Supplier Contract and Relationship Management Policy

Contents

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Overview

1. Health New Zealand | Te Whatu Ora (Health NZ) is dedicated to ensuring everyone gets the healthcare they need.
2. To support the provision of this healthcare, Health NZ engages with a range of Suppliers for the provision of goods, services and works. These relationships and the associated Contracts enable Health NZ to sustainably deliver Public Value.

About the policy

3. This policy sets out how Health NZ:
    a. Establishes and undertakes the operational management within Health NZ of Contracts with Suppliers for the provision of goods, services and/or works
    b. Identifies and manages high value, high risk and/or complex Contracts and Strategic Relationships.
4. This policy must be read in conjunction with all other relevant Health NZ policies including the Procurement Policy.
5. Health NZ engages tens of thousands of Suppliers annually. This policy guides the organisation to allocate our resources in the most effective way by ensuring contract and relationship management effort reflects the value, risk and complexity of Contracts and Supplier relationships.
6. While an organisation of Health NZ's scale and complexity can be expected to operate at a high maturity level, Health NZ recognises that different groups within the organisation currently have different maturity levels. This policy includes guidance to ensure consistency of approach across Health NZ in recognition of the organisation's current level of maturity as we build this to a consistent level over time.

Applies to

7. This is a national policy which applies to everyone who performs work for Health NZ including but not limited to kaimahi | employees, contractors, students, interns, volunteers and visiting professionals (Health HZ kaimahi) when they undertake any activity related to contract and relationship management.
8. This policy applies to all types of Contracts entered into by Health NZ with a Supplier with an annual value of $100,000 or more excluding GST.[1]
9. This policy should be used as guidance for good practice by Health NZ kaimahi involved in managing Contracts with an annual value of less than $100,000 excluding GST in a manner that reflects value, risk and complexity of the Contract.[2]

[1] For clarity, this value threshold does not reflect what Health NZ would consider to be a "high value" Contract based on our spend profile.
[2] To avoid confusion, the value threshold established in this policy differs from that applied in the Procurement Policy.

10. The Key Principles set out in paragraph 11 apply to all contract and relationship management activity regardless of value.

Key principles

11. All Health NZ kaimahi involved in contract or relationship management activities relating to a Contract will:

- Seek to maximise Public Value including seeking economic benefits to Aotearoa New Zealand and delivering cultural, social, economic and environmental outcomes to support the delivery of pae ora (healthy futures) for all New Zealanders
- Ensure accountability, transparency, and fairness by acting responsibly and lawfully, meeting legislative and regulatory compliance, managing conflicts of interest
- Protect Health NZ and Suppliers' sensitive information and intellectual property, health information and other information
- Ensure an active Contract is in place for all goods, services and works until they have been paid for, delivered and all other obligations fulfilled
- Proactively and promptly address Contract and relationship issues, administration, risks, and evolving organisational needs
- Foster respectful, fair, and collaborative relationships with Suppliers to increase trust, drive innovation, deliver mutual benefits, minimise conflict and achieve the best outcomes.

This policy is guided by:

- the Health Sector principles set out in the Pae Ora (Healthy Futures) Act 2022, which enables Health NZ to support the Crown's responsibilities under Te Tiriti o Waitangi I Treaty of Waitangi
- the values, principles and behaviours within Te Mauri o Rongo I The New Zealand Health Charter which applies to all health workers in Aotearoa, ensuring they feel safe and supported at work
- the Government Procurement Rules, Principles of Government Procurement and the Government Procurement Charter

Policy

12. Contract and relationship management involves the implementation and monitoring of Contracts, management of relationships and taking active steps to achieve Contract compliance by all parties, minimise risks, and maximise value. It includes:

- categorising Suppliers based on value, risk and complexity of the Contract/s and relationship
- implementation and ongoing operational management, including risk management and monitoring performance to ensure Suppliers meet their obligations

- building robust, collaborative relationships with open communication and engaging relevant subject matter experts when appropriate
- encouraging continuous improvement, driving innovation, efficiency and cost reduction
- managing disputes
- planning and managing variations to the Contract and renewals of the Contract
- planning for the end of the Contract and managing transition out.

13. The nature and extent of Contract management and Supplier relationship management should reflect the value, risk and complexity of the Contract and the Supplier relationship.
14. The requirements set out in relevant policies and guidelines including the Health and Safety at Work Policy and Health & Safety in Procurement and Contractor Management Guideline apply to management of Contracts and Supplier relationships.

Contract Ownership

15. Effective contract and relationship management relies on setting clear roles and responsibilities for all parties relating to the management of the Contract.
16. Due to the scale, geographical distribution and financial delegations within Health NZ, establishing contract ownership can be complicated. This policy establishes a framework that is intended to be adapted to suit each Contract, supporting the most effective delivery of contract and relationship management activities.
17. **Operational Manager.** Operational management can occur at a district, regional or national level depending on where the goods, services and /or works are being used. Each district/region/national enabling function that uses the goods, services and/or works provided under a Contract with an annual value of $100,000 or more excluding GST for their district/regional/national enabling function must have a designated Operational Manager/s appointed by Group Director Operations or General Manager (or equivalent). The Operational Manager/s is responsible for the implementation, operational management and compliance oversight of the Contract within their district/region/national enabling function. Operational Managers must collaborate across districts/regions/national enabling functions where appropriate.
18. **Relationship Owner.** A Relationship Owner/s must be appointed for each Strategic Relationship. A Relationship Owner/s should be appointed for each high value, high risk and/or complex Contract. The Authorised Procurement Centre will engage key stakeholders to determine who the Relationship Owner should be. Relationship Owners are responsible for establishing robust, collaborative relationships with Suppliers to achieve the best possible value from the Contract/s and relationship and will work closely with the Operational Manager/s. While the roles of Operational Manager and Relationship Owner may be carried out by the same kaimahi in specific situations when deemed necessary, it is recommended that these roles be carried out by different kaimahi to create separation of duties.
19. **Executive Sponsor.** Each Strategic Relationship must have a designated Executive Sponsor responsible for overseeing the relationship on behalf of Health NZ. Individual Executive Sponsors will not be responsible for more than four Strategic Relationships at any one time. The Executive Sponsor is a point of escalation and the ultimate decision maker for all strategic

decisions relating to the Supplier and Contract/s subject to Health NZ policies and other legal requirements (eg Delegated Authority Policy, Procurement Policy, Government Procurement Rules).

20. **Chief Executive**. The Chief Executive is responsible for allocating an Executive Sponsor to each Strategic Relationship identified by the Authorised Procurement Centres and presented to the Chief Executive by Procurement, Supply Chain and Health Technology Management.

Contracts Owned by Other Public Sectors Organisations

21. There are Contracts that are owned by other public sector organisations (eg MBIE, PHARMAC, DIA) under which Health NZ purchases goods, services and/or works. Health NZ's responsibilities for the operational and relationship and performance management of these contracts will vary. The relevant Authorised Procurement Centre/s will determine (in collaboration where applicable) the responsibilities in consultation with the other public sector organisation and will apply this policy as relevant and appropriate.

Supplier Categorisation

22. Authorised Procurement Centres will develop supplier categorisation models for their respective areas and determine the relevant contract and relationship management activities required in line with this policy. Authorised Procurement Centres should categorise (based on value, risk and complexity) each Supplier with a Contract/s with an aggregated annual value exceeding $10,000,000 excluding GST. An Authorised Procurement Centre may introduce a lower value threshold for their area provided this is clearly documented in their processes. Authorised Procurement Centres will identify Contracts that are high value, high risk and/or complex.

23. Health NZ kaimahi must follow all processes and use all templates issued by the relevant Authorised Procurement Centre relating to contract and relationship management activities.

24. Authorised Procurement Centres are responsible for developing a common approach to identify and agree Strategic Relationships.

25. Commercial within Procurement, Supply Chain and Health Technology Management is responsible for collating the agreed list of Strategic Relationships and present this to the Chief Executive to allocate Executive Sponsors.

26. Each Authorised Procurement Centre is responsible for reporting quarterly updates on Strategic Relationships within its designated area to the Executive Leadership Team based on a common reporting framework developed by Commercial in Procurement, Supply Chain and Health Technology Management.

Contract Management Planning

27. Good planning is essential for effective contract and relationship management. In accordance with the Procurement Policy, Authorised Procurement Centres will determine Contracts that require detailed contract management plans with consideration of the value, risk, complexity and duration of the Contract. Authorised Procurement Centres are responsible for developing contract management plan templates for their respective areas in collaboration with other Authorised Procurement Centres where appropriate.

28. Relationship Owners are responsible for developing contract management plans in collaboration with Operational Managers. Operational Managers must follow all requirements set out in any contract management plans as relevant.

29. Contract management plans should be tailored to the specific Contract when feasible. Contract management plans must include:

    - clear governance arrangements (as per the Procurement Policy)
    - relevant and proportionate performance metrics against which Suppliers will be measured (as per the Procurement Policy)
    - appropriate and transparent performance monitoring provisions, including due diligence to be conducted (as per the Procurement Policy)

Contract management plans should include, where relevant:

- who will be responsible for managing the delivery of the Contract including the contact details of the Operational Manager/s, Relationship Owner/s, Executive Sponsor, and the Supplier equivalents
- the key roles and responsibilities of those making financial and other decisions in the Contract life cycle
- the nature and extent of engagement with the Supplier
- key stakeholders (internal and external) and how these relationships will be managed, including communication plans
- details of routine performance and strategic meetings to be held between the parties
- reporting requirements including frequency, type, content and distribution in alignment with the Contract
- an internal risk plan, including who owns the risks and how they will be mitigated
- the expected benefits and how these will be measured and monitored
- escalation pathways and consequence management for non-performance (where not set out in the Contract)
- exit or transition arrangements (where not set out in the Contract).

Risk Management

30. To avoid doubt, the requirements of the Risk Management Framework apply to contract and relationship management.

31. Where not established in the Contract, Operational Managers should work with the Supplier to decide who's responsible for any unallocated risk that arises, how to minimise the chances of negative events happening and their impact, and how to jointly manage them if they do.

Supplier Contract and Relationship Management Policy

Performance Management

32. Operational Managers should understand the terms of the Contract and are responsible for ensuring Contract compliance, including that the terms of the Contract are followed, the contracted price and the price Health NZ is charged align, and the goods, services and/or works are delivered as agreed.

33. Operational Managers must contact Health NZ Legal for advice:

    a) prior to sending any correspondence to a Supplier asserting breach of contract

    b) if any contractual term entered into by Health NZ requires clarification.

34. Operational Managers should regularly monitor, manage and document a Supplier's performance, based on KPIs or other performance indicators in the Contract (where applicable) and reporting, to ensure that the Supplier is meeting its obligations and Health NZ is receiving the expected outcomes of the Contract.

35. Collaboration across districts, regions and national enabling functions is a critical part of managing Supplier relationships so Health NZ can understand where broader issues and risks exist.

36. Operational Managers are responsible for communicating with other Operational Managers across districts/regions/national enabling functions to determine whether performance issues with a particular Supplier exist more broadly and collaborating to resolve those performance issues. Where broader performance issues are identified, these should be escalated to the Relationship Owner where applicable.

37. Material performance issues that apply to more than one district/region/national enabling function should be escalated to the relevant Authorised Procurement Centre.

38. Where the need arises, Relationship Owners in collaboration with Operational Manager/s should consider developing a performance improvement plan to address issues of non-performance with a Supplier.

39. Regular reporting by Suppliers is important as it enables Supplier performance to be monitored and evaluated. As report monitoring can impose costs on both Health NZ and the Supplier, the extent, frequency and scope of this should reflect the value, risk and complexity of the Contract.

40. Reporting frameworks should be set out in the Contract. Relationship Owners are responsible for requesting additional reporting for high value, high risk and/or complex Contracts. Operational Managers are responsible for obtaining copies of reports and obtaining and acting on insights from those reports for their specific district/region/national enabling function.

Relationship Management

41. It is important for Health NZ to establish and maintain effective and constructive working relationships with Suppliers to drive innovation and efficiency, deliver mutual benefits, manage risk, minimise conflict and achieve the best outcome for Health NZ. Relationships with Suppliers should be based on mutual respect, trust, understanding, openness and accountability.

42. The approach to a relationship will depend on the importance of a Supplier's relationship with Health NZ and the risk and reward profile. For example, Health NZ could adopt a relational approach with Suppliers when the health services being procured are provided by not-for-profit entities like NGOs and community providers and/or when the contracted good, service and/or works is needed on a long-term basis. Likewise, if a Contract is small, low risk, low value, one-off and/or readily available from other Suppliers, Health NZ could adopt a transactional approach for efficiency and choose not to further develop the relationship with that Supplier. Health NZ should make a conscious choice of what relationship to have with a Supplier.
43. High value, high risk and/or complex Contracts should have a Relationship Owner appointed who is responsible for managing the relationship, and will work closely with the Operational Manager/s. They are responsible for building robust, collaborative relationships, and driving supplier performance, innovation and efficiency to deliver cost savings. They are also responsible for supporting escalation and dispute resolution.
44. For Strategic Relationships, the Relationship Owner should report to the Executive Sponsor on a routine basis, with oversight from the relevant Authorised Procurement Centre, to provide visibility of the relationship, the Supplier's performance, and any associated challenges. The Executive Sponsor is the point of escalation for Strategic Relationships.

Dispute Resolution

45. If a dispute arises, Operational Manager/s must first determine whether an escalation and dispute process has been laid out in the Contract, and if so, this process must be followed. Operational Manager/s should manage disputes when feasible and escalate to the Relationship Owner when necessary. The Relationship Owner will determine when to engage the relevant Authorised Procurement Centre.
46. When a legal letter, notice or demand related to a dispute is received, it must be referred to Health NZ Legal for legal advice and Health NZ kaimahi must maintain Health NZ's legal position.
47. Advice should be sought from Health NZ Legal before sending any communications initiating or escalating a dispute.
48. Health NZ kaimahi must manage disputes in a way that does not weaken Health NZ's legal position.
49. It is good practice when managing disputes to ensure both parties:
    - clearly communicate the background facts leading to or causing the dispute
    - set out clearly what action is required to resolve the dispute and by when
    - identify measures to prevent the issue arising in future
50. To avoid doubt, when Health NZ Legal is engaged, the Operational Manager/s and/or Relationship Owner must continue to actively manage the Supplier relationship.
51. All significant disputes relating to Strategic Relationships must be escalated to the Executive Sponsor by the Relationship Owner/s via the relevant Authorised Procurement Centre.

Supplier Contract and Relationship Management Policy

Record Management

52. Health NZ kaimahi are required to keep and make accessible full and accurate records in accordance with the Public Records Act 2005 and the Information and Records Management Policy.

53. Health NZ acknowledges that it will take some time for systems and processes to be standardised. Each Authorised Procurement Centre should be working towards having all its contract and relationship management documentation stored in a central repository.

Contract Variations and Changes

54. Contract variations and changes will be managed by the Authorised Procurement Centre unless otherwise agreed by the Authorised Procurement Centre and the Operational Manager/s. Operational Managers must ensure that Contract changes, variations and renewals have been implemented for their district/region/national enabling function as applicable.

55. The requirements of the Delegated Authority Policy and Procurement Policy must always be applied to Contract changes, variations and renewals.

56. If any terms relating to Contract changes or variations are unclear, the Authorised Procurement Centre or Operational Manager/s should seek advice from Health NZ Legal.

End of Contract Life and Early Termination

57. Before exiting or transitioning away from a high value, high risk and/or complex Contract (including by way of Contract termination), Operational Managers must obtain direction from the Relationship Owner and/or relevant Authorised Procurement Centre.

58. In all cases the Operational Manager/s should ensure:

    a. The termination rights and obligations of each party, including survival clauses, are understood

    b. All contractual obligations have been honoured before a Supplier is released from its commitments, unless the Contract is terminated early by Health NZ or the Supplier

    c. Any transition and exit plans (where necessary) are pre-agreed, realistic, and achievable with strong consideration to clinical or patient impacts

    d. All risks have been considered and mitigations provided (eg disposal or decommissioning)

    e. When applicable, continuity of supply is uninterrupted and cooperation with the Supplier is maintained

    f. Delivery of the goods, services and/or works concludes as agreed, and all internal stakeholders are updated

    g. In cases of early termination, the Contract terms are followed carefully to mitigate all risks, and advice is sought from Health NZ Legal prior to issuing a termination notice.

h. A post-contract review has been considered, particularly for high value, high risk and/or complex Contracts.

59. A contract exit plan and/or transition out plan should be considered for all high value, high risk (including Contracts that have a significant patient impact) and/or complex Contracts.

Definitions, translations and acronyms

Word / term	Definition
Authorised Procurement Centre (APC)	Procurement functions designated by the Chief Executive to lead and enable Procurement activity for different parts of Health NZ, as defined in the Procurement Policy.
Contract	An agreement entered between Health NZ and a Supplier that is intended to be enforceable at law. A Contract sets out the obligations that the parties have agreed including the goods, services and/or works procured, the price and other terms and conditions. To avoid doubt, purchase orders become Contracts once accepted. Refer to the Procurement Policy for a list of the arrangements that are out of scope of this definition.
Executive Sponsor	T2 or delegate appointed by the Chief Executive who has the requisite experience to effectively manage Strategic Relationships on behalf of Health NZ.
Operational Manager	The individual/s identified by the district/regional/national enabling function using the goods, services and/or works provided under the Contract. Responsible for the implementation, operational management and compliance oversight within their district. Operational Manager does not refer to the individual's formal job title but refers to the person allocated to perform these duties, irrespective of their job title. Note: formal job titles for this role vary across the organisation.
Public Value	Public value means the best available result for New Zealand for the money spent. It includes using resources effectively, economically, and responsibly, and taking into account: • the procurement's contribution to the results you are trying to achieve, including economic benefits • the total costs and benefits of a procurement (total cost of ownership). The principle of public value when procuring goods, services or works does not mean selecting the lowest price but rather the best possible

	outcome for the total cost of ownership (over the whole of life of the goods, services or works). Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will help achieve public value.
Relationship Owner	The individual/s responsible for establishing and managing a high value, high risk and/or complex relationship or Strategic Relationship with the Supplier on behalf of Health NZ.
Strategic Relationship	A relationship between Health NZ and a Supplier that is deemed of strategic importance to Health NZ and is managed by an Executive Sponsor. These relationships are identified by Authorised Procurement Centres through the application of their Supplier segmentation models.
Supplier	An external person, business, company or organisation that supplies or can supply goods, services and/or works to Health New Zealand.

Roles and responsibilities

Role	Responsibilities
Health NZ kaimahi	Making themselves familiar with this policy and comply with the directives. Declaring any conflicts of interest that arise at any time when involved in contract or relationship management activities relating to a Contract.
People managers	Ensuring all staff involved in contract or relationship management activities relating to a Contract are familiar with this policy. Reporting and fully investigating any breaches of the policy.
Group Director Operations / General Manager or equivalent (national enabling functions)	Ensuring that the Operational Manager/s for their district/business unit are appointed, trained and compliant with this policy.
Health NZ Executive Leadership Team	Actively promoting and enforcing this policy.

Supplier Contract and Relationship Management Policy

Policy Owner	Publishing, communicating, maintaining and updating this policy.
Authorised Procurement Centres	Creating contract management plan templates for their area. Creating contract categorisation models and determining the contract and relationship management activities required for each category. Ensuring, where required, Relationship Owners have been assigned to high value, high risk and/or complex Contracts. Ensuring Relationship Owners have been assigned to all Strategic Relationships within their respective area. Collaborating with all other Authorised Procurement Centres to identify Strategic Relationships. Producing quarterly reports for the Executive Leadership Team on Strategic Relationships within their area. Establishing processes to support this policy when needed.
Procurement, Supply Chain and Health Technology Management (PSC&HTM)	Highlighting Strategic Relationships to the Executive Leadership Team. Developing a common reporting framework for Strategic Relationships.

Non-compliance with policy

60. If Health NZ kaimahi to whom this policy applies do not comply with this policy, Health NZ may need to take action in accordance with the Code of Conduct.

Monitor and review

61. Policy compliance will be monitored through audits conducted by Audit and Assurance or external audit firms engaged by Health NZ. The Policy Owner will measure the overall effectiveness of this policy through routine internal audits undertaken directly or on their behalf.

Associated documents

Associated policies, procedures and resources
Code of Conduct

Supplier Contract and Relationship Management Policy

Conflict of Interest Policy

Delegated Authority Policy

Risk Management Framework and Risk Management Policy

Health and Safety at Work Policy

Health & Safety in Procurement and Contractor Management Guideline

Information and Records Management Policy

Procurement Policy

Associated Legislation

Commerce Act 1986

Contract and Commercial Law Act 2017

Crown Entities Act 2004

Health and Safety at Work Act 2015

Pae Ora (Health Futures) Act 2022

Public Finance Act 1989

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Government Procurement Rules

Manage the contract / New Zealand Government Procurement

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Procurement guidance for public entities / Office of the Auditor general, 2008

Significant Service Contracts Framework / New Zealand Government Procurement, 2016

Strategic suppliers: Understanding and managing the risks of service disruption / Office of the Auditor General, 2021

What Good Looks Like: Contract Management / Audit New Zealand, 2021

Further information

62. For further information about this policy, contact your leader or hnzprocurement@tewhatuora.govt.nz

Disclaimer

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