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Introduction to Procurement

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Objectives

1. Understand what procurement is
2. How procurement works in your organisation
3. What are category towers?
4. What are frameworks
5. How does your organisation buy goods, services or capital?

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What is Procurement?

"The process of obtaining goods or services in any way including, purchasing, hiring, leasing and borrowing"

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How do we do this?

We trade off the following elements:

- Price
- Quality
- Quantity
- Time
- Place

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What is the process for buying goods or services?

- Every NHS organisation has its own rules, these are called :
  - Standing Orders
  - Standing Financial Instructions
  - This will outline your own processes and what you have to do, for any guidance speak to your local Procurement Team

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Operating Model (OM)

- NHS has the potential through collaboration to leverage the NHS's purchasing power
- Carter review called for the adoption of Procurement Transformation Programme
- OM is the outcome
- £5.7bn current spend to double

Operating model

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Intelligent Client Coordinator

11 Procurement category towers	Logistics

Transactional services

Supporting technology infrastructure

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Category Towers

Medical		Capital	Non Medical
1. Ward Based Consumables DHL Supply Chain	4. Orthopaedics, trauma and spine Ophthalmology CPP	7.Large diagnostic capital devices inc mobile and Consumables DHL Supply Chain	9.Office solutions CCS
2. Sterile intervention equipment and associated consumables CPP	5. Rehabilitation, disabled services, women's health and associated consumables CPP	8.Diagnostic equipment and associated consumables Akeso	10.Food Foodbuy
3. Infection control and wound care DHL Supply Chain	6. Cardio-vascular, radiology, audiology and pain management Health Solutions		11.NHS Hotel services NOECPC

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Principles of OM

- Single national price
- Central payment for supply chain services
- Buy price = sell price
- Open book contracts
- Savings based on a 3 year baseline to encourage innovation and price reductions

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What will OM deliver?

- Range management
- A move to specialist providers
- Five rights
- Flexible buying power
- Releasing funds
- Benefits to the profession
- Transparency

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What is a Framework Agreement?

- Frameworks are “umbrella agreements” that sets out the terms – particularly relating to price, quality and quantity – under which individual contracts (call-offs) can be awarded throughout the period of the agreement (normally a maximum of 4 years). They are typically used when the buyer(s) identify a need for specific products or services but are unsure of the scope or time-frame.

Benefits of formal quotation and tenders

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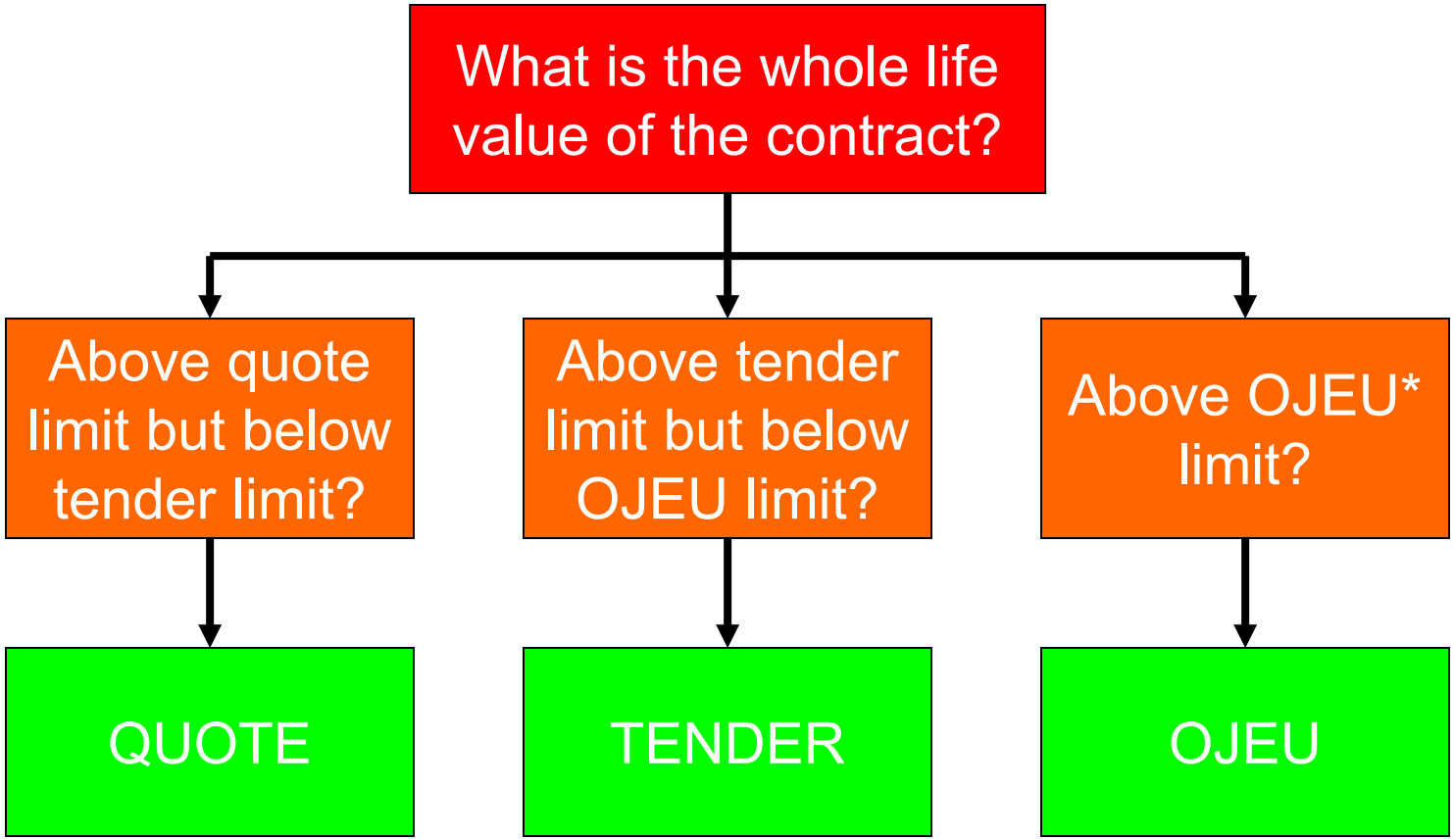
- adherence to standing financial instructions (SFIs) – consider aggregate requirements for the goods/services
- reinforce terms and conditions or add to them
- uniformity of approach to suppliers
- confidential and fair method of assessment

Quote or tender?
(it's not rocket science!)



* Official Journal of the European Union)

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EU thresholds

	Supply, Services and Design Contracts	Works Contracts	Social and other specific services
Central Government	£122,976	£4,733,252	£663,540
Other contracting authorities	£189,330	£4,733,252	£663,540

These change 1st January every even year

Between issue and receipt of tenders

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- all queries must be in writing
- respond promptly to <u>all</u> tenderers (in writing)
- any amendments must also be referred to all tenderers

Receipt of tenders

return of tenders (e-tender portal)

responses recorded in tender register

opened by authorised officer, and witnessed

post-tender clarification required?

recommendation (perhaps to trust board/non-exec board)

REJECT

ACCEPT

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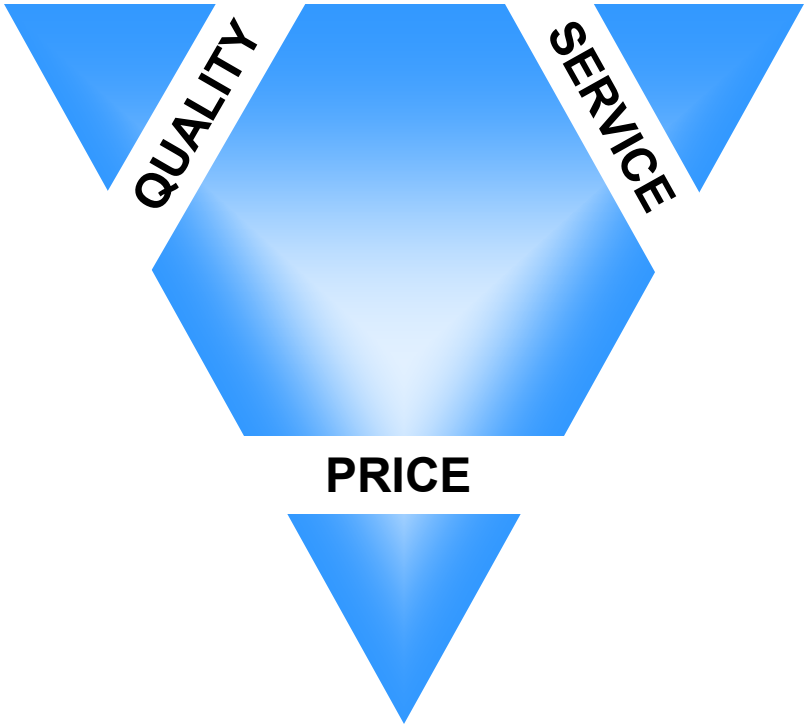
NHS supplier base

- fragmented market
- many suppliers are small and local to trusts – "SMEs"
- 5,000+ suppliers to a typical hospital?
- no logistics consolidation
- no integrated supply chain
- degree of IT sophistication varies dramatically
- culture to change varies enormously

(from the 1999 Cabinet Office Review of NHS procurement)

Quality, service, price



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Assurance standards and quality

- CE marking
- ISO 9000
- SAFETY STS CERTIFIED accreditation
- COSHH and CHIP, e.g.
- pre-acquisition questionnaires (PAQs)

Pre Acquisition Questionnaires (PAQ) should be completed for…

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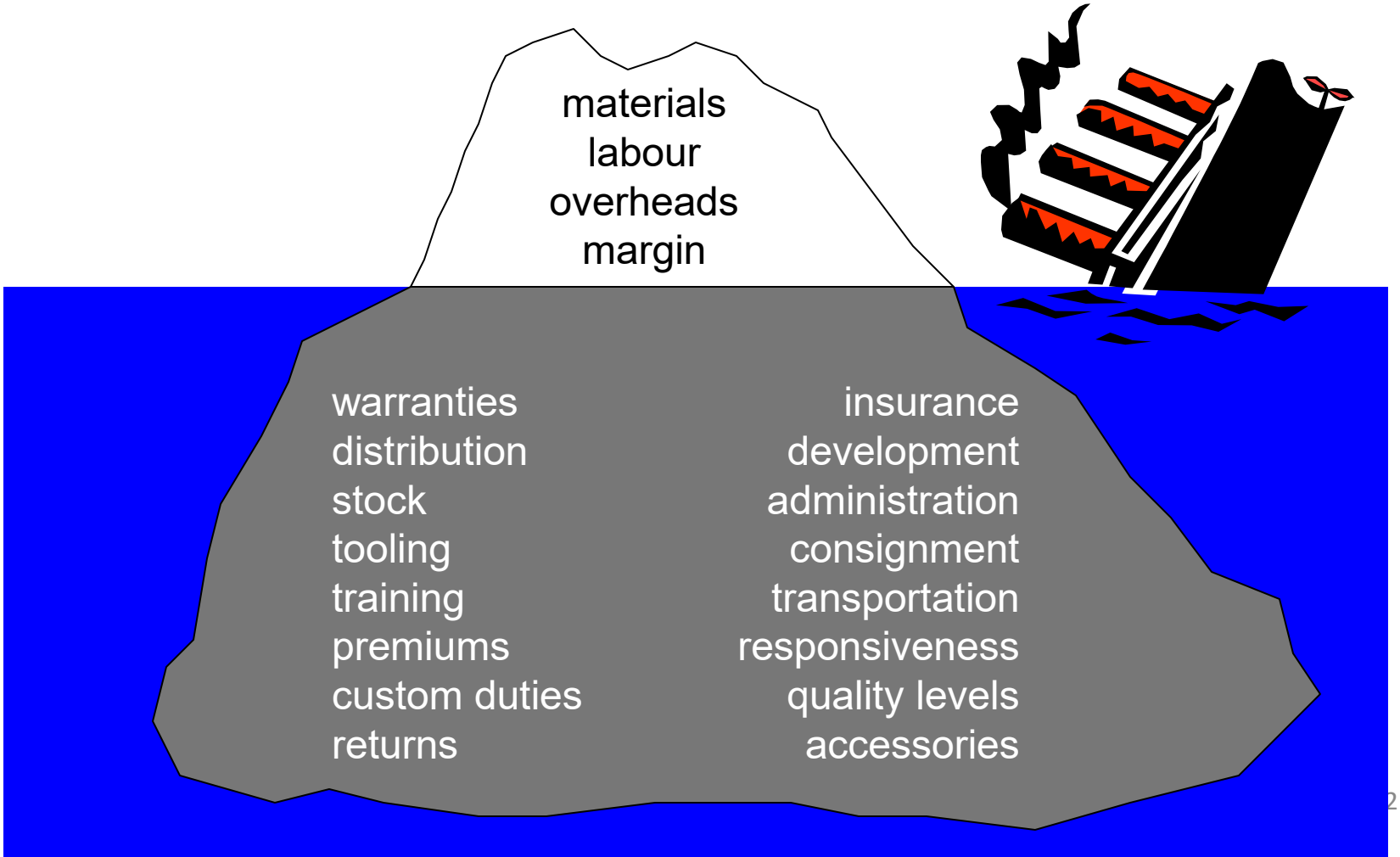
- medical, dental and ophthalmic equipment intended for diagnosis or treatment

- laboratory equipment for use in healthcare premises

(They may also be used for other products, including non-electrical items, and to give information prior to equipment
being supplied on loan, in which case not all the questions
will be relevant)

Hidden costs

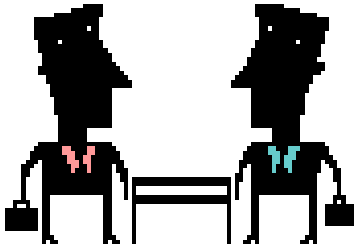


VAT categories

- standard rate
- zero rate (donated scientific and medical equipment)
- exempt
- non-business

What is a contract?

"An agreement, enforceable by law, entered into freely between a willing buyer and a willing seller"



All contracts should be in writing in order to…

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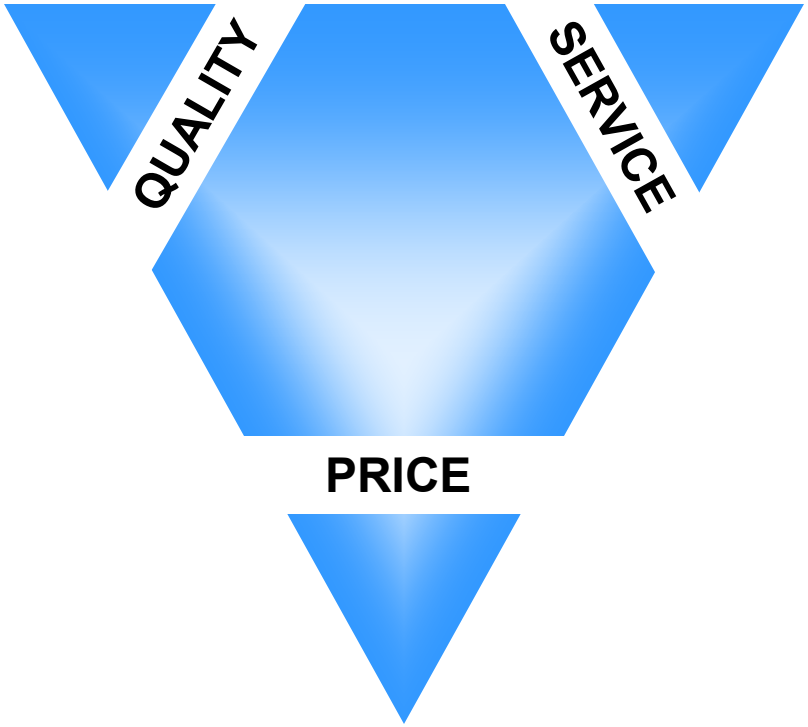
- provide clear and indisputable definitions of the goods or services required
- establish uniformity
- provide a clear record of delivery, price, inspection and monitoring requirements
- provide indisputable terms
- provide a reference to what has been agreed
- encourage competition amongst suppliers

Quality, service, price



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Review objectives….

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Any questions?