



N.I. Assembly - Finance and Personnel Committee - Inquiry Into Public Procurement Policy and Practice in Northern Ireland

Submission by Health Care Supplies Association (N.I. Branch)

The Health Care Supplies Association is an interest group established by procurement professionals working within the NHS in the 1970's. Since its establishment the HSCA has represented the interests of its members nationally through links with the Chartered Institute of Purchasing and Supply and provides training and professional development support to its members and their staff through Summer Schools, annual training initiatives and an annual conference. HCSA (N.I. Branch) sees the training and development support provided to members and other staff working in health care procurement in N.I. as a means to supplement hard-pressed budgets and raise the profile of health care procurement.

The HCSA is responding to the Northern Ireland Assembly Finance and Personnel Committee call for submissions on Public Procurement Policy and Practice in Northern Ireland to represent the interests of its members working in procurement within Health and Social Care N.I.

Background

Outline of Arrangements in Northern Ireland

Currently procurement of goods and services on behalf of Health and Social Care organisations in N.I is carried out by the Central Services Agency Regional Supplies Service (RSS). This body is an accredited Centre of Procurement Expertise under the N.I. Public Procurement Policy and must be re-accredited every 3 years to retain this status. This organisation has responsibility for both strategic and operational procurement of goods and services for all N.I. health and social care organisations and

is unique in this position in the NHS. The procurement and logistics services provided by RSS are ISO 9000/2000 accredited and RSS holds a silver European Quality Award (EFQM Business Excellence Model). A Northern Ireland Best Practice Scheme Award 2005 - 2007 from the Office of the First Minister and Deputy First Minister is also held by RSS.

RSS works with procurement organisations in N.I. public sector and across the NHS and participates in and leads on a number of national contracts in the NHS as well as with other Centres of Procurement Expertise in N.I.

In 2004 RSS restructured its procurement services on a “Category Management” basis. Category Management is recognised as a best practice method to manage procurement which categorises products and services based on common features (markets, suppliers, commodities etc) and sees the procurements managed by dedicated teams specialising in those categories. In structuring their procurement directorate in this way RSS has reduced the points of contact for tender arrangements and has enabled those staff engaged in the tender process to develop a greater expertise in the goods or services being procured and develop a greater understanding of both the marketplace and those suppliers operating in that marketplace. These category teams, or Sourcing Teams as RSS describes them, are located at key health locations across Northern Ireland. At each of these key locations other RSS staff perform operational procurement services (ordering, expediting and relationship management) on behalf of the Trust within whose premises they are located this ensures that local requirements are met and enables a flexibility in the letting of contracts to consider geographical markets within N.I.

RSS underpins services to health care organisations with a warehousing and logistics service that delivers stocks of goods to health facilities throughout N.I. In 2008 this service was streamlined to maximise the storage capacity of its two warehouses located in Belfast and Campsie. These two warehouses now service standardised stock lines to Health and Social Care in N.I covering products as diverse as stationery and medical disposables. The warehouse operates strategic partnerships with a number of N.I Small Medium Enterprises who pick, pack and supply products on a daily basis to the RSS warehouse locations for onward distribution to Trust wards and

departments by RSS. The RSS logistics service also developed an electronic materials management (EMM) solution for N.I. health and social care that received a Northern Ireland Best Practice Scheme Award from the Office of the First Minister and Deputy First Minister during 2005 to 2007.

Specialist arrangements have been developed by RSS for the procurement of goods for new build capital projects and diagnostic imaging equipment that ensures the needs of health and social care organisations are properly met when undertaking such complex and protracted procurements. The team responsible for this area has provided services and advice to Isle of Man (Nobles Hospital), Malta and Lebanon. These latter two were in support of projects sponsored by the European Union.

Outline of Arrangements for Other U.K. Jurisdictions

Arrangements vary across England, Scotland and Wales for the provision of procurement services and that is reflected in the number of organisations involved in delivering those services and the level at which they are delivered. As a result there are a large number of organisations involved in managing procurements and dealing with suppliers. This is best demonstrated in tabular form:

Level / Home Country	England	Scotland	Wales	Northern Ireland
National	Purchasing and Supply Agency (PASA) (1) NHS Supply Chain (1)	National Procurement Scotland	Welsh Health Supplies (1)	Regional Supplies Service
Regional	Collaborative Procurement Hubs (10)			Regional Supplies Service
Local	NHS Trusts (354 per PASA website)	NHS Health Boards (14)	NHS Trusts (10)	Regional Supplies Service

England:

In England strategic and operational procurements are carried out at three levels by a range of organisations. There can be tensions between each of these levels and this can result in multiple layers of contracts for the same products or services

National:

Purchasing and Supply Agency (PASA) - an arm of Department of Health, this organisation develops framework agreements for use by health care organisations across UK but most especially England. It also undertakes procurements associated with major NHS policy initiatives.

NHS Supply Chain (NHSSC) – this is the health procurement company set up by DHL Ltd under contract to the NHS to provide procurement and logistics services to the NHS in England. NHSSC operates on a profit making basis and provides procurement and logistics services to NHS Trusts. Contracts are let at a national level.

Regional:

Collaborative Procurement Hubs (CPHs) – these are NHS bodies established to coordinate procurements on behalf of groups of NHS Trusts. By and large they do not have associated logistics services but focus on management of contracts rather than operational procurement services. Hubs let contracts solely for those Trusts they provide services to.

Local:

Trust Procurement Departments – it is the norm in England for individual Trusts to employ their own procurement teams who let contracts in their own right, manage operational procurement services and liaise with Hubs, NHSSC and PASA.

Wales

Procurement and logistics arrangements for health in Wales operate on two levels national and Local.

National:

Welsh Health Supplies (WHS) – this organisation manages a range of national contracts for the NHS in Wales and provides logistics services to all of NHS Wales from two warehouses. In the past 12 months WHS has become more involved in delivery of procurement services to individual Trusts in Wales through a migration of

a purchasing consortium to the management control of WHS. WHS also has responsibility for collaboration with the wider Welsh public sector on joint contract initiatives.

Local:

A number of the NHS Trusts in Wales employ their own procurement staff who let and manage contracts on behalf of and provide operational procurement services to the individual Trust.

Scotland

Similar to Wales arrangements in Scotland are on two levels national and local.

National:

The national dimension to NHS Scotland procurement is a relatively recent one with the establishment of National Procurement Scotland (NPS). This organisation lets and manages a range of national contracts for Scotland and is in the process of rolling out logistics services to the NHS in Scotland following substantial investment in suitable facilities and technology.

Local:

Individual NHS Trusts in Scotland employ their own procurement staff who let and manage a range of contracts on behalf of and provide operational procurement services to the Trust.

Constraints on Procurement

Public procurement is regulated by legislation founded in the EU Procurement Directives which dictates the procedures that apply to the procurement process, these procedures have been in place since 1995 and were updated in new legislation in 2006. This transparent process affords protection to both the supplier and the taxpayer. In addition controls are placed on health expenditure by DHSSPS that require HCSA members working in RSS to enter into competition for expenditure over £2k and to publicly advertise all tender opportunities above £30k. These latter arrangements have been a feature of health procurement since 1974 with value updates occurring regularly over the years. Such rigid value for money tests do not

uniformly apply in other jurisdictions and subsequently SMEs or SEEs may never have the opportunity to bid for business below EU thresholds.

It is a continual challenge to our members to manage the proscribed procurement processes so as to minimise the burden on suppliers and buyers alike and yet maintain probity and value for money in health related procurement.

Improving Access to Contracts for SMEs and SEEs

Developing the SME/SEE to Bid

All procurements above £30k are tendered openly through RSS' e-tendering portal with competitive quotations being sought for all business in excess of £2k

RSS has supported initiatives across a number of industry sectors and our members have participated regularly in Meet the Buyer events run by development agencies, local councils and N.I. Chamber of Commerce. These events have taken many forms ranging from simple “speed-dating” type events bringing suppliers and buyers together on a one to one basis across a table to more extensive involvement including participating in supplier development workshops and formal presentations to participants. RSS has also participated in research projects bringing together local universities, suppliers and RSS to develop greater understanding of product lifecycles and explore potential development areas that may benefit health.

Through our members we understand that RSS tries to support at least one region-wide Meet the Buyer event annually as resources permit.

One of the most notable engagements that RSS was involved in as a partner was the EC funded RAFAEL Project. RSS' role in that project was to develop a procurement model that was fully compliant with public procurement regulations and supported sustainable procurement in the local rural economy. This project saw contracts let worth £1.5m over three years to local food suppliers who had not previously bid for public sector food business. Furthermore the project was “Highly Commended” at the Government Opportunities National Awards (Go Awards) in the Sustainable

Development category. Subsequent to this project the model developed is being imbedded within the RSS food procurement team and has involved our members working for RSS pro-actively engaging the market to encourage companies to bid including seminars that removed much of the fear around public tendering. RSS has commenced working with DARD to develop further engagement with the market on a broad range of fresh food contracts.

RSS has also engaged with Social Economic Enterprises formally and informally which includes membership of the Public Procurement Social Economy Enterprise Group. This has involved site visits and introduction of a pilot project. RSS has also sought to raise the profile of SEE's through requiring tenderers in relevant contracts to provide details of their use of SEEs as part of their manufacturing processes.

Reduce information demands

RSS seeks only information that it requires to evaluate bids properly and in line with procurement regulations and public procurement policy. The information requested is relevant to the procurement being undertaken. In 2007 RSS took a decision to cease requesting copies of company accounts as part of tender returns and secured a budget to assess accounts using Dunn & Bradstreet Reports obtained by RSS under a contractual arrangement with Dunn & Bradstreet. Accounts are now only requested where no Dunn & Bradstreet listing is available.

In considering the optimum method to contract for goods and services RSS has sought to partner with CPD in utilising their framework agreements for ICT and Management Consultancy. In partnering in this way RSS believes it has reduced the cost of tendering for both suppliers and health organisations. This partnering removes the need for companies participating in the framework to submit comprehensive tender bids for each and every procurement undertaken in this category and enables them to focus on submitting proposals that are competitive and meet the clients needs. Additionally framework agreements greatly reduce bidding time and costs for all those suppliers on the framework as the terms and conditions of contract, and commercial arrangements are established at the primary stage of the competition in setting up the framework.

In selecting e-commerce solutions and partners in delivery of those solutions RSS has taken a conscious decision to pursue only solutions that are drawn from a “buy-side pay” model rather than a “supply-side pay” model. RSS has also sought to reduce bidding costs by automating the issue and return of tender documents introducing standard documents for completion that may be downloaded and uploaded to remove the need for “hard copy” responses. This has meant that responses are largely paperless. Furthermore RSS does not restrict the documents that suppliers wish to return i.e. if a supplier feels additional information will enhance their bid they are at liberty to upload that as part of their response. In moving to electronic issue of tender documents in 2006 RSS removed charges for documents that had been in place since 1997.

Standardisation of approach

For the procurement of goods and services in Health the processes involved are standardised across all health and social care organisations in Northern Ireland this is not the case in any other UK health economy. The level of standardisation of process in Health Procurement in Northern Ireland is considerably higher than any other GB jurisdiction and as a result the bidding process is considerably less complex. To secure business let by RSS on behalf of Health and Social Care organisations requires dealing with considerably fewer procurement entities than England where procurement of goods and services is carried out at 3 levels by multiple organisations. RSS also works collaboratively with other Centres of Procurement Expertise (CPD and ELBs in particular) to establish a common procurement approach and shared contracts on a number of matters.

Since the introduction of the N.I. Public Procurement Policy RSS has been an active member of the CPD led Procurement Practitioners Group and its sub-groups on collaboration and its special interest groups on Information Disclosure, Value For Money and E-Commerce.

Improve specifications

All tenders let by RSS involve the end user in the development of the tender specification with guidance provided by RSS. The purpose of this is to ensure that the

end user is able to communicate their requirements to bidders. Where it is appropriate to do so end users are supported by experts in functional areas, legal experts or financial experts. This is reflective of best practice.

RSS migrated procurement arrangements to a category management basis in 2005 in order to create a level of expertise in the diverse range of products procured by health. The staff engaged in category management are also involved in supporting the preparation of specifications in order to reflect what might offer a best value solution to our end users or to assist them in articulating their needs in commercial terms.

Needs to be a greater focus on value for money rather than lowest cost

Since RSS became responsible for the provision of procurement services to all health organisations in 1997 we have operated to the award criteria defined under the Public Contract Regulations as “most economically advantageous tender”. This definition allows for the consideration of qualitative aspects of products and bids as well as financial aspects. Their approach has been reinforced by the decision taken by the Public Procurement Board to have all public procurement contracts let using this criteria. In adopting this approach the weighting of qualitative criteria relative to financial criteria is varied according to the nature of the product or service being procured. This is in line with guidance published by CPD in 2003. All procurements allow a weighting for qualitative aspects of the bid that weighting ranges from 30% of marks were the product or service is simple and quality is less important than price to 70% of available marks were the procurement is complex and the qualitative aspects of the bid are critical to successful delivery.

Professional Skill of HCSA Members

Within RSS staff are actively encouraged to attain the recognised professional qualification of their chosen area of work. In procurement this is membership of Chartered Institute of Purchasing and Supply (CIPS), which gives automatic membership of HCSA and in their logistics arm it is Chartered Institute of Logistics and Transport (CILT). Staff receive partial financial support along with day release arrangements to undertake this study and are expected to maintain their workload during their period of study. It is RSS' view that the shared approach to funding

training between employer and employee recognises the mutual advantages gained by those two stakeholders. Terms and conditions of employment for staff in RSS do not allow successful completion of examinations to be rewarded.

Full membership of CIPS requires the study of a full range of commercial procurement modules and has introduced public procurement modules in the last two years. RSS' senior management team are all professionally qualified in their respective fields and more specifically of senior managers within their Procurement Directorate all but one are CIPS members and 73% hold Masters level qualifications in procurement, all are members of HCSA. In order to obtain promotion to head of department level within RSS Procurement Directorate candidates must have either full membership of CIPS or extensive experience of procurement over a period of years.

Quality Processes

RSS operates to accredited ISO9000/2000 procedures for all core services provided to its customers and has robust, audited governance arrangements set against Controls Assurance Standards that require engagement with customers as part of the tender process including their involvement pre-tender in developing specifications, their full involvement in the evaluation process and their agreement to the award of contract. All of these are managed and monitored through a series of oversight arrangements.

RSS has a complaints procedure that allows suppliers to complain directly to the Regional Director - Supplies and that complaint is then investigated by two independent senior officers. Where the complainant is not satisfied with the response the complaint may be elevated to the Chief Executive of the Central Services Agency to whom the Regional Director – Supplies reports. All senior staff to whom such complaints may initially be directed are aware of the complaints procedure.

Opportunities to Improve

More budget certainty

There is a considerable drive by the Assembly to introduce more effective and transparent plans for investment in capital developments in Northern Ireland and this reads across to Health and Social Care as funding is made available by the Minister of

Health. However there are constraints on the budget availability particularly where capital expenditure is concerned. For example funds must be spent in the year in which they are allocated, there can be no carry forward of monies surplus from one year to the next. This position applies a pressure on Health and Social Care organisations to commit only funds that they are confident will be spent in year and this places a pressure on suppliers to deliver. Additionally the allocation of funds to HSC organisations is not always clear early in the financial year and this typically leads to a compression of spending into the last 6 months of a financial year. These are issues that are outside the control of procurement professionals but which have a direct impact on the procurement of goods and directly effect suppliers. Greater flexibility in such areas would improve opportunities for SMEs in particular to bid effectively as there would be less pressure on them to hold stocks available therefore reducing their costs.

Investment in E-Commerce

The procurement systems in place in Health in Northern Ireland date back to the early eighties and in England, Scotland and Wales these systems have been replaced some considerable time ago.

Therefore Health procurement in Northern Ireland lags behind GB in this respect. Staff in Trusts should be able to enjoy the “online” shopping experience in their working lives as well as their private lives and whilst RSS has taken steps to offer such an experience it has not been supported by the necessary investments.

Current technologies support the integration of supplier systems with procurement systems through real-time exchange of order and acknowledgement, enable electronic invoicing and automated payment improving cash-flow for businesses which is particularly important for SMEs. Modern systems also help manage supplier performance and effectiveness and this is often where SMEs and SEEs offer an advantage over larger companies, a focus on this area should also enable SMEs to improve through feedback on their performance.

HCSA understands that work is underway to deliver modern e-commerce systems to Health and would encourage the Finance and Personnel Committee to lend its support to such investment.

Ownership of the Supply Chain

Ownership of the supply chain is not purely the preserve of the procurement organisation but all parties involved have a part to play. For goods to be properly procured once the deal is done the goods must be delivered in the right quantity to the right place. The person receiving the goods must take the necessary steps to ensure that the goods are properly receipted according to the needs of their organisation, failure to do this will delay payment to the supplier. Once delivery has been effected the supplier must ensure that their invoice matches the price agreed through the purchase order (this forms the basis of the contract and it's terms must be met) otherwise a delay in payment will ensue. This ownership of the relevant parts of the supply chain can be found wanting. The Finance and Personnel Committee is asked to take account of the various roles played by parties outside the procurement organisation in ensuring that public procurement meets the needs of all stakeholders.

Consideration of a Common Supplier Appraisal System

Most public procurement organisations lack an effective supplier appraisal system. Good systems not only allow the buyer to assess supplier performance but provide a basis for feedback to suppliers, recognise supplier improvements and enable further business to be secured. Application of a common system across public procurement in N.I. would not only result in supplier improvement but will help procurement organisations learn from each other where suppliers score more highly with one organisation than another enabling performance improvement to take place for both suppliers and buying organisations. 1

The Finance and Personnel Committee is asked to consider introduction of a common supplier appraisal system across Centres of Procurement Expertise.

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