

SELLING TO THE NHS

This guide is aimed at helping existing and potential NHS suppliers gain a better understanding of how purchasing and supply works in the NHS.

PURCHASING AND SUPPLY – HOW IT WORKS IN THE NHS

The NHS needs an enormous range of goods and services to enable it to provide effective healthcare to patients. Imagine the vast array of items that are needed to operate a hospital – from food to highly complex magnetic resonance imagers; from needles and syringes to electricity and fuel; and from mattresses to vehicles. Then imagine how much the NHS spends on these items. Last year, the NHS spent £15 billion on purchasing the goods and services it needs.

So how does the NHS obtain these goods and services? The NHS is made up of in the region of 250 hospital trusts, each with its own budget to spend.

Most commonly, trusts purchase through:

- national framework contracts negotiated by the NHS Purchasing and Supply Agency (NHS PASA) either directly or via the NHS Logistics OnLine catalogue
- individual trusts' local contracts
- regional contracts, where a group of trusts work together to negotiate contracts – this has been developed into the establishment of collaborative procurement organisations, more information on which is provided below

THE COMMERCIAL DIRECTORATE AND SUPPLY CHAIN EXCELLENCE PROGRAMME

In 2003 the Department of Health set up a new unit – the Commercial Directorate – to oversee all of its commercial activities. During the latter part of 2003 the Commercial Directorate carried out a review of NHS procurement, culminating in the implementation of the Supply Chain Excellence Programme (SCEP).

After a review of the NHS supply chain, the Commercial Directorate launched the Supply Chain Excellence Programme in March 2004. The three-year programme is focused on the restructuring of the NHS supply chain to gain efficiencies and improve the effectiveness of supply management in the NHS.

SCEP aims to gain the best value for the money the NHS spends each year on goods and services – securing best value for money for the NHS that reflects product quality, innovation, price, patient safety and choice. This will ensure the greatest possible share of NHS funding is directed



towards improving clinical capacity, and ultimately patient care. Overall, SCEP is expected to deliver annualised savings of over £500 million by 2007-08.

The Programme includes four workstreams, as follows:

- national contracts: accelerated sourcing of some national contract categories
- collaborative hubs: the development and deployment of collaborative hubs, aimed at improving regional purchasing throughout the NHS
- NHS PASA structure: a reorganisation of the Agency to reflect the proposed changes in the Department and the NHS
- market testing of the proposed outsourcing of NHS consumables' supply chain and procurement service

The NHS supply chain review showed that the supply of consumables managed by NHS Logistics and NHS PASA brings significant value to the NHS, but there is a belief it could deliver even greater benefits. The Commercial Directorate is currently determining if partnering with the private sector is the best way to grow and develop the valuable services that NHS Logistics and NHS PASA consumables procurement provide for the NHS.

For the latest information see www.pasa.nhs.uk/scep

MODERNISING PURCHASING AND SUPPLY

Following the Audit Commission's 2002 report, which highlighted significant differences in performance across the NHS, NHS PASA announced recommendations for a fundamental reorganisation of the NHS purchasing and supply function. The recommendations resulted in supply management confederations being set up across the country with groups of trusts working together on a geographical basis. The work of the confederations, and ultimately collaborative hubs

(see below), is planned to bridge the gap between national and local purchasing.

The Collaborative Procurement Hubs (CPH) project is working with trusts and confederations in a phased approach to develop CPHs across the NHS that provide a regional procurement focus. CPHs will help optimise all commercial spend through collaborative working across all trusts in the local health economy and ensure a strong clinical interface to deliver the right product for local health economies. It is also supporting NHS Logistics and the new national framework agreements within the NCP project to maximise the purchasing scale provided by the CPH approach.

NHS PASA

The NHS Purchasing and Supply Agency is an executive agency of the Department of Health. Established in April 2000, NHS PASA has the responsibility for ensuring that the NHS in England makes the most effective use of its resources by getting the best possible value for money when purchasing goods and services. Its prime target is to release money that could be better spent on patient care by achieving purchasing savings and improving supply performance across the NHS. This is especially important following the current significant financial investment in resources.

NHS PASA is not a trading organisation – being centrally funded by government allows the Agency to concentrate on those functions that demonstrate value to the NHS.

The Agency is involved in a wide range of projects linked to key priorities identified in the NHS Plan. These range from purchasing CT scanners to supporting the implementation of the NHS ‘better hospital food menu’. For further details see www.pasa.nhs.uk/nationalpriorities

One of NHS PASA’s main activities is the negotiation of national contracts for products and services that are strategically important to the NHS. By aggregating the purchasing power of the NHS the Agency can yield greater economic benefits and do things once on a national basis.

THE ‘ONCE ONLY’ APPROACH

Economies of scale are not solely related to making purchasing savings. The Agency can exploit its size and position to perform a number of tasks for the NHS – saving each individual trust the time, money and effort in carrying out these tasks themselves. This is the ‘once only’ principle and it underpins all of our activities – removing replication of effort and unnecessary cost.

For example, NHS PASA has developed standard market-specific terms and conditions of contract for a multitude of goods and services used by the NHS, eliminating numerous sets of different conditions of contract that were previously in use. A further development is the adoption of a standard pre-purchase questionnaire form relating to electro-medical equipment for use throughout the UK.



The Agency has produced a standard operating purchasing procedures manual for trusts (TOPPM). The manual provides guidance on EU purchasing and supply regulations, including a standard set of forms to be used in the tendering process.

NHS-Sid

In 2003 the Agency launched NHS-Sid – a database that makes suppliers’ tender support information available electronically to all NHS trusts in England. Suppliers doing business with a number of NHS organisations only need to submit material once to this central database. The system brings benefits in terms of reduced costs for suppliers, improved speed and efficiency for NHS purchasers and reduced process time. For further information and to apply to join NHS-Sid see www.pasa.nhs.uk/sid

WHAT HAPPENS IN THE OTHER HOME COUNTRIES?

NHS PASA has responsibility for purchasing and supply issues in England only. Scotland, Wales and Northern Ireland have their own health services and supply organisations.

The Agency meets regularly with the supply organisations of the other home countries to discuss areas of cooperation and in some instances to collaborate on contracts. Wherever appropriate NHS PASA agreements are also available for use by the NHS in the other home countries and all other government organisations.

HOME COUNTRIES SUPPLY ORGANISATIONS

Scottish Healthcare Supplies

Tel: 0131 275 6000

www.show.scot.nhs.uk/shs

Welsh Health Supplies

Tel: 029 2031 5500

www.whs.wales.nhs.uk

Central Services Agency – Regional Supplies Service (Northern Ireland)

Tel: 028 9066 7799

csa.unite.net or www.centralservicesagency.com

NHS PASA’S PURCHASING ROLE

The Agency negotiates contracts that can be accessed by the whole of the NHS.

These contracts are mainly organised in two ways:

- trusts can buy goods and services directly from suppliers under nationally negotiated framework agreements
- using Agency agreements, NHS Logistics buys goods and stores them in its warehouses. NHS organisations can then order goods from NHS Logistics and receive consolidated deliveries, broken down into smaller quantities where required. Ordering and billing within the NHS is available electronically via Logistics OnLine

In some cases, NHS PASA also negotiates contracts on behalf of individual trusts. These contracts are usually for goods and services that require trust-bespoke specifications and specialist expertise. There are some instances where the most effective contracts are negotiated at a local trust level. Where this is the case, NHS PASA can provide trusts with model contracts and buying guides.

The Agency currently negotiates around 3000 contracts with 1700 suppliers, worth in the region of £4 billion per annum. Around £600 million of this total is supplied through the NHS Logistics Authority.

NHS PASA aims to ensure that markets remain attractive to suppliers by effectively managing the supplier base. This may involve introducing competition to certain markets where necessary, identifying new products and suppliers, monitoring quality, ensuring continuity of supply and negotiating the best possible terms. NHS PASA monitors the performance of suppliers, conducts environmental appraisals and carries out risk management assessments.

How NHS PASA WORKS

The Agency’s purchasing function is organised nationally on a commodity basis with purchasing staff based at four sites – Reading, Chester, Normanton (Yorkshire) and Sheffield. Around 20% of staff operate from home.

Buying staff work in national sections that concentrate on specific markets. This structure allows suppliers to deal with one main contact who will bring market and product knowledge to the relationship.

THE NHS E-PROCUREMENT STRATEGY

e-Procurement provides huge opportunities for savings and efficiency in the NHS. As part of the Government's modernisation agenda, NHS PASA is supporting an e-procurement strategy for the NHS in England that will:

- benefit the NHS through process efficiencies, greater purchasing power and sharing and exploiting information
- help UK suppliers to the NHS to compete successfully in the export market
- support the wider Government agenda of making the UK 'the best place in the world to do e-business'

e-Tendering is embedded in NHS PASA's corporate policy and is now used for all its normal procurement exercises.

The NHS is already significantly advanced in its use of e-procurement. For example, did you know that ...

- the NHS operates one of the most advanced integrated supply chains in the world due to a single electronic system operated by the NHS Logistics Authority. The system handles over £600 million of NHS expenditure every year and automates everything from ordering through to payment. It also offers an e-billing facility
- in April 2004 around 2100 purchasing cards were in use across the NHS, replacing paper transactions. In 2003-04 the English NHS used these cards to order goods to the value of £19 million
- the pharmaceutical and energy markets in the NHS already benefit from e-procurement systems – replacing paper processes, reducing costs and enabling substantial information exchange with suppliers
- all NHS PASA contracts are promoted on a real-time web-based catalogue – NHS-ecat
- in 2003-04 the Agency piloted reverse e-auctions and electronic tendering systems – these are planned to continue in the future

Further details about e-procurement can be found in the Agency's Business Plan at www.pasa.nhs.uk/currentcontracts

GREENING THE NHS SUPPLY CHAIN

The Government is placing increasing emphasis on the use of its purchasing power to deliver its environmental policy objectives and, for the NHS, the Agency is spearheading the greening of NHS supply.

During 2000 PASA became the first public sector purchasing organisation to achieve the coveted ISO 14001 certification for its environmental management system. This demonstrates the Agency's commitment to continually improving environmental performance and complying with all relevant environmental legislation.

NHS PASA publishes a sustainability report each year: Its latest report *Towards sustainability: facing the future* is available on the NHS PASA website and covers the Agency's commitment to improving the environmental, social and economic impacts of its activities. This report provides specific help for suppliers, in anticipation that they can learn from NHS PASA's experiences. See www.pasa.nhs.uk/sustainabledevelopment/2005/

The Agency is already working with suppliers on a number of initiatives, such as environmental performance improvement, and we will continue to work in partnership with suppliers, trade associations and the NHS to identify and promote best practice. This will avoid replication of effort and ultimately improve efficiency in the NHS supply chain.

The Agency is committed to raising the awareness of environmental and related legislative issues throughout the supply chain. A web-based framework for assessing the environmental performance of suppliers is currently being developed jointly with OGCbuying.solutions for use throughout the NHS.

PROMOTING SUSTAINABLE DEVELOPMENT

By considering what and how we purchase, we can contribute to achieving a better quality of life and healthier communities through sustainable development. This includes giving equal consideration to economic, environmental and social impacts. By behaving as a 'Good Corporate Citizen', the NHS will use its purchasing power to work with suppliers to bring benefits to the communities it serves, promote good health and contribute to the Government's wider sustainable development agenda.



Greening NHS supply means:

- both buyers and the NHS considering, during the purchasing process, environmental issues associated with products and services to reduce environmental impacts
- sourcing and promoting those products with validated environmental labels or claims
- measuring and monitoring environmental performance of the NHS supply chain
- working with suppliers to improve their environmental performance
- where possible, helping NHS suppliers anticipate environmental legislative changes
- raising suppliers' awareness of wider sustainable development issues and the potential to positively impact upon the community

THE TENDERING PROCESS

Under the EU regulations there are three types of tender procedure available to buyers:

- **Open Procedure:** This is available in all circumstances and involves a single-stage approach where all candidates may respond to the OJEU advertisement and all offers received must be considered.
- **Restricted Procedure:** This is available in all circumstances and involves a two-stage approach where candidates who respond to the OJEU advertisement will be considered to have expressed an interest; from these, the buyer will then shortlist a number of candidates to submit offers.
- **Negotiated Procedure:** This is only available in a very limited number of circumstances and is subject to strict conditions.

Due to the wide and costly process involved in the Open Procedure and the limitations that surround the Negotiated Procedure, the most common procedure used is the Restricted.

Where the Restricted Procedure is used, the buyer must allow a minimum of 37 days from the date the OJEU notice was despatched to the closing date for receipt of Expressions of Interest. Once shortlisting has taken place, a minimum of 40 days must be allowed for offers to be returned (although this may be shortened to 26 days if a PIN has been published to the correct requirements).

If procurement activity has been derived from unforeseeable and urgent circumstances then the timescale above may be classified as an Accelerated Restricted Procedure.

WANT TO GET INVOLVED?

NATIONAL CONTRACTS

The NHS, in common with other public sector organisations and government departments, must meet the requirements of the EU Public Procurement Directives to ensure open and fair competition. Under these Directives, all contracts with a total value over £93,738 (for supplies and

services) or £3,611,319 (for works) must be advertised in the Supplement to the Official Journal of the European Union (OJEU). These adverts enable suppliers to express an interest in the majority of NHS national contracts.

The OJEU is issued daily. To subscribe, contact The Stationery Office on 0870 600 5522 or visit the online version at <http://ted.publications.eu.int>

Alternatively, you can contact one of NHS PASA's specialist buyers to introduce your company and its products and they will be able to advise you on the opportunities open to you in your particular market. A directory of senior PASA purchasing staff can be found at www.pasa.nhs.uk/makingcontact

LOCAL TRUST CONTRACTS

Each trust will also have in place a number of local contracts managed by the trust's supplies department. For local contacts see www.pasa.nhs.uk/suppliers/selling/trust_dir.asp

NB: Under the Data Protection Act the Agency cannot provide names of individuals.

HELPDESK

If you have a general query the Agency helpdesk will be able to point you in the right direction. You can contact the helpdesk on 0118 980 8841 or email purchasing.helpdesk@pasa.nhs.uk

INNOVATION

New ideas and new ways of doing things can help the NHS deliver better healthcare. The Agency is therefore keen to encourage innovations from suppliers and is involved actively in several associated initiatives. For further information contact Margaret Horton by email at Margaret.Horton@pasa.nhs.uk

KEEPING YOU INFORMED

NHS PASA communicates regularly with all its contracted suppliers, keeping them up to date with the latest news and initiatives from the Agency. Regular contact is also maintained with a number of major trade associations.

SMALL BUSINESSES

A large proportion of Agency business is conducted with small and medium-sized companies (SMEs). To encourage competition and ensure that the marketplace is accessible to all suppliers NHS PASA is committed to providing specific help and support to small and new businesses. The Agency has a procedure in place to ensure all enquiries are dealt with promptly – contact the helpdesk on 0118 980 8841 for information.

The following services are available to all suppliers but will be of particular interest to small and new businesses:

FREE ADVICE

NHS PASA purchasing staff will be happy to discuss any aspect of selling to the NHS, including relevant quality standards, compliance with public procurement procedures, market structure and customer requirements.

COMMUNICATION CHANNELS

The Agency has established a number of customer consultation groups, for example in the areas of theatre products and prosthetics, whose membership includes a cross-section of NHS trust staff and specialist buyers (and in some cases patients). The views of these groups have a direct impact on the Agency's strategic purchasing decisions. Suppliers can be invited to attend meetings of these groups to demonstrate products and receive feedback.

PRODUCT TRIALS

Where appropriate, the Agency can arrange to trial products and report trusts' feedback to suppliers.

SEMINARS AND PRESENTATIONS

Staff regularly attend meetings and seminars held by trade associations, chambers of commerce and other groups to speak to potential suppliers on a collective basis.

PROMPT PAYMENT

Where the NHS Logistics Authority purchases and takes title to goods, it gives a commitment to pay suppliers promptly, ie within 30 days of delivery.

CONTRACT DEBRIEFING

If you have been invited to tender for an Agency contract and are unsuccessful in your bid, NHS PASA can offer constructive feedback on the reasons for your lack of success. This will enable you to monitor your performance in the marketplace towards being more competitive in the future.

USEFUL LINKS

A number of websites provide practical sources of information on everything from EU procurement to public sector tendering information. Below are some you may find useful, in addition to the Agency's website – www.pasa.nhs.uk/links

<http://simap.eu.int>

SIMAP – for information on public sector electronic procurement

www.tso-online.co.uk

The Stationery Office

www.bipsolutions.com

BiP Solutions Ltd provides public sector contract information

www.ogc.gov.uk

The Government's procurement website provided by the Office of Government Commerce

www.dh.gov.uk

The Department of Health website provides information on the latest health service plans and initiatives

www.sbs.gov.uk/services/contact.php

The Small Business Service provides information on tendering for government contracts

MAKING CONTACT

NHS Purchasing and Supply Agency

Premier House

60 Caversham Road

Reading RG1 7EB

Tel: 0118 980 +ext (8600 for reception)

NHS Purchasing and Supply Agency

80 Lightfoot Street

Chester CH2 3AD

Tel: 01244 58 +ext (6700 for reception)

NHS Purchasing and Supply Agency

Foxbridge Way

Normanton

West Yorkshire WF6 1TL

Tel: 01924 32 +ext (8700 for reception)

NHS Purchasing and Supply Agency

PO Box 1400

Sheffield S11 8EY

Tel: 0114 267 6004

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Expert public procurement consultancy for **Buyers and Suppliers** at your service



PASS CONSULTANCY

BiP's *Procurement Advice and Support Service (PASS)* provides organisations with access to experts in public procurement practices and procedures, thus helping you develop and deliver effective and efficient procurement. Our team offers a range of services to meet your specific needs. Whichever area you wish evaluated and improved, we have the experts to help.

The PASS consultancy's mission is to help you deliver the best in government procurement through:

- Practical solutions to improve procurement performance
- Innovative approaches to knowledge transfer within government
- Joined-up government
- Improved performance indicators
- Strategic direction and performance
- Opportunities offered by e-government
- Capacity to deliver change to meet identified needs
- Continuous improvement of services and challenging poor performance
- Sustainable development within decision-making processes and delivery of services
- EU-compliant processes
- Best practice procurement training

PASS HEALTH CHECK

The *PASS* service can help your organisation examine its current procurement organisational structures, strategies, processes, practices and related strengths and weaknesses. It delivers a detailed *PASS Mark Health Check Outcome Highlight Report (OHR)* that outlines areas of strength as well as those requiring further attention, and provides an outline *Project Initiation Document (PID)* designed to deliver a more effective and efficient tendering process that will help you achieve optimum performance and better value-for-money procurement.

PASS – HELPING YOU MEET KEY OBJECTIVES

The key objective of public procurement professionals is to ensure that the most suitable supplier is selected to provide goods and services on terms which are likely to offer the best value for money. The *PASS* service helps you meet this requirement and deliver contracts that offer best value-for-money terms with suppliers who will execute them efficiently.

PASS TRAINING

Our consultants can provide you with bespoke training packages to suit your needs. Consultancy and training is available for the following: environmental purchasing, partnering, evaluation, e-government, supplier debriefing, UK legal processes and precedents, contract management, EU-compliant tendering and much more.

PASS ONLINE GUIDANCE

The *PASS* service provides online guidances on all aspects of the public procurement process and legal requirements: www.bipsolutions.com/html/briefing.php

PASS – CAPS SERVICE

Introducing *CAPS* – the public sector's guardian through the EU public procurement process, helping you to quickly access in-depth, authoritative EU public procurement procedure assistance. We are now pleased to offer your organisation access to this vast knowledge base as and when required, through subscription to BiP's new *Contract Administration & Process Support (CAPS)* helpline service. The *CAPS* service level agreement aims to answer 99% of your enquiries within one working day and 85% of these within one working hour.

PASS IN-HOUSE PRESENTATIONS

PASS consultancy can provide you with in-house presentations directed to buyer or supplier. Each presentation will be bespoke to your requirements, whether they be with regards to improving your tendering practices or your procurement strategy or processes. Contact: pass@bipsolutions.com



The *PASS Mark Health Check* is a process-based evaluation technique that helps identify how your company can develop more effective processes when tendering for public sector contracts.

For further information on the **PASS** service, contact our **PASS Team** on **0845 270 7055**, email pass@bipsolutions.com or visit www.bipsolutions.com/pass/