

THE TAVISTOCK AND PORTMAN NHS TRUST

PROCUREMENT STRATEGY

September 2001

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PROCUREMENT STRATEGY

1. Introduction

- 1.1 The objectives of this strategy are:
- To ensure value for money in the Trust's purchases of goods and services.
 - To ensure that purchasing is done efficiently, taking account of the time and costs of staff throughout the Trust.
 - To make contractual arrangements which safeguard the Trust's interests.
 - To safeguard against corrupt practice.
 - To comply with EC and other legal requirements.
- 1.2 A review of NHS Procurement was carried out by the Cabinet Office in 1999. Action to implement the recommendations of the review were issued in Health Service Circular 1999/143 - *Review of NHS Procurement*.
- 1.3 One recommendation was that each Board should identify a member who is responsible for procurement. For this Trust, this role has been taken initially by Mrs Pat Orwell and then by Professor Andrew Likierman.
- 1.4 Another recommendation was that locally based supplies staff should be employed by the Trust instead of NHS Supplies; this was already the case here.
- 1.5 All other recommendations made to Trusts are covered in this strategy document. The strategy is intended to cover the three-year period from April 2001- March 2004. It is recognised that the strategy will need refining over time to ensure that it remains compatible with the Trust's overall business plan.

2. Types of expenditure

- 2.1 The procurement strategy must cover “all expenditure apart from permanently employed staff.” For this Trust, key areas (with approximate annual costs) are:

	£000
Telephone rentals and calls	55
Electricity and Gas	40
Capital projects: building costs and professional fees	variable
Building maintenance and repairs	160
Rates	200
Furniture and office equipment	100
Computer hardware, cabling, etc	250
Software: major systems and standard PC packages	60
Fees to external lecturers, seminar leaders, etc	400
Temporary secretarial staff (agency and bank)	200
Recruitment advertising	85
Advertising and publicity for courses and conferences	60
Printing and stationery	70
Books and journals	60

- 2.2 Most of these areas are covered in the action plan below.
- 2.3 Some major areas of expenditure in other NHS Trusts are not significant here: notably agency nurses; drugs; dressings; food; and vehicles.

3. Processes and procedures

- 3.1 The Trust’s Standing Orders require competitive tendering for the supply of goods, services or building and engineering work over £30,000; and competitive quotations for supplies over £5,000. The procedures were revised and strengthened in 1997. Since then, the tendering procedure has been used on eleven occasions.
- 3.2 Standing Orders also remind officers that European Community Directives must be complied with. At present, EC procedures apply to goods or services exceeding £93,896; or works exceeding £3,611,395. (These thresholds are revised every two years, and are now published on the DoH Purchasing

website.) To date, no contract placed by this Trust has been affected by these requirements.

- 3.3 The procedures for requisitioning, ordering, receipt and payment for goods and services have been in place since the Trust was established in 1994, and are covered in Standing Financial Instructions. Budget-holders do not have authority to commit the Trust to a purchase directly. They send a requisition form to the Supplies Officer, who places the order. (The only authorised exception is that Library books and services are ordered directly by the Librarian.)
- 3.4 This is a manual system, using multi-part stationery. Because of the relatively low volume, this has worked well, and it has not been considered cost-effective to introduce computer systems to cover these processes. However, modern e-procurement methods now offer more advantages: see the action plan below.

4. Overall Strategy

- 4.1 The first element of the strategy is to review specific areas of expenditure, with the aim of making savings.
- 4.2 A second element is to review our purchasing processes, with the aim of improved efficiency through the use of computers and electronic methods of placing orders.
- 4.3 Thirdly, we will introduce new standard terms and conditions for our orders and contracts, to strengthen our contractual positions with suppliers.
- 4.4 Savings from these actions will be reported to the Board regularly. No overall target is proposed at this point; but where specific savings potential can be identified, targets will be set as part of the annual budget process. This is consistent with the approach set by Regional Office guidance on efficiency targets.

5. Action plan for the next year.

- 5.1 Our costs for recruitment advertising have increased substantially in recent years. More new posts have been created; and almost all are now advertised externally. Two actions were taken in 2000 to reduce costs: (a) where possible, two or more posts are combined in one advertisement; and (b) a 5% discount was negotiated with the agency who prepare and place our ads, leading to a saving of some £3,000 per year.

We have now been notified that a national contract has been agreed for this function. We will obtain details of this, compare it to our present arrangements, and move to the national contract if it provides better value for money.

We will also investigate whether media advertising of courses and conferences can be covered by this contract. If so, this should lead to further savings.

- 5.2 Telephone call charges are covered by national contracts with the main suppliers. The Central Services Manager has been responsible for minimising costs, using the facilities of the switchboard to select the cheapest supplier for different types of call. This will continue: the new Central Services Manager will be trained on the switchboard facilities, and will be supervised and advised by his manager.

- 5.3 Up to 1999, NHS Supplies had a range of functions. This Trust did not have a relationship with NHS Supplies, except indirectly e.g. through utility contracts agreed for the Royal Free and telephone contracts available through NHS Communications. As a result of the Cabinet Office review, the functions of NHS Supplies were split into different organisations, which helpfully clarifies our position.

The NHS Purchasing and Supply Agency took on responsibility for national contracts and other strategic matters. They have developed sets of standard terms and conditions, not only for the purchase of goods but also in specialist areas such as computer systems, computer services, equipment maintenance and other specialist services. These are available on the website for use by all NHS bodies, and we plan to introduce them by January, where applicable. (Previously NHS Supplies had refused to issue such standard documents to us, because we had no contract with their warehousing and distribution arm. The latter is now a separate organisation, NHS Logistics.)

- 5.4 Utility contracts are negotiated nationally. In recent years, we have been notified of new suppliers for electricity and gas on an annual basis. (For this purpose, we have been treated as part of the Royal Free because of our link to their Estates department.)

We will now review the price changes over the last three years, and our current tariffs, and confirm that these are the best value available to us.

- 5.5 The Trust has a successful policy for standard PC office software, to facilitate training, support, and file-sharing. This also simplifies procurement, and upgrades have been purchased in bulk where possible. We will now review prices and our procedures, in order to ensure that costs continue to be minimised.
- 5.6 Similarly, we will review hardware purchasing. Since 1996, all specifications for PC purchases have been required to be approved by the Head of IM&T; and orders have been grouped together where possible, to maximise our purchasing power.
- 5.7 The NHS has introduced a VISA-backed purchasing card, which allows ward managers to order directly for items relating to their ward budgets. However, the facility does need to be limited to the ward budgets initiative, and could give a more efficient way of ordering stationery and other items with low order values. We have registered on the website to enable us to obtain information on the system and its financial controls. Budget-holders will then be involved in deciding whether it is applicable to this Trust; and in a subsequent wider review of our purchasing process (6.1 below).
- 5.8 A substantial number of small orders for building work are required each year. Many of these are placed with the same firm, and we have paid this firm a total of £50,000 per year over the last two years. When competitive quotes have been sought for such work, they have generally confirmed that this firm offers the best value. However, we will review next year whether alternative approaches, such as inviting tenders for an annual contract, could be more appropriate.
- 5.9 A national contract for hotel bookings was announced in summer 2001. We have notified relevant Trust staff of this contract; and have stated that it must be used where possible, and that expenses will not otherwise be re-imbursed. When other national contracts are announced, we will make use of them where applicable.

5.10 The action plan is summarised in the table below.

	Lead	Other principals	Timescale
Recruitment advertising	Director of Human Resources	Director of Finance; and Academic Services Manager (re Course advertising)	November to December 2001
Switchboard training	New Central Services Manager	Director of Central Services	November 2001
National terms and conditions	Director of Central Services	Director of Finance	December 2001 to January 2002
Utilities	Director of Finance	Director of Central Services	January to February 2002
PC software	Head of IM&T	Supplies Officer	February to March 2002
Purchasing cards	Director of Central Services	Director of Finance	March to April 2002
PC hardware	Head of IM&T	Supplies Officer	April to May 2002
Building and grounds maintenance	Director of Central Services		June to October 2002
Use of national contracts	Supplies Officer	Directors of Central Services and Finance	ongoing

6. Subsequent plans

- 6.1 The use of purchasing cards is to be considered early in 2002 (see 5.6). A complete review of our purchasing processes should take place later in the year. The aim of such a review will be to minimise the administrative costs of purchasing. These “transaction costs” include costs in three areas: within the Supplies function; of staff who wish to obtain goods and services; and of staff responsible for payment.
- 6.2 The review should be linked to the national developments of new financial systems and shared financial services, which may substantially change our methods of paying suppliers.
- 6.3 The few areas of expenditure not covered by the action plan above will be reviewed during the following year.