which is a substantial part of ISLHD's procurement role.

C. THE ISLHD PROCUREMENT CONTEXT

(i) The NSW Government framework and policies that apply across ISLHD

12. ISLHD follows all NSW Government and NSW Health Procurement Policies.

13. The *NSW Government Framework* (exhibited to this statement at Exhibit 16 of the NSW Health Tranche 2 Consolidated Exhibit List) governs procurement in NSW Government agencies, as defined by s. 162 of the *Public Works and Procurement Act 1912* and applies to all NSW Health agencies including ISLHD. It requires ISLHD to procure goods and services in accordance with NSW Procurement Board policies and directions, including the *NSW Government Framework*.

14. The *NSW Government Framework* requires that a Chief Procurement Officer (**CPO**) is appointed for Health who is responsible for mandating legislative requirements and compliance with relevant NSW Government policies. Further, ISLHD acknowledges the following requirements:

    a. Enforceable procurement provisions (the Ministry of Health is a listed agency in Schedule 1 to the NSW Government Procurement Board PD2019-05 Enforceable Procurement Provision, a copy of which is exhibited at Exhibit 95 of the NSW Health Tranche 2 Consolidated Exhibit List, give effect to international trade agreements, providing a remedy to suppliers for breach and applies to procurement contracts over $680,000 (higher for construction contracts). It is understood by ISLHD that these provisions are managed by the Ministry of Health. If a scenario were to arise locally, it would be referred to the relevant branch of the Ministry of Health.

All unsolicited proposals are to be referred to the Department of Premier and Cabinet for assessment, in accordance with the NSW Government *Unsolicited Proposals Policy* and *Guide for Submission and Assessment*, copies of which are exhibited to this statement at Exhibit 96 and 97 of the NSW Health Tranche 2 Consolidated Exhibit List.

It is understood by ISLHD that these provisions are managed by the Ministry of Health.

15. There are five objectives of the *NSW Government Framework*:

a. Value for money,

b. Fair and open competition,

c. Easy to do business,

d. Innovation, and

e. Economic development, social outcomes and sustainability.

16. In complying with its objective of value for money, the *NSW Government* Framework mandates that ISLHD complies with (since updated) Treasury policies TPP18-06 *NSW Government Business Case Guidelines* and TPG23-08 *NSW Government Guide to Cost Benefit Analysis*, copies of which are exhibited to this statement at Exhibit 44 and 45 of the NSW Health Tranche 1 Consolidated Exhibit List. These polices are designed to standardise and facilitate evidence-based resource allocation.

17. To meet the *NSW Government's Framework* objective of being easy to do business with, ISLHD must:

a. Advertise open tenders electronically on NSW eTendering,

b. Ensure tender periods give respondents reasonable time to effectively price and prepare their submissions or bids,

c. Provide suppliers with as much notice as possible of upcoming and open procurements,

d. Use mandated contracts for ICT, in accordance with PBD-2021-02 *Mandated Use of ICT Purchasing Framework* (Exhibit 99 of the NSW Health Tranche 2 Consolidated Exhibit List),

e. Use the dedicated customer contract for procurements using whole-of-government arrangements, for example. standing offers and prequalification schemes,

f. wherever feasible, limit the length of tender responses when seeking more than one quote, and minimise tender and contract requirements whenever possible (such as insurance levels or technical requirements),

g. comply with the NSW Health Conditions of Subsidy A copy of that policy is exhibited to this statement at Exhibit 100 of the NSW Health Tranche 2 Consolidated Exhibit List (unless subject to alternative contract terms) which requires that:

i. Registered small businesses be paid within 5 business days for goods and services worth up to $1 million (aligned with the NSW Government's *Faster Payment Terms Policy* A copy of that policy is exhibited to this statement at Exhibit 41 of the NSW Health Tranche 2 Consolidated Exhibit List.

ii. Large businesses who contract with NSW Government agencies at or above $7.5 million to pay small business subcontractors within 30 business days. It is acknowledged this differs to the NSW Government's *Small Business Shorter Payment Terms Policy,* A copy of these conditions are exhibited to this statement at Exhibit 20 of the NSW Health Tranche 2 Consolidated Exhibit List, which advises 20 days.

18. In complying with the *NSW Government Framework* objective of innovation, ISLHD:

a. Comply with Treasury policy TPP16-05 *NSW Government Commissioning and Contestability Policy*, a copy of which is exhibited to this statement at Exhibit 42 of the NSW Health Tranche 2 Consolidated Exhibit List, ISLHD is committed to the whole-of-government strategic approach to the delivery of quality services to sustainability provide improved outcomes for its consumers. This involves utilising a cost-benefit analysis methodology when considering new or improved models of care.

19. The *NSW Government Framework* objective of economic development, social outcomes and sustainability requires ISLHD to:

a. Comply with the *SME and Regional Procurement Policy,* contained at Exhibit 18 of the NSW Health Tranche 2 Consolidated Exhibit List,

b. Comply with the ICT/Digital SME procurement commitments, contained at Exhibit 19 of the NSW Health Tranche 2 Consolidated Exhibit List,

c. For ICT procurements over $3 million, conduct a tender process with direct involvement most likely by eHealth, and pending the location, Health Infrastructure. It would involve the following;

i. make suppliers aware of the SME indirect addressable spend target at time of tender,
ii. include SME indirect targets in the contract, of at least 25% of the total contract value of addressable spend,
iii. monitor that suppliers are submitting quarterly reporting against their progress to achieve their SME contract target commitments,

d. Acknowledge the *Small Business Shorter Payment Terms Policy* [already exhibited at Exhibit 20] to support cash flow for small businesses that are subcontracted on NSW Government goods and services contracts. The NSW Health Conditions of Subsidy [already exhibited] sets out the required payment terms for small businesses, and ISLHD is bound to these conditions.

e. Comply with the Aboriginal Procurement Policy, a copy of which is exhibited to this statement at Exhibit 21 of the NSW Health Tranche 2 Consolidated Exhibit List.

f. Comply with the *Government Resource Efficiency Policy,* a copy of which is exhibited to this statement at Exhibit 22 of the NSW Health Tranche 2 Consolidated Exhibit List, by ensuring goods, services and construction projects meet minimum energy, water use and air emissions standards. Compliance is enacted through the NSW Health Conditions of Subsidy (already exhibited at Exhibit 100) sets energy use requirements for NSW Health agencies, with annual improvement requirements and the ISLHD is bound to these conditions. It should also be noted that Health Infrastructure manages application of these requirements for new builds and redevelopments.

g. Comply with the NSW Health Policy *NSW Health Vehicle Procurement and Use,* copy of which is exhibited to this statement at Exhibit 101 of the NSW Health Tranche 2 Consolidated Exhibit List, which mandates the use of the NSW Government Prequalification scheme. The current ISLHD fleet comprises hybrid vehicles where practicable. The ISLHD is commencing trials for fully electric vehicles in 2024.

h. Comply with now archived Premier's Memorandum 2012-08 *Use of Biofuels*, a copy of which is exhibited to this statement at Exhibit 143 of the NSW Health Tranche 2 Consolidated Exhibit List, by using E10 and biodiesel blends where possible, unless there is a clear operational requirement that precludes the use of biofuels. In the ISLHD this is enacted through compliance with the NSW Health Policy *NSW Health Vehicle Procurement and Use* referred to at paragraph 19(g) above, which mandates the use of E10 fuels where practicable.

20. The *SME and Regional Policy,* a copy of which has previously been exhibited at Exhibit 18, allows ISLHD to negotiate directly with and engage an SME or regional supplier for goods and services up to $150,000, even where there is a whole-of-government arrangement in place. Noting that a regional supplier is a supplier *outside* the Wollongong metropolitan areas of ISLHD. ISLHD covers both metropolitan and regional areas as governed by the Policy. As such, the local government areas of Shoalhaven, Kiama and Shellharbour are all defined as Regional. This results in an opportunity for ISLHD to extend the supplier market across our District given the access to regional suppliers, ultimately supporting local jobs and the local economy. Through these improved outcomes, local suppliers across ISLHD have broader access to government procurement, essentially supporting the NSW Government Framework requirement of fair and open competition.

21. To support the application of this Policy, ISLHD strategic sourcing team have built the availability of this Policy into its Sourcing & Contracts Framework ensuring the team are considering the opportunities strategically with end users. Additionally, we have identified specific spend categories / types of spend where we look to engage local suppliers, for example gardening and grounds maintenance, facilities management, body bags.

(ii) NSW Health frameworks and policies

22. ISLHD inherently complies with the *NSW Government Framework* (previously exhibited at Exhibit 16) by way of compliance with the *NSW Health (Goods and Services) Procurement Policy* (Exhibit 13 of the NSW Health Tranche 2 Consolidated Exhibit List). While the Ministry of Health develops these policies, procedures to put these policies into effect are developed at local level by ISLHD.

The *NSW Health Procurement Policy* is supported by a range of policies and guidelines governing specific aspects of procurement and grants, such as:

a. Contract disclosure – PD2018_021 *Disclosure of Contract Information*, a copy of which is exhibited to this statement at Exhibit 28 of the NSW Health Tranche 2 Consolidated Exhibit List, is a policy developed by the Business and Asset Services Branch of the Ministry of Health, to ensure NSW Health meets its contract disclosure obligations under the *GIPA Act*. The ISLHD contract disclosure requirements are built into the ISLHD Sourcing & Contract framework, largely applied by the Category Management professionals in conjunction with relevant end users.

b. Asset valuation – PD2008_013 *Assets Valuation of Physical Non-Current Assets at Fair Value*, a copy of which is exhibited to this statement at Exhibit 102 of the NSW Health Tranche 2 Consolidated Exhibit List, is a policy developed by the Finance Branch of the Ministry of Health. It sets out the Ministry of Health's requirements for NSW Health Agencies regarding:

   i. 3 yearly revaluation policy,

   ii. Engagement of external valuations,

   iii. Recognition of heritage assets at "written down replacement" of a modern equivalent asset,

   iv. Exclusion of plant & equipment from revaluation requirements,

   v. Nil investment properties,

   vi. Accounting treatment within NSW Health, including fair value for assets which have few or no alternative uses,

   ISLHD undertakes asset valuation programs in a 3 year cycle, with the most recent finalised valuation undertake in the 2020/21 financial year. The valuation program has commenced for 2023/24. These valuations are reported in financial statement disclosure notes.

c. Asset management – PD2022_044 *Asset Management*, a copy of which is exhibited to this statement at Exhibit 43 of the NSW Health Tranche 2 Consolidated Exhibit List, requires ISLHD to ensure that asset-related decisions (for non-financial assets) represent a balance of cost, risk and performance, are based on the current and future contribution of the asset to service provision and use a whole-of-lifecycle approach.
   ISLHD undertakes a Strategic Asset Management Program (SAMP) and Asset Management Program (AMP) in line with NSW Health requirements. The SAMP and AMP set out the asset management programs for the District over a 5-year cycle. A copy of each is exhibited to this statement at Exhibit 111 and 112 of the NSW Health Tranche 2 Consolidated Exhibit List.

d. Conflicts of interest and integrity – PD2015_045 *Conflicts of Interest and Gifts and Benefits* and PD2015_049 *NSW Health Code of Conduct*, copies of which are exhibited to this statement at Exhibit 29 and 30 of the NSW Health Tranche 2 Consolidated Exhibit List,

apply to all ISLHD staff. They operate to ensure that staff act with integrity, perform duties in a fair and unbiased way and do not make decisions which are affected by self-interest or personal gain; this involves avoiding actual or perceived conflicts of interest and not accepting gifts of a non-token nature. PD2015_045 requires ISLHD to have systems in place to address the management of conflicts of interest and gifts and benefits and to ensure staff are aware of these issues and how to deal with them. PD2016_029 *Corrupt Conduct: Reporting to the Independent Commission Against Corruption (**ICAC**)*, a copy of which is exhibited to this statement at Exhibit 31 of the NSW Health Tranche 2 Consolidated Exhibit List, sets out procedures for compliance with the *Independent Commission Against Corruption Act 1988* including an internal reporting system to the Chief Executive to facilitate the reporting of corruption. In addition, PD2023_26 *Public Interest Disclosures,* a copy of which is exhibited to this statement at Exhibit 118 of the NSW Health Tranche 2 Consolidated Exhibit List, sets out the requirements for compliance with the *Public Interest Disclosure Act 2022* and the reporting of wrongdoing.

e. The ISLHD acknowledges its responsibility for compliance with this Policy and confirms these requirements are built into the frameworks, guidelines and tools detailed earlier in the statement. In addition, as part of enacting compliance *ISLHD CORP PD 10 – Management of Conflicts of Interest and Gifts and Benefits*, a copy of which is exhibited to this statement at Exhibit 113 of the NSW Health Tranche 2 Consolidated Exhibit List, provides staff with information on how to report/declare these matters in ISLHD and are complimented by annual declaration campaigns to serve as a reminder of the requirements of the policy and registers for both registered conflicts of interest and receipt of gifts.

f. The *ISLHD Fraud and Corruption Control Framework* a copy of which is exhibited to this statement at Exhibit 103 of the NSW Health Tranche 2 Consolidated Exhibit List, provides guidance for controlling fraud and corruption activities throughout the District. The Framework details the process the District will follow to develop and implement an annual Fraud and Corruption Control Program and Action Plan.

23. There are a number of policies which specify more detailed requirements for procurement of specific goods or services, such as policies relating to:

a. Software Asset Management. PD2022_027 NSW Health Policy *Software Asset Management*, a copy of which is exhibited to this statement at Exhibit 104 of the NSW Health Tranche 2 Consolidated Exhibit List, is a policy developed jointly by eHealth and the ICT Strategy Branch of the Ministry of Health which provides direction to NSW Health Organisations about how to manage software assets used across NSW Health information systems throughout their life cycle. ISLHD have processes in place for software requests via the demand process and all applications are reviewed as required and recorded on a local register.

b. PD2021_043 *NSW Health Foundation Information and Communication*, a copy of which is exhibited to this statement at Exhibit 105 of the NSW Health Tranche 2 Consolidated Exhibit List, is a policy developed by eHealth and the ICT Strategy Branch of Ministry of Health. It mandates state-wide clinical, corporate and infrastructure ICT services, standards and platforms to ensure consistent foundational capabilities across NSW Health.

ISLHD utilises the foundation applications outlined in the policy where appropriate except for Virtual Private Network (VPN) which is provided by SEISLHD (HICT) Shared Service.

c. Fleet vehicles. GL2023_023 NSW Health Fleet Management Guideline, a copy of which is exhibited to this statement at Exhibit 144 of the NSW Health Tranche 2 Consolidated Exhibit List, is a guideline developed by the Asset Management Branch of the Ministry of Health as a complimentary document to PD2023_030 *NSW Health Motor Vehicle Procurement and Use* (previously exhibited at Exhibit 101) The guideline and policy, designed to be concurrently read, provide additional direction on procurement,

ISLHD comply with this state policy and currently have a local *policy ISLHD Motor Vehicle Policy* a copy of which is exhibited to this statement at Exhibit 106 of the NSW Health Tranche 2 Consolidated Exhibit List, that is being considered for withdrawal given minimal variation from the NSW Health policy. In general, we aim for local policies to provide additional or localised guidance on implementation.

d. Surgical goods. PD2006_008 *Prostheses – Surgically Implanted – Fees Chargeable by Public Health Organisations*, a copy of which is exhibited to this statement at Exhibit 107 of the NSW Health Tranche 2 Consolidated Exhibit List, is a policy developed by the Finance Branch of the Ministry of Health, which provides that if a public hospital is unable to procure any cardio-thoracic or ophthalmic items on the Prostheses List at or below the agreed percentage discount from the Prostheses List minimum benefit, then that hospital may provide a supplier invoice to the relevant health fund for reimbursement.

24. Although considered distinct from procurement, it is also relevant to note the NSW Heath policy governing NGO grants. PD2019_013 *Administration of NSW Health Grant Funding for Non-Government Organisations*, a copy of which is exhibited to this statement at Exhibit 108 of the NSW Health Tranche 2 Consolidated Exhibit List, is a policy developed by the Health and Social Policy Branch of the Ministry of Health. It covers grants that aim to meet the core costs of a health service or project, including necessary recurrent direct and indirect costs, and is mandatory in relation to distribution of grants under the Ministerially approved grants under the NGO Grants Program and ad hoc NGO grants. It gives guidance, but is not mandatory, in relation to program grants. It does not apply to capital funding, other than as a limited component (for example equipment, motor vehicles), sponsorships, research grants or goods or services procured under the *Government Procurement Framework* (see Exhibit 16). The policy distinguishes a grant (money given subject to certain conditions, including that it be used to achieve the mutual objectives) from (purchase of goods or services from another party to meet the operational needs and functions). ISLHD comply with the best practice guidelines where applicable.

25. Section 126G of the *Health Services Act 1997* provides that the Minister may direct that a Public Health Organisation acquire specified services from the Health Secretary:

"**126G Directions by Minister in relation to acquisition of services**

(1) The Minister may, by order in writing, from time to time—

(a) require a public health organisation to acquire specified services from the Health Secretary or some other specified person if and when such services are required, and

(b) give a public health organisation any necessary directions for the purposes of paragraph (a).

(2) The following conduct is specifically authorised by this Act for the purposes of the Competition and Consumer Act 2010 of the Commonwealth and the Competition Code of New South Wales—

(a) a requirement or direction of the Minister given under subsection (1),

(b) the entering or making of a contract, agreement, arrangement or understanding as the result of such a requirement or direction,

(c) conduct authorised or required by or under the terms or conditions of any such contract, agreement, arrangement or understanding,

(d) any conduct of the Health Secretary in carrying out the Health Secretary's functions or exercising the Health Secretary's powers under this Part,

(e) any conduct of a public health organisation, its agents, a person concerned in the management of the organisation or a person who is engaged or employed by the organisation—

(i) in relation to obtaining services in accordance with this Part, or

(ii) in complying with a requirement or direction of the Minister given under subsection (1).

(3) Conduct authorised by subsection (2) is authorised only to the extent (if any) that it would otherwise contravene Part IV of the Competition and Consumer Act 2010 of the Commonwealth and the Competition Code of New South Wales."

26. ISLHD is directed to obtain certain services from HealthShare, eHealth and NSW Health Pathology in accordance with the Direction of the Minister s. 4.1 of the *Accounts and Audit Determination for Public Health Entities in NSW 2020* (**the Determination**), a copy of which is exhibited to this statement at Exhibit 35 of the NSW Health Tranche 2 Consolidated Exhibit List.

27. The determination provides:

"**4.1 NSW Health Shared Services**

a. Unless otherwise approved by the Health Secretary, PHEs other than AHOs must use the following NSW Health shared services:

a. *HealthShare NSW*:

1. Transaction services such as accounts payable, including VMO payment processing, accounts receivable, payroll, and general ledger reconciliations, interfaces and journal postings associated with transaction services
2. Procurement services, including purchasing, warehousing and distribution
3. Hotel and support services, including food and linen
4. Disability support services through Enable NSW
5. Asset register;

6. Payment services, such as payments for accounts payable, including VMO payments, payroll and PAYG from a HealthShare NSW bank account.

b. *NSW Health Pathology* for pathology services, including public pathology, forensic and analytical services;

c. *NSW eHealth* for Statewide information and communication technology services;

d. *Health Infrastructure* for the delivery and management of major capital works projects, and

e. *NSW Ambulance Service* for ambulance services (excluding Non-Emergency Patient Transport).

b. An AHO may, with the approval of the Secretary, use the services of a Division of the Health Administration Corporation as listed in a) above;

c. unless otherwise approved by the Secretary, PHEs receiving services from a NSW Health Shared Service must pay the Shared Service recovery charge set out in the respective Shared Service Customer Service Charters, as adjusted from time to time. The Shared Service recovery charge will be paid by the Ministry on behalf of the PHE;

d. if no applicable Shared Service recovery charge is included in the Customer Service Charters, PHEs must, subject to the receipt of a correctly rendered Tax Invoice, promptly pay the Shared Service for services received, within normal trading terms;

e. PHEs must appropriately record in the PHE accounts all Shared Service Recovery charges paid by the Ministry to a NSW Health Shared Service on behalf of the PHE and other NSW Intra-Health payments made on behalf of the PHE by the Ministry through the Ministry of Health State Pool, as set out in the Accounting Manual for Public Health Organisations; and

f. PHEs must promptly pay for other services received from other NSW Health entities on receipt of a correctly rendered tax invoice.

Use of HealthShare NSW for payments

a. PHEs, other than AHOs, must use HealthShare NSW for all payroll and accounts payable transactions unless exempt by the Ministry and where the payment is urgently required and cannot be processed by HealthShare on the same or next Business Day; and

b. if an urgent payment directly by the PHE is required, the payment must be made by cheque or electronic funds transfer and the payment approved by two officers authorised to do so under approved delegations."

D. THE ISLHD PROCUREMENT STRUCTURE

28. The ISLHD has multiple frameworks, guidelines and tools implemented which are designed to support compliance to the *NSW Health Procurement Policy* [previously exhibited]. These include:

a. *ISLHD Delegation Manual* outlining approved delegation levels for procurement needs within the organisation, and applied appropriately for approvals, a copy of the which is exhibited to this statement at Exhibit 109 of the NSW Health Tranche 2 Consolidated Exhibit List.

b. *ISLHD Purchasing Manual* aimed at providing end users the resources to appropriately purchase to meet their needs, a copy of the which is exhibited to this statement at Exhibit 145 of the NSW Health Tranche 2 Consolidated Exhibit List.

c. The *ISLHD Purchasing Matrix* outlines the purchasing threshold requirements per Policy, what documentation is required and when to seek assistance from ISLHD procurement. This tool is available to support decision making depending on the end user need, a copy of the which is exhibited to this statement at Exhibit 146 of the NSW Health Tranche 2 Consolidated Exhibit List.

d. *ISLHD Sourcing & Contracts Framework* designed to provide clarity of the sourcing process, including detailing the roles and responsibilities within the process flow, a copy of the which is exhibited to this statement at Exhibit 147 of the NSW Health Tranche 2 Consolidated Exhibit List.

e. Local contract templates adapted from MoH contract templates;

f. Quick Reference Guides (QRGs) (for example, Raising a Requisition, Changing, Amending or Cancelling a Requisition QRG) and Standard Operating Procedures (for example: Auditing of P-Cards) aimed at providing detailed steps for specific processes.

g. Locally developed procurement data dashboards designed to improve tactical and strategic decision making in support of service delivery, examples of which are exhibited to this statement at Exhibit 148 of the NSW Health Tranche 2 Consolidated Exhibit List. This was a result of an identified challenge in having 'one source of truth' when reviewing data.

h. Overarching procurement compliance:

i. *ISLHD P-Card Policy*, a copy of the which is exhibited to this statement at Exhibit 110 of the NSW Health Tranche 2 Consolidated Exhibit List,

ii. *NSW Health Procurement Policy gap analysis tool* ((contained within Exhibit 13 of the NSW Health Tranche 2 Consolidated Exhibit List), used to monitor compliance to Policy and inform the Ministry of Health of current state of compliance,

iii. Gatekeeper role undertaking monitoring for requisitions over $30,000;

iv. Internal audit findings, associated action plans & future scheduled audits;

v. Appropriate document management & storage (PROcure & Content Manager);

vi. Development of a strategic Compliance Framework is underway aimed at detailing our approach to monitor and report on procurement compliance.

i. Delivery of a district wide education program in support of frameworks in 2023. The future ISLHD procurement education strategy is under development.

29. To support service delivery in accordance with the *NSW Government Framework* and the *NSW Health Procurement Policy*, the centre led ISLHD procurement structure has been established to include three key streams set out below, all reporting into the Director of Procurement and Supply Chain which reports to the ISLHD Executive Director of Finance & Corporate Services.

a. Strategic Procurement / Category Management focused on sourcing & contracts, including Procurement Business Partners (detailed below);

b. Supply Chain supporting inventory management, including data analytics; and

c. Policy & Compliance supporting governance.

30. The establishment of a Procurement and Supply Chain team structure was a result of a functional review undertaken by Ernst & Young in 2018, a copy of the which is exhibited to this statement at Exhibit 149 of the NSW Health Tranche 2 Consolidated Exhibit List.

31. This structure has enabled alignment with strategic policy directives, both at a State and *Cluster* level, and the promotion of better outcomes locally. The structure has been adapted over time where applicable to ensure service delivery supports the ISLHD requirements. An example of this was the approval of four Procurement Business Partner roles aimed at:

a. Providing a dedicated resource to support HealthShare contract implementation;

b. Driving purchasing compliance against statewide contracts;

c. Educating and supporting end users in purchasing; and

d. Supply chain management support.

32. The ISLHD is committed to ensuring value for money and utilises a cost-benefit analysis approach to new or improved initiatives. To facilitate this, ISLHD utilises an internal business case template which considers quantitative and qualitative measures to weigh up service improvements against proposed cost. These are then considered at the most senior Executive Committee for final endorsement.

33. ISLHD procurement has proactively engaged Local Councils aiming to implement a local initiative, I-Connect, through the identification of a supplier database, that can be promoted internally targeting increased spend across our District per this Policy.

E. HOW ISLHD OBTAINS GOODS AND SERVICES

(i) Centralised procurement

34. ISLHD is required to procure goods and services, excluding professional services, ICT and certain exempt procurements (such as Enforceable Procurement Provisions or those approved by the CPO), as follows:

a. For procurement over $10,000, ISLHD must use whole-of-government or whole-of-health contracts and pre-qualification schemes for obtaining goods in accordance with Procurement Board Direction 2021-04 *Approved Procurement Arrangements*, a copy of which is exhibited to this statement at Exhibit 33 of the NSW Health Tranche 2 Consolidated Exhibit List. At ISLHD, to the extent required, this is applied via the standardised systems, local frameworks, procedures and resources as indicated earlier in my statement. If the purchase is more than $30,000 and less than $250,000, multiple quotes are required to support the purchase.

b. To the extent required, procurements outside of existing procurement arrangements and valued at more than $250,000 are referred to HealthShare via the ISLHD Procurement and Supply Chain team. Users are to engage the ISLHD Procurement and Supply Chain team for referral to the HealthShare Local Tendering & Contracts team (**LTC**). This model is discussed later in this statement.

c. To the extent applicable, procurements valued between $30,000 and $250,000 outside state-wide contracts are managed by the ISLHD Strategic Sourcing team, in line with Policy and as per local frameworks and procedures.

d. The ISLHD gatekeeper also monitors purchase requisitions over $30,000 and in the event the ISLHD Strategic Sourcing team hasn't been engaged, the Gatekeeper will refer purchases at that time as required.

35. The value of the procurement is determined by calculating the cost of the goods and/or services over the life of the term/contract. It is widely communicated across ISLHD that end users must use whole-of-government or whole-of-health contracts and prequalification schemes for their needs, evidenced per previously supplied frameworks and procedures.

36. Where a procurement need is valued at over $250,000 and is referred to HealthShare, the services of HealthShare are provided at cost to ISLHD. The cost is determined by the level of support provided by the HealthShare LTC team, the detail of which is set out in the HealthShare FY24 Final Statewide Pricing Guide, a copy of the which is exhibited to this statement at Exhibit 150 of the NSW Health Tranche 2 Consolidated Exhibit List. The different levels of support provided by the HealthShare LTC team are defined as follows and inherently instil the responsibilities in the process, for example:

a. E-tendering service - $1,000 agency cost.
   i. Typically low risk procurement.
   ii. HealthShare LTC Team loads eligible procurement project onto the NSW Government eTender website quickly.
   iii. Agency prepares all documentation and manages.

b. Standard Lite Service – $7,000 agency cost.
   i. Typically, high value, low risk procurement.
   ii. HealthShare LTC team provides procurement project with governance oversight and basic guidance and support. A dedicated Procurement Officer is allocated to procurement project and will observe the procurement, provide advice and

templates where necessary and ensure that support in meeting procurement policy from beginning to end.

iii. Agency prepares all documentation and manages.

c. Standard service – $20,000 agency cost.

i. HealthShare LTC team provides strong, consistent guidance and support. A dedicated Procurement Officer is allocated to procurement project to assist from beginning to end.

ii. The 'Standard' Service level is typically utilised by those customers who may not have a lot of procurement experience, or, they may not have the required time to commit to certain stages or activities throughout the procurement.

37. HealthShare establishes high-value goods and services contracts for state-wide use within Policy requirements. The advantages and disadvantages of this model are discussed later in this statement. It is my view that HealthShare is responsible for:

a. Category Planning - including spend analysis, market evaluation, stakeholder engagement and strategy development, for example, pharmaceutical category;

b. Sourcing – including market engagement, evaluation, selection and contract award, in conjunction with agencies;

c. Management – including contract handover for successful implementation, supplier engagement and management, monitoring & improvement;

d. Governance – including contract disclosure (GIPA), contract storage (PROCure); and

e. Savings reporting.

38. Within this model, ISLHD is responsible for:

a. Providing input into Category Planning, where sought by HealthShare Category Management;

b. Receiving the contract handover plan for implementation locally;

c. Contract implementation, including the forward planning for any product changeover;

d.

e. Contract compliance including the respective monitoring, improvement action & reporting;

f. Providing feedback to HealthShare on supplier performance; and

g. Supporting appropriate purchasing behaviour.

39. Generally, depending on the nature of the sourcing scenario, the responsibilities may vary. As an example, where a statewide goods contract exists, ISLHD are able to purchase directly from the contract. Where a statewide service agreement exists, in the form of a panel arrangement, ISLHD procurement would then undertake a further market activity to put the relevant local service

agreement in place. Local procurement should have such requirement identified in local category planning.

40. When procuring ICT-related goods and services, ISLHD:

    a. Uses whole-of-health or whole-of-government contracts for ICT-related procurements of any value, where available on an existing contract;

    b. Uses the ICT Services Scheme, contained at Exhibit 34 of the NSW Health Tranche 2 Consolidated Exhibit List, where the ICT-related goods or services are valued at less than $150,000 and are not available on an existing contract.

    c. Refers ICT procurement outside of whole-of-health or whole-of-government contracts valued at more than $150,000 to eHealth;

    d. Complies with the latest guidance on procurement involving laptops, desktop computers of any value. The ISLHD purchase from the state contract. It is our view that this operates well when the eHealth set the product and equipment standards in conjunction with LHD requirements and negotiate a state-based contract for which the LHDs select from as required.

    e. For requisitions over $30,000, refers to the Category Manager where applicable.

41. ISLHD acknowledges this Scheme is mandatory as a result of recent Policy updates. The local procurement team are in the process of updating internal process frameworks and procedures to ensure compliance.

42. For procurements valued at $30 million or more, of any type, are also to be approved by the NSW Health CPO. Other circumstances when ISLHD refers procurement to the CPO include:

    a. Where approval is sought for specific Policy exemptions or process requirements in the procurement of goods, services (including ICT related goods and services), for example exemption approval to directly negotiate with a supplier;

    b. Where ISLHD wish to proceed contrary to advice provided by HealthShare in sourcing;

    c. Where the estimated contract term is more than 5 years, or where an existing contract to be extended or varies such that the contract term extends past 5 years;

    d. All professional services engagements valued at or over $30,000, including any contract extensions or variations to these professional service engagements.

    e. ICT related procurements valued at over $150,000 and below $250,000.

43. Whilst the existing offering of products and services in eHealth and HealthShare address the majority of requirements, sometimes specific local requirements may need to be considered. There is also the instance that historically, there has been significant investment in a platform, product or vendor with a local strategy supporting this selection and supplier relationship. Often a product or service that is suitable for a metro area is not suitable for a regional or rural area. Selections are made on best fit and not just cost. For example, a printer management vendor was selected in part due to the model of delivery that serviced the regional areas of the District.

44. Adjacent to the Policy requirements, there are instances where ISLHD prefers to maintain local decision-making, even where activity is referred to HealthShare. These instances can include:

    a. Ensuring scope of work & its delivery, is fit for purpose, given we understand our local needs best. For example, district Washroom Services tender is a localised scope of work, required to meet local Work Health & Safety (WHS) requirements, managed by the local ISLHD Procurement & Supply Chain team.

    b. Supporting relevant policies for SMEs, Aboriginal and Disability providers.

(ii) Provision of goods and services

45. The process by which ISLHD receives services delivered by the shared services and statewide health services agencies is distinct from procurement as it does not involve the selection of or contracting with suppliers.

46. ISLHD engages HealthShare to perform relevant and practical services offered by HealthShare, including:

    a. Accounts Payable – processing invoices on behalf of ISLHD;

    b. Employee and Financial Shared Services – which primarily relates to employee and payroll services;

    c. Enable NSW – assistive technology and related services to assist people to live safely at home;

    d. Patient meals;

    e. Linen services;

    f. Patient Transport Service; and

    g. Uniforms noting that HealthShare provides an ordering platform for uniforms which is used by ISLHD, however uniforms are provided to HealthShare by a third party.

47. ISLHD does not currently engage HealthShare for cleaning services. Within ISLHD, cleaning services are employed via the whole-of-government cleaning contract where applicable and where permanent staff are not undertaking this service.

48. In relation to eHealth, ISLHD engages all relevant and practical services or utilises all relevant and practical platforms or systems managed by eHealth. ISLHD uses a shared service delivery function with SEISLHD (HICT) that provides most ICT services including desktop, network, application support services and compute and storage requirements. eHealth provides larger central services and systems including the Statewide service desk.

49. PD2021_043 NSW Health *Foundation Information and Communication*, contained at Exhibit 105 of the NSW Health Tranche 2 Consolidated Exhibit List, mandates statewide clinical, corporate and infrastructure ICT services, standards and platforms to ensure consistent foundational capabilities across NSW Health. ISLHD utilises the foundation applications outlined in the policy

where appropriate except for Virtual Private Network (VPN) which is provided by SESLHD (HICT) Shared Service.

50. In terms of clinical care digital systems, ISLHD utilise electronic Records for Intensive Care (**eRIC**), electronic Medication Management (**eMeds**), Medical Imaging (**RIS-PACS**). Incident Management System (**IMS**), Clinical Device Notification Platform (**CDNP**) with ISLHD currently leading the pilot project, Clinical Health Information Exchange (**CHIE**), HealtheNet, electronic Transfer of Care (**Etoc**), SafeScript and the Enterprise Imaging Repository (**EIR**). For the electronic Medical Record (**eMR**), ISLHD and SESLHD run a share instance of CERNER and SESLHD (**HICT**) provide programming and support services. ISLHD does not utilise the Sepsis Dashboard. NSW Health Providers and Services Directory (**NHPSD**) will be available to ISLHD sometime in 2024.

51. Virtual Care systems such as NSW Telestroke Service, my virtual care and Clinical Care overbed network are utilised in ISLHD. ISLHD are currently using the Phillips platform to provide remote patient monitoring which was implemented in 2021, now that the new state system has been selected ISLHD will migrate later in 2024. Medsync Clinical communication application had been implemented in ISLHD.

52. ISLHD acknowledge Patient electronic services such as electronic referral management, the digital baby book, Engage Health, NSW Health App and the Health Outcomes and Patient Experience survey (**HOPE**). The ISLHD are currently a pilot site for the Engage project to consolidate referrals and improvement management.

53. In ISLHD Patient Reported Measures (**PRMs**) are captured in patient surveys at the point of care using the HOPE IT program. They are broken into two categories: Patient Reported Outcome Measure (**PROM**s), which capture patients' perspectives on how illness or care impact their health and wellbeing; and Patient Reported Experience Measures (**PREM**s), which assess the patient's experience of their healthcare. Our District is leading the state with this work, having recently achieved the 10,000 milestone for the number of PROMs collected since the HOPE platform commenced and also being the Local Health District with the highest number recorded in NSW.

54. ISLHD also utilise Business and Workforce Systems such as Assets and Facilities Management (**AFM**), Pathology Billing, StaffLink, VMoney, web, Search and request Anything (**SARA**), Health Roster, My Health Learning (**MHL**), Performance and Talent (**PAT**), however this is only for HES level staff, Recruitment and Onboarding (**ROB**) and Unrostered Overtime and Callback Claims (**UROC**). ISLHD have an additional local finance system called Chameleon under the shared agreement with SESLHD. Chameleon is a tool that provides an improved user-friendly interface for non-finance based professionals.

55. Other examples of locally sourced systems not provided by eHealth include; PABX systems, nurse call (bedside bell), paging system vendors, centralised print management, cancer services systems, ezisuite (a frontend HR staff management system enhancing functions not provided by Stafflink), and message integration system linking facility systems.

56. ISLHD also utilises services of the third Shared Service entity Health Infrastructure, not discussed in this statement, and interacts with the three State-Wide Services entities of NSW Ambulance, NSW Health Pathology and Health Protection NSW. Of the three State-Wide Service entities, NSW Health Pathology provides ISLHD with a centralised service that would otherwise be

performed by ISLHD or procured from a third party. Pathology Billing is undertaken by NSW Health Pathology on behalf of ISLHD.

57. ISLHD uses NSW Health Pathology for:

a. all pathology services including, clinical pathology, haematology, immunology, microbiology, pre and post analytical and transfusion.

b. Genomics.

c. Point of Care Testing.

58. Anatomical pathology services (Histology, Cytology, Frozen Sections, and related services such as MDT meetings) have been provided to ISLHD (public and private patients) under a joint arrangement with NSW Health Pathology and Southern IML Pathology, a division of Sonic Healthcare Limited, since 2010. Given the duration of this hybrid service model, and growing needs of the local community, ISLHD and NSWHP undertook a joint project to explore how anatomical pathology services should support evolving future needs. This process involved consultation with staff, unions and other key stakeholders and was followed by a procurement process which commenced in June 2022 to seek the delivery of a hybrid anatomical pathology service. The parties could not reach agreement despite extensive contract negotiations. ISLHD has therefore taken the decision to implement a sole provider model as a partnership between ISLHD and NSW Health Pathology, a model that is well established in other Local Health Districts in NSW. The long-standing partnership between Southern IML Pathology, NSWHP and ISLHD has served the District well, and we are all committed to a smooth service transition over the coming six months to ensure there is no disruption to services or impact on patient care.

(iii) Supply chain disruptions

COVID-19 pandemic and critical PPE availability

59. COVID-19 impacted the global supply chain for Health.

60. ISLHD acknowledges the effort of the MoH in implementing a PPE response framework to manage the impacts of COVID, and the positive outcomes this approach had on ensuring staff and patient safety.

61. At the commencement of COVID-19 activity, ISLHD undertook a readiness assessment that identified very low base levels of PPE stock, and there was serious concern raised by clinicians regarding the ability to meet key PPE requirements. A MoH approval was granted to appoint a logistics consultant to develop a rapid design to target an operating model to support logistics operation.

62. At the time, a HealthShare decision was taken to centralise critical COVID PPE management. From June 2020, ISLHD local procurement team worked together with the appointed logistics consultations (GRA) to establish a temporary ordering and distribution model that included onsite officers responsible for the receipt and distribution of critical PPE, a local PPE stockpile for critical items and a central ordering officer. ISLHD procurement maintained this model up until June 2023 as risk mitigation, during which time there were no significant out of stocks to report meaning clinicians and nursing staff were able to ensure patient safety as well as their own.

Business as usual – Saline and Glucose Fluids

63. HealthShare switch savings strategy and recommended a change away from ongoing supplier to an alternate. Since the switch in 2022, the alternate supplier has been unable to maintain regular supply and many agencies, including ISLHD were frequently running short.

64. ISLHD were forced to source product from the original supplier as a result of severe shortages and complaints from end users. Locally, to minimise disruption, ISLHD dedicated a central storage space on site at our largest hospital to hold a small amount of frequently required fluids. The issue was escalated to HealthShare, and while processes are underway to address this ISLHD have proceeded to put mitigation strategies in place.

F. ISLHD'S SPEND ON PROCUREMENT AND SHARED SERVICES

65. The total budget allocation for shared services FY24 is $118.5 million, and the forecast is $123 million. As a percentage of total expense budget, the shared services budget allocation is 9.9% of ISLHD's total budget. The forecasted spend as a percentage of total expense for budget is 10.2%.

66. On budgetary spend for procurement (excluding ICT), ISLHD has used local data sources to determine the categories of information below. The data provided is based on the FY23 information. This data is subject to variance on the basis of the source data. For example, we rely on our local contract register to identify item C below because there is no system flag / identifier that separates local vs state contract usage.

    a. 26.49% ($49.3M) of goods and services procurement (excluding shared services provided directly by HealthShare) was done by existing arrangements i.e. statewide contracts.

    b. 39.12% ($72.8M) of goods and services procurement (excluding shared services provided directly by HealthShare) was done outside statewide contracts but not referred to HealthShare i.e. below $250,000 where there is no statewide contract.

    c. 34.39% ($63.9M) of goods and services procurement (excluding shared services provided directly by HealthShare) done outside statewide contracts but referred to HealthShare i.e. over $250,000 where there is no statewide contract.

67. ISLHD has used local data sources to determine the categories of information below for ICT. The data provided is based on the FY23 information. This data is subject to variance on the basis of the source data.

    a. 85.3% ($3.80M) of goods and services procurement (excluding shared services provided directly by eHealth) were done by existing arrangements i.e. statewide contracts

    b. 14.7% ($0.65M) of goods and services procurement (excluding shared services provided directly by eHealth) were done outside state-wide contracts but not referred to eHealth i.e. below $150,000 where there is no statewide contract.

    c. 0% of goods and services procurement (excluding shared services provided directly by eHealth) were done outside statewide contracts but referred to eHealth i.e. over $150,000 where there is no state-wide contract.

d. equipment standards in conjunction with LHD requirements and negotiate a state-based contract for which the LHDs select from as required.

68. In respect of the last two financial years:

a. ISLHD's total expenditure on goods and services from Audited Financial Statements as show in the Operating Expenses reporting line is as follows;
   i. FY22 $345.9M
   ii. FY23 $362.9M
b. Of the figure in (a) for each financial year:
   i. FY22 ISLHD's total expenditure on;
      i. HSNSW $68.9M
      ii. eHealth NSW $21.7M
      iii. NSWHP $34.0M
   ii. FY23 ISLHD's total expenditure on;
      i. HSNSW $70.4M
      ii. eHealth NSW $20.0M
      iii. NSWHP $34.7M
   iii. It should be noted that these figures are a combination of shared services and procurement services and support, in regards to HSNSW and eHealth;
c. The amount the ISLHD contracts under statewide contracts is a figure that rests with the Ministry of Health;
d. The value or % of procurements referred to eHealth or HSNSW for support and management is not routinely reported on, given that the procurement contracts referred to eHealth and HNSW are awarded and executed by the ISLHD and form part of the ISLHD's total expenditure on goods and services.

G. ADVANTAGES OF CURRENT SYSTEM, INCLUDING RECENT DEVELOPMENTS

69. There are a number of advantages of the current procurement and service delivery arrangements applicable within ISLHD. ISLHD acknowledge the NSW Health Procurement reform is working to improve system capability for NSW Health. The DeliverEase reform program has been fully rolled out across ISLHD, aimed at improving visibility in the supply chain for medical consumables. As a positive step change, we now have improved automated ordering capability and visibility via dashboards for stock information (i.e. excess stock, low stock). This allows us to review at a hospital ward level and mitigate any stock risk, enabling us to target better cost efficiency.

70. For goods:

b. Centralising the procurement of high value, high volume goods statewide, in my view results in significant savings through economies of scale associated with buying power and better category management resulting in value adding contracts. Having goods available, that meet clinical safety standards and at optimum pricing mean our clinicians and nursing staff can focus on delivery of patient care. This comment also applies to ICT goods.

c. HealthShare, in conjunction with the Ministry of Health, have continued to improve data availability and have recently introduced their upgraded savings reporting dashboard

under the Savings Leadership reform program providing agencies with access to monthly savings performance versus plan. ISLHD procurement also uses its local data dashboards to validate savings performance.

d. To fully achieve the level of savings available as a result of the centralised model, at the local level for these contracts, there is heavy reliance on local teams to administer as part of their responsibility. Within ISLHD, given the Procurement and Supply Chain team resources, we are able to provide dedicated focus both from a category management perspective (data interrogation and review), as well as through the Procurement Business Partner roles on the ground. This means we are working with end users to drive compliance, improving financial outcomes and clinical safety through a reduction of free text spend.

71. For services, statewide service contracts are a little more challenging to administer in that they usually require a local market approach under the umbrella of the statewide contract. The establishment of either stand-alone agreements or panel arrangements with relevant suppliers enable agencies to utilise standardised documentation to put in place and administer local requirements. However, agencies are still required to conduct a market engagement activity under the panel arrangement (for example, a tender) and manage contract performance post contract award.

72. In relation to patient outcomes and economic and financial outcomes, there are a number of opportunities arising from the centralised service delivery. These include:

a. Greater availability of the most up to date innovation and technology which ultimately benefiting patients. Longer term commitments with preferred suppliers enable the opportunity to partner with suppliers to drive performance, innovation and technological advancements.

b. The opportunity for local subject matter experts to have input into any tender evaluation is beneficial for agencies in that by participating we are able to ensure needs are met in considering which suppliers we partner with.

c. The opportunity to strive for clinical standardisation could contribute to improved safety, health and financial outcomes, supporting clinician reputation.

H. DISADVANTAGES OF THE CURRENT SYSTEM

73. As a general statement, it is widely acknowledged by NSW Health procurement that visibility across the current procurement system needs improvement, and a number of NSW Health Reform programs are underway aimed at upgrading systems to provide greater end to end visibility. At times it is possible that a centralised model can inhibit quick decision making and pending the workload of the centre it can be difficult for things to be considered in a timely manner.

74. One limitation has been access to clear and accurate data for goods and services. For ISLHD, understanding our local spend profile was challenging and there was a reliance on HSNSW reporting to inform decision making. Locally, ISLHD utilise the data analyst role to build local dashboards to support the local procurement team to review spend and identify opportunities

to drive better financial outcomes for ISLHD. The key challenge is sourcing data from various systems (ie. i-procurement, i-pharmacy, one link warehouse, finance) to build a local data set that illustrates spend, breakdown by category and identifies contract compliance. This is a focus area for the NSW Health Procurement Reform team, and our ISLHD procurement team have been working with the project team/s as subject matter experts in solution development for many of the system updates that are now in the process of being rolled out. ISLHD would like to see this focus and scope be prioritised to total spend (all contracts), including their compliance rates as currently the contract data available is limited to a small number of categories.

75. In addition, end users have the ability to create free text orders, meaning they are able to access purchasing outside of statewide arrangements. Whilst ISLHD have a gatekeeper, this role only reviews purchase requisitions over $30,000, therefore the volume of purchasing under this value is reviewed within the ISLHD Procurement and Supply Chain team as part of category management and contract compliance activities. That being said, as part of the NSW Health Procurement Reform, there are a number of improvements either implemented or underway for ISLHD that all aim to improve this challenge (for example DeliverEase and Smartchain).

76. Based on this challenge, a strong implementation program that includes post-implementation support is critical. In our experience, the introduction of a relationship manager at HealthShare as a single point of contact would enable direct discussion related to the reform initiatives during implementation planning, execution and post with the aim of improving risk mitigation, communication and knowledge sharing at a local level. A manager at HealthShare to address supply issues would also better align with procurement industry standards.

77. The HealthShare LTC prioritises and allocates work as it is received. On the basis that agencies submit their needs as they arise, workload can peak and trough, which can potentially impact on time delivery for agency activities. An opportunity exists to improve forward planning by establishing a statewide forecast for upcoming local activities that could drive work planning and result in improved service levels.

78. Local agencies are often required to build their own documentation for market engagement which can be time consuming. Additionally, the number of process steps and approval requirements can also impact on time delivery. These process steps could be streamlined through the use of previous templates for the same type of market activity. Further, as detailed above, a statewide forecast process for local activities would also reduce duplication.

79. Whilst e-Tender is used to administer the market engagement approach, most other process work is undertaken manually. The NSW Health Reform initiative SmartChain, is aimed at automating & integrating the process for efficiency and is still some time away.

80. Within the supply chain, it is widely acknowledged that there have been limitations in transparency of product availability, for example, back orders. This limits the capacity to predict and respond to supply chain disruptions across the system. In 2019, ISLHD used a manually generated back-order report for distribution to key theatres end users to assist them with ordering available stock and reducing the amount of time spent on rework they were subject to through raising multiple orders and following up constantly. Over the past years, predominantly since COVID, and as part of the NSW Health Procurement Reform program there has been a focus on developing solutions that improve this challenge (eg. SmartChain Smart Suggestions, DeliverEASE). Automated system updates for back orders and substitute items could further enhance efficiency, as well as availability of data analytics and predictive modelling at the state

and local levels. Only with the availability of real time data across the entire supply chain would teams be able to forecast demand, identify trends, make informed decisions and possibly anticipate supply chain disruption.

81. Vendor information is another area of limitation. Within the Policy there are a number of reporting requirements for agencies to undertake across the course of the year. Examples include the Aboriginal workforce, Disability workforce, modern slavery and environmental rating. There is potential for the vendor onboarding process to be improved to introduce functionality within the system that captures this information making it easier from a system perspective to identify data for these reporting requirements.

I. OPPORTUNITIES

82. Currently, ISLHD do not have an electronic system that facilitates implantable product to patient tracking, and as such has no visibility on implantable devices, rather ISLHD relies on manual processes to administer. As part of its SmartChain reform initiative, NSW Health identified the need for a solution (Traceability) to improve patient outcomes and cost effectiveness. ISLHD will be going live in March 2024 with Traceability within Theatres, Cath Labs and Medical Imaging. We expect an immediate step change in terms of visibility for medical consumable items (especially vendor managed inventory, consignment stock or loan stock) the process for how they are managed and ongoing improvements as the solution is rolled out more broadly.

83. The threshold of $250,000 for procurements not requiring referral to HealthShare, provides an opportunity to allow agencies to undertake more sourcing, allowing the ability to implement local needs for relevant activities. If the spend threshold was higher, the opportunity would exist for local procurement to improve delivery of contract outcomes and performance through partnering with suppliers under longer term agreements, in particular, SMEs and regional suppliers. Agencies could improve outcomes through timely delivery of contract outcomes, working with suppliers to put longer agreements in place, strengthening supplier performance and providing better spend management locally. This would enable qualified local procurement teams to respond quicker to acting on market needs.

84. The financial threshold under which agencies can access SME and regional suppliers is a limitation, and I am of the view that more could be done to support the SME, Aboriginal, Disability and Regional Suppliers if the threshold was raised. If local agencies were able to engage SMEs and regional businesses for a greater value, this would enable longer term contracts and improved outcomes for local business and local economy.

85. ISLHD sees the following further opportunities for improvement:

a. Continue to enhance the ERP system functionality and create one source of truth for all NSW Health purchasing. This will allow for better planning and managing supply and demand.

b. Opportunity for HealthShare / eHealth to build a state-based forecasting tool by supplier to manage demand and fluctuations in demand. Having a local view of past demand and future forecasts can help with budgeting.

c. Ensure a minimum of two suppliers are approved by contract that have the capacity to scale when required for example, critical fluids. Managing supplier performance for critical

suppliers is crucial. Minimum standards and volumes for supply contracts could be included in future agreements.

d. Create a process (visibility) for agencies to share critical products amongst themselves when there are supply shortages.

e. Build an automated back-order management and substitute product process that is live within the ERP system.

f. Build strong ongoing partnerships with overseas suppliers and agents. This way, when leverage and supply is required that cannot be sourced locally, established relationships and established supply chains are already in place.

g. Continue to consider in line with the current reform where activities should be centralised at the state or District level for maximum responsiveness and cost efficiency.

86. There are also opportunities for improvement in changed management across the state. This would include:

a. Reviewing current change management model for opportunities to increase the speed of change. In ISLHD's experience, and based on feedback the local procurement team have provided to the NSW Health Reform project teams, there is an opportunity to streamline strategy under one overarching umbrella creating unity in approach, rather than initiatives feeling as though they are standalone and independent of each other. Impacts include reduced efficiency in rollout, stakeholder time management required for multiple initiatives.

b. Improving clarity and communication of performance against deliverables for key initiatives. For example, the state Contract Implementation initiative. The premise of this initiative was to improve state-based contract compliance through better availability of contract information, improving contract handover to local teams and the provision of state funded resource locally to focus on the improvement. I understand this project remains in a trial phase. Agencies would benefit from understanding performance vs initial plan for the project and what is the strategy to shift this model to business as usual, including long term vision for resourcing to maintain the compliance requirements with the application of all state-based contracts.

c. Contract compliance data for state-based contracts has only just been addressed however the majority of contracts still do not have data. This requires local analysts and procurement staff to develop the data. Compliance data would drive savings.

d. Preparing for the transition to business as usual. In some cases, there has been an inherent expectation that the maintenance of project solutions would be undertaken by local team resources once the change was completed. As an example, DeliverEASE maintenance requires labelling management, system updates and equipment management by local teams which was not clearly identified in the design and rollout phases. The risk here is that resource investment may be required locally to manage additional workload, which if not supported impacts the efficiency benefits of the project.

e. Improved engagement of operational teams to support successful change implementation. A number of reform initiatives have been procurement led through implementation, with business as usual activities being the responsibility of operational teams. Stronger engagement would provide clarity around ongoing expectations.

87. Generally, when it comes to medical consumables and equipment, the nature of the environment means there are a significant number of contracts, usually with a high volume of items available across many suppliers. This allows specialists and clinicians to dictate product selection and usage. There is a reliance locally then to apply significant clinical product management work to consolidate and rationalise the products to achieve District preference. The opportunity exists to undertake a greater level of clinical standardisation at the state level for relevant product categories, similar to the NSW Health Medicines Formulary, for implementation locally. A balance could be struck between specialist and clinician needs versus efficiency and effectiveness in administering the supply chain for the relevant medical consumables (end to end from supplier to ward).

88. The process to manage supplier performance, contract management and performance management of state-based contracts potentially still has room for improvement. For example, ISLHD does not receive feedback from any state led supplier performance meetings. At a local level, to ensure we understand our risk profile, ISLHD Procurement and Supply Chain team will be undertaking their own supplier categorisation activity, the outcome of which is aimed at identifying who our strategic and tactical suppliers are, and to implement the appropriate supplier relationship management model.

89. A gap exists for end users to be able to automatically locate contract pricing and item detail (rather than undertake manual searches of excel documents) similar to a Woolworths catalogue or an online shopping catalogue, where you search and receive item information instantaneously. ISLHD has discussed the possibility of such a solution with eHealth previously and understand there are some constraints however continue to see this as an opportunity to sure up purchasing.

90. As part of the Savings Leadership reform initiative, much work has been undertaken within the model to improve the effectiveness of savings delivery and reporting within the procurement framework. There is an opportunity for agencies to be proactively engaged in the savings planning process from a statewide perspective, in particular to validate the opportunities identified and to assist forecasting & planning implementation locally.

91. Understanding what the procurement ‘rules’ are for our clinicians and nursing staff is complex. It requires significant procurement resource investment in local education and ongoing support (as evidenced by the ISLHD local frameworks put in place) to drive the right behavioural outcomes, and even then behavioural outcomes are not guaranteed because the system still enables end users to order as they wish. In my view, enabling the NSW Health ERP system (Oracle) functionality to support the right level of control in purchasing behaviour would be beneficial, in conjunction with the necessary compliance work undertaken locally. ISLHD acknowledge the NSW Health Procurement Reform program is targeting addressing these challenges to some extent, however speed is critical because the increased control is needed now.

Margot Mains

Margot Mains

29.01.24

Date

Witness: Karen McDonald

29.01.24

Date