

AN ORGANISATION-WIDE PROCUREMENT STRATEGY

2009-2012

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1. EXECUTIVE SUMMARY

- 1.1 This strategy is a revision of the 2008-2011 document approved by the Board in January 2008. It is intended to guide the development of the Trust's procurement function over the next three years.
- 1.2 Good procurement is essential to support the Trust in achieving its financial objectives by maximising the levels of non-pay expenditure that are subject to competition and by generating cost savings. The other main goal is to implement modernised processes and procedures that maximise efficiency, reduce risk and embed good practice.
- 1.3 The Trust is a member of a London procurement project (LPP). This aims to increase the level of collaboration with other NHS organisations, most notably on pan-London projects through co-operation. The Trust will continue to develop and implement an annual work programme that will be designed to fit with and complement the LPP's project plan, as well as to maximise the level of non-pay expenditure subject to competition. High value stocks will be targeted to increase stock turnover in line with national standards and reduce stock costs.
- 1.4 An electronic requisitioning and ordering system is in use across the Trust. The system in use does not integrate with the trust e-financial systems and so the management information available is limited. A review of a full e-procurement system is seen as a priority for 2009/10.
- 1.5 In tandem with the modernisation of the purchasing system, the e-tendering process will continue to be implemented with the aim of completing at least 25 e-tenders before March 2010
- 1.6 Finally, the Trust will act as a responsible corporate citizen by developing sustainable procurement solutions as appropriate, including local sourcing of goods and services where it is economically as well as environmentally sustainable to do so.

2. PROCUREMENT STRATEGY 2008-2011 – Annual review

The Trust Procurement Strategy 2008-2011 was ratified by the Board on 16 January 2008. The document identified 9 strategic objectives –

- 2.1 Maximise delivery of procurement savings against agreed targets;
Procurement savings achieved in 08/09 were
- *LPP framework : legal* £12.4k
 - *LPP framework : IM&T* £15k
 - *LPP framework : prostheses* £5.8k (full year £11.6k)
 - *Pharmacy robot lease renegotiation* £48k
 - *Drugs contracts* £186.7k
 - *Roche MS* £26.4k
 - *Postage;* £3.1 k (fye £15k)
 - *Gloves* £1.1k (fye £4k)
 - *Hand towels* £4.2k (fye £17k)
 - *Network maintenance contract* £43k

A target of £360k was set and £345.7k achieved (£379.1k fye)

- 2.2 Progress procurement collaboration with trusts within the local area and across London;
WHT engaged with LPP on a number of pan-London contracting arrangements, including orthopaedic prostheses and agency framework agreements. The acquisition of a contract management system was achieved in collaboration with RFH.
- 2.3 Reduce stock levels in all areas covered by materials management and extend stock control into new areas;
A review of stock levels in areas covered by materials management has resulted in stock values being reduced by £38,069 between April 2008 and March 2009.
- 2.4 Modernise systems across the Trust e.g. e-procurement and contract management;
The use of EROS has been consolidated across the trust with full requisitioning, ordering either by fax direct from the system, or via e-mail and e-receipting
- 2.5 Develop electronic tenders via the Internet;
A contracts management and e-tender system was introduced in February 2009. Work is progressing on developing the procurement information available on the external website and the intranet.
- 2.6 Develop improved processes for specification writing and contract evaluation for clinical, scientific and diagnostic capital equipment;
Specifications and evaluation criteria, based on the EU Public Sector Directive 2006, are now developed and agreed with users.

- 2.7 Set realistic goals for sustainable procurement.
No progress made with this objective
- 2.8 Encourage cross Trust Directorate involvement in the ongoing process of managing existing contracts and then working with procurement when these contracts need to be reviewed.
Contract review periods are being established through the Tactical contracts management system to enable better forward planning for contracting. More robust co-ordination of contract management arrangements will be made possible on the appointment of the Contracts Manager post.
- 2.9 Re-establish Trust Procurement Strategy group with new terms of reference/ membership, which should include cross Directorate members
The Procurement Strategy Group was re-established in October 2008 and includes cross directorate members.

3. AN ORGANISATION-WIDE PROCUREMENT STRATEGY

2009 - 2012

3.1 INTRODUCTION AND AIMS

3.1.1 Background

In 2008/9, the Trust spent a total of £35 million on “influence-able” spend as defined by NHS PASA¹, of which £3 million was ordered through central procurement, across approximately 5,000 lines. The balance of spend was largely procured:

- By departments with devolved responsibility for purchasing (eg Pharmacy, Pathology and Estates),
- Through Trust contracts for which official orders are not placed though the Procurement Department, although it has normally been closely involved in the tendering/contracting process, or
- Through collaborative or national contracts (eg , temporary staffing, etc)

3.1.2 Scope

This document sets out the strategic objectives for procurement across the Trust over the period 2009-12, including in those departments such as Pharmacy, Pathology and Estates, which have devolved responsibility for purchasing. It builds on the strategy document approved and published in January of 2008.

3.1.3 Aims of the Strategy

The main aims of this Procurement Strategy are:

- to support the Trust in achieving its key financial objectives by maximising the levels of non-pay expenditure that are subject to competition;
- to implement modernised processes and procedures that maximise efficiency, reduce risk and embed good practice, to deliver a high performance, user-orientated service; and
- to develop sustainability within procurement processes.

3.2 STRATEGIC OBJECTIVES

The strategic objectives that must be delivered in order to achieve these aims are as follows:

3.2.1 Objective 1

Maximise delivery of procurement savings against agreed targets; in 2009/10 these are £25,000 through increased use of bulk storage and £475,000 through procurement efficiencies. Part of these savings is needed to fund the

¹ Defined as the total non-pay revenue expenditure and non-NHS staff salaries and wages, excluding depreciation, fixed asset impairments and internal/external auditors' remuneration

development and staffing of the Tactica contract management system and part are a contribution towards the trust savings targets.

3.2.2 Objective 2

To continue to collaborate with trusts within the local area and across London as part of the LPP programme, actively engaging with initiatives and proposals put forward by the LPP for 2009/10.

3.2.3 Objective 3

Increase stock turnover in all areas covered by materials management and centralised stores to 14 times per annum, thereby reducing the amount of materials held in stock.

3.2.4 Objective 4

Conduct a review of current e-procurement systems and information provision and their fitness for purpose, and introduce more effective systems where appropriate.

3.2.5 Objective 5

Develop improved processes for specification writing and contract evaluation for clinical, scientific and diagnostic capital equipment;

3.2.6 Objective 6

Set realistic goals for sustainable procurement.

3.2.7 Objective 7

Encourage directorate managers in the ongoing process of managing existing contracts and working with procurement when these contracts need to be reviewed,

3.2.8 Objective 8

Determine the level of non-pay expenditure which is influenced by professional procurement activity, and set a target of 40% of non-pay spend to be directly influenced.

3.2.9 Objective 9

Review the professional procurement resources available to the Trust and develop a service which is fit for purpose to deliver this strategy

These objectives are developed further in the following sections.

3.3 Maximise Procurement Savings

3.3.1 In order to contribute to the Trust's core objective of achieving and sustaining financial balance, a savings target of £500k will be managed centrally by procurement with delivery through the support of directorates and divisions.

3.3.2 The Procurement Team will work closely with end-user departments to assist and support them by identifying potential opportunities for savings, and by providing the necessary procurement input to achieve these, thus increasing

the level of non-pay expenditure in the Trust that is influenced and controlled. The Head of Clinical Procurement will Chair the Medical Consumables Group, which will have its membership / Terms of reference reviewed and will report into the trust Procurement Strategy Group.

- 3.3.3 Responsibility for management of existing contracts and their renewal rests with Directors their senior managers and trust budget holders. They will be fully supported by the procurement team to ensure that timely contract renewal is undertaken to ensure the trust purchases what it needs (not what it wants), at a price that it can afford.
- 3.3.4 Tendering and product standardisation programmes will also be developed on an annual basis to increase contract coverage and maximise savings.

Timescale for implementation: annually and throughout 2009-2012. Targets for subsequent years are to be assessed as the impact of other germane strategic targets is felt.

3.4 Procurement Collaboration

3.4.1 The London Procurement Project (LPP) was established in 2006 on behalf of NHS London. The object of the project is to drive down cost, through compliance with national contracts and best practice, as well as improved contract and supply chain management, to bring “quick win” benefits to all NHS Trusts across London.

3.4.2 The main area of focus over the next 12 months will be projects relating to medical and surgical products, IT & Telecoms, Professional Services (including demand management) and Estates & Facilities and it is anticipated that additional projects will also be developed for following years.

3.4.3 The Whittington Hospital has signed up to this initiative and to enable the Trust to gain the maximum benefit from the LPP, the Trust will, wherever feasible, seek to align its procurement and contractual arrangements to fit with the LPP's work programme and timetable, to support it through the provision of data, and to implement its contracts and purchasing agreements wherever these are advantageous.

3.4.4 To assist in driving up the proportion of influence-able spend that is actively managed a spend analysis tool will be implemented from June 2009

Timescale for implementation: ongoing throughout 2009-2012. Savings accruing from this process are factored into objective 1

3.5 Improve Stock Control

- 3.5.1 The Trust has already achieved a high level of stock control relating to its main “high usage, low value” medical and surgical consumables through the implementation of materials management. Further steps will be taken to achieve the national target of a stock turnaround of 14 times per annum.

Timetable for implementation; by March 2010

3.6 Modernise Procurement Processes

3.6.1 e-procurement

The Trust will review its current procurement system to assess its suitability for delivering the benefits of e-procurement. In the future it is anticipated that we will explore electronic marketplaces and electronic catalogue management.

Timescale for implementation: by December 2009

3.7 Develop improved processes for Specification Writing and Tender Evaluation

- 3.7.1 Responding to invitations to tender is both time-consuming and costly for suppliers and they are becoming increasingly inclined to challenge specifications and evaluation decisions if they feel them to be in any way unfair. There have been several examples of judicial reviews being granted as the result of insufficiently robust specification and evaluation processes.
- 3.7.2 To reduce the risk of any such setbacks, the Trust will continue to develop specification templates/checklists and it will also draw up a firm and compliant policy and procedures to improve the robustness of its evaluation processes. Specialist external support for this work will be bought in.

Timescale for implementation: current and on-going

3.8 Embed Sustainability within Procurement Decision Making

- 3.8.1 The Trust recognises its responsibility with respect to the sustainability agenda and will ensure that it purchases goods and services in a way that maximises positive benefits and minimises negative impacts on society, the economy, and the environment.
- 3.8.2 To this end, within the constraints of the Public Procurement Regulations, environmental and social issues will be factored into procurement policies and decisions.
- 3.8.3 Contracts with SMEs (small and medium-sized enterprises) will be encouraged, as will the local sourcing of goods and services, wherever these and other such initiatives are viable, practicable and can be afforded

- 3.8.4 The Trust will work with PASA, the LPP and its suppliers to encourage suppliers to reduce waste, eg through the removal of unnecessary packaging and increase recycling

Timescale for implementation: Ongoing from 2009 - 2012

3.9 Encourage directorate managers in the ongoing process of managing existing contracts and working with procurement when these contracts need to be reviewed

- 3.9.1 The Head of Procurement will assist in identifying key contracts to be managed, and will provide procurement support in ensuring contracts deliver the anticipated benefits. The aim is to run a minimum of 25 tenders for contract renewals through the Tactica contract management system.

- 3.9.2 Risks associated with any current contracts will be reported to the Procurement Strategy Group.

Timescale for implementation: current and on-going

3.10 Determine the level of non-pay expenditure which is influenced by professional procurement activity, and set realistic goals to increase this year-on-year, with a target of 40% in 2009/10

- 3.10.1 Using the new spend analysis tool, the Head of Procurement will assess the level of non-pay expenditure influenced by professional procurement activity, i.e. the use of national or regional framework agreements, local tender or quotation.

- 3.10.2 Targets for increase will be set each year as part of the procurement workplan.

Timescale for implementation: current and on-going

3.11 Review the professional procurement resource available to the Trust and develop a service which is fit for purpose to deliver this strategy

- 3.11.1 In conjunction with the review of systems, the service resources will be reviewed and developed to deliver this strategy.

- 3.11.2 It is anticipated that transactional resources can be saved through full adoption of e-procurement, enabling investment in a contracting resource which will improve savings performance.

- 3.11.3 Modernising existing systems will change the Procurement Department's role and the department will be re-skilled to enable this.

4 RISK MANAGEMENT

- 4.1 Generally, implementation of the sound procurement practise and investing in innovative procurement projects can contribute significantly towards managing the Trust's risks of missing financial targets, achieving good value for taxpayers' money, failing to collaborate with the wider health economy, and not meeting our increasing sustainability obligations.
- 4.2 Regular review of the departmental policy procedures, reinforced by audits, will also be carried out to ensure robust compliance with governance throughout all procurement processes.
- 4.3 The critical review of best practice, from across London, the NHS, the OGC or commercial sectors will be encouraged and used to improve procurement practice in the Trust.
- 4.4 A detailed procurement risk register will be developed and managed by the Procurement Strategy Group.

Timescale for implementation: Ongoing from 2008-09

5 PERFORMANCE MONITORING

- 5.1 Implementation of the strategy will be monitored by the Trust Procurement Strategy Group.
- 5.2 The TPSG will provide the Trust Executive Committee with quarterly updates on progress towards annual objectives and seek ratification from them of any investment implications arising out of information analysis.

6 STRATEGY DEVELOPMENT AND CONSULTATION

- 6.1 This Strategy refreshes the Trust's previous version of the Procurement Strategy which was developed for consultation with key users, via the Executive Directors and the Trust Executive Committee.

OUTLINE IMPLEMENTATION PLAN

No	Objective	Measurable	Actions	Resources	Time
1	Maximise procurement savings	£400,000 (includes £100k to cover Tactica operating costs)	Increase number of tenders based on prioritised workplan	Support from GMs Support from Directors Procurement Advisor	March 2010
2	Collaborate with LPP on specific projects, e.g. orthopaedic prostheses, agency staff, e-rostering	£100,000	Liaise with LPP and to establish work streams on trust workplan	LPP Procurement Advisor	March 2010
3	Increase stock turn turnover in materials managed	14x pa	Review stock levels and amend as required	Logistics manager	March 2009
4	Carry out a review into the benefits of e-Procurement	Benefits analysis paper submitted to TEC	Commission a 3 rd part review of e-procurement and benefits analysis	£10k	December 2009
5	Improve processes for specification writing and tender evaluation, including training	4 x training session pa for budget holders	Training sessions for budget managers	Procurement Advisor	March 2010
			Updated tender documentation		
6	Embed sustainability in procurement decision making by reference to contract award criteria	Request information from bidders regarding availability of a CRS	Review and implement revised contract award criteria to include measures to promote sustainability	Procurement Advisor	Ongoing
7	Directorate managers to manage contracts and renewals process	Identify all current contracts and renewal dates target a minimum of 25 for renewal through Tactica	Gather data from directorates/departments	Directorate Managers with support from procurement advisor	March 2009
		Identify priorities through procurement workplan	Develop the procurement workplan		
8	Raise level of influenced spend to 40% of that influence-able	Influence-able spend level to be identified and a 40% level of this set as a target for the year.	Use spend analysis tool to identify current levels.	Procurement advisor Contracts Manager Tactica Support of directorate managers	March 2010
			Identify gaps in procurement activities		
			Prioritise through procurement workplan		
9	Review the professional procurement resources available to the Trust and develop a service which is fit for purpose to deliver this strategy	Analysis of service delivery completed and recommendations made, accepted and implemented	Recruit to existing HoP post	New HoP	March 2010
			Set objective to review current service delivery against the objectives in this strategy		
			Develop and agree service development to deliver strategy and agree implementation		