



LONDON AMBULANCE SERVICE

NHS TRUST

PROCUREMENT STRATEGY 2010 - 2013

FINAL 17-03-2010

Approval and Acceptance

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1. Introduction

The proper management of Procurement is essential to the efficiency and effectiveness of clinical and support services. Patient care depends on the assured availability of quality equipment, materials and services. Accountability for the expenditure of taxpayer's money requires that sound economic decisions are taken in relation to procurement.

2. Procurement can be defined as:

“The whole process of acquisition of goods & services spanning the whole life cycle from the initial concept and definition of business needs through to the end of the useful life of an asset or services contract or need for the activity”.

The purpose of this strategy is to advance effective procurement across the whole organisation

3. Background

In 2009/10, total trust expenditure is forecast to be £278m. The forecast surplus is £1.4m

The Trust has an overall annual non spend (excluding depreciation) of £58m

A 1% recurrent reductions in annual non pay spend would equate to £600k. To put this in further context, a 2.4% reduction would equate to the Trusts surplus in 2009/10.

There are currently 790 suppliers managed within the purchasing system, generating 27,000 orders per year.

- 21 suppliers account for 80% of the orders raised
- Top 20 suppliers account for 50% of the spend

4. Strategic Scope

The Cabinet Office NHS Procurement Review recommends that trust strategies should cover all expenditure on goods, capital equipment and services.

This strategy covers the procurement of goods and services undertaken by the Procurement department, which is responsible for the purchase and management arrangements for goods and services to the value of approximately £58m per annum (based on 2009/10 forecast).

The major non pay procurement categories are:-

	<u>Spend (£m)</u>	<u>% of Non Pay Spend</u>
Staff Related	£7	12%
Medical Consumables, Equipment & Drugs	£7	12%
Fuel & Oil	£5	9%
Third Party Transport	£2	3%
Other Fleet	£9	16%
Accommodation & Estates	£13	22%
IT & Telecoms	£9	16%
Other	£6	10%
Total	£58	100%

5. Timeframe & Management Arrangements

The Procurement strategy covers a 3 year period from March 2010 to 2013 and is submitted to the London Ambulance Service Trust Board for approval.

A work plan is produced on an annual basis and is linked to and supports the procurement strategy, improvement projects and department performance.

The Director of Finance is responsible for the procurement function within the Trust and as such will review procurement performance against the action plan to the Trust Board on a quarterly basis;

6. Policy Framework

The procurement policy is to support the Trusts overall Vision and values, objectives and comply with the European Union & UK Procurement legislation, promoting competition in the market place and fair and open transparency in our dealings with suppliers.

The strategy also reflects the commitment to collaborate with other government bodies, including other Emergency services, Official of Government Commerce (OGC) Department of Health (DoH), and Procurement Hubs.

7. Strategic Objectives

The primary goal of the Procurement Department is to ensure that the right quality and quantity of equipment, materials and services is delivered on time to the Trust for the lowest overall cost.

Specific objectives are:

- i. Develop clear understanding of what goods and services are required by Trust.
- ii. Deliver improved value for money, focusing on whole life costs
- iii. Improve internal stakeholder relationships by increased communication and engagement with staff
- iv. Continuously improving quality & innovation
- v. Develop strong & effective supplier management
- vi. Develop the procurement and commercial competencies & skills of all relevant staff
- vii. Develop high class internal customer service
- viii. Ensure efficient purchasing processes & systems
- ix. Identify value for money and efficiency gains, and to identify outcomes and targets for achievement of potential efficiency savings in the future
- x. Actively collaborate with other emergency services and public sector agencies e.g. OGC & NHS Procurement hubs
- xi. Ensure continuity of supply & sound business continuity arrangements
- xii. Improve the Trust's knowledge of the supply market
- xiii. Comply with Trust Standing Financial Instructions and Risk Management arrangements
- xiv. Comply with all relevant UK & European legislation
- xv. Comply with the Trusts own Corporate and Social Responsibility policy
- xvi. Comply with the Trusts own Equality and Inclusion policy

8. Procurement Principles

- i. A **competitive** process will provide the best opportunity to procure the goods or services with value for money, however it is recognised there may be a valid exception to this principle, due to the nature of the requirement.
- ii. All procurement will be conducted on a **value for money** basis and will include both whole life costs and quality considerations.
- iii. **Sustainability, Equality and Inclusion** issues will be considered where appropriate and when relevant to the contract.
- iv. **Fair, open & transparent processes**
- v. Procurement is a **means to deliver agreed business objectives**; it is not an end in itself.

8.1. Selection of Goods and Services

The selection of goods and services will be performed in consultation with relevant user groups. The procurement and selection of all consumables, equipment and services will be balanced to ensure that the Trust always achieves best value for money.

The selection procedure will include:

- i. Procurement of capital items will be after preparation of a business case complete with investment appraisal and life cycle costing.
- ii. Procurement of consumables and associated equipment for use of patient care will be effected through the successful application of the acquisition trial and procurement protocol
- iii. The Trust with the aid of user groups, training department and the contract management group will continually seek to rationalise and standardise the product range of medical equipment.
- iv. Public sector procurement framework agreements will be used wherever possible and appropriate

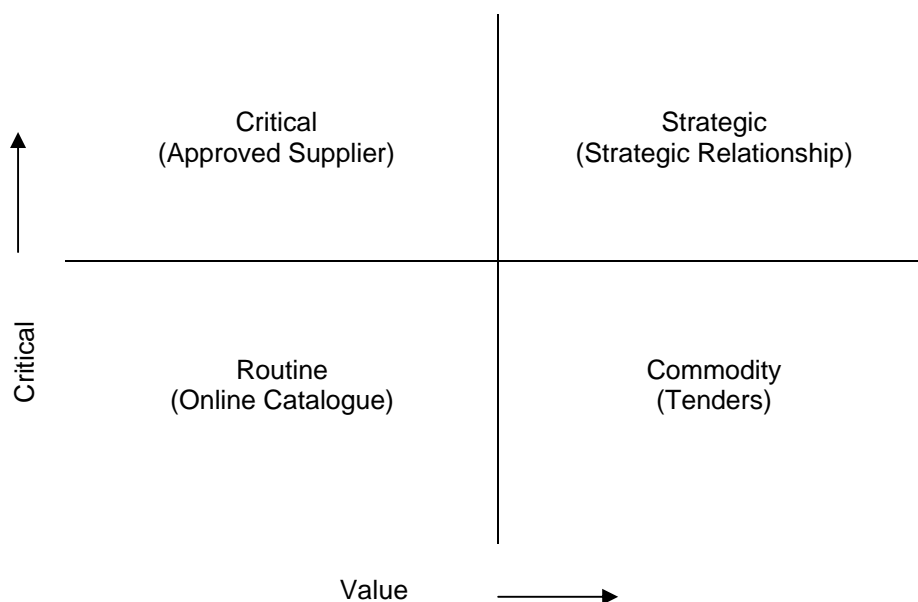
The Trust will establish specific catalogues for use by various Ambulance staff with an aim to aid the benefits encompassed with standardisation such as ease of ordering, better leverage and control of costs.

8.2. Selection of Suppliers

Suppliers will be selected on the basis of their ability to meet the Trusts requirements using an evaluation process including amongst others:

- i. Initial supplier questionnaire
- ii. Credit-worthiness report
- iii. Finance department evaluation
- iv. Technical capability
- v. Quality
- vi. Service support
- vii. Total Cost
- viii. Site visit
- ix. References

The supplier base will be segmented as follows:



8.3. Procurement tendering process

Tendering will follow European tendering rules and regulations and will begin with inviting expressions of interests from suppliers, in response to an OJEU notice or other calls to competition, depending on the value.

This will be supported by assessing the suppliers' responses to information requests in the OJEU notice, or pre-qualification questionnaire, and invite those selection of suppliers to tender depending on the procurement procedure selected. Unsuccessful bidders should be notified and debriefed, if requested.

8.4. Tendering evaluation

The tender evaluation process is designed to identify the supplier(s) who will provide the best value for money for a particular purchase, this will be based on the most economically advantaged tender and not necessarily the lowest bid as other factors will be taken into account in terms of quality issues, services support and whole life costs.

The evaluation process will be strictly controlled and objectively carried out against agreed award criteria. Each of the various criteria will be weighted to reflect their relative importance. The nature of the award criteria and their weightings will vary depending on the specific contract being considered.

During the evaluation process bidder's maybe asked to demonstrate their products or services. We may also ask to visit their premises and possibly take up appropriate references

8.5. Price

The Trust recognises that the price is only part of the total acquisition costs, the strategy will therefore cover all aspects of the supply chain and will instigate a review to identify the total acquisition and supply costs for all goods and services procured for the Trust as a way of managing costs.

In addition the Trust will also:

- i. Use competition
- ii. Regularly review the high spend areas of all non pay expenditure
- iii. Introduce contracts in high spend, high volume areas to ensure best price and control of prices is maintained
- iv. Use NHS Agency contract agreements or other public sector frameworks
- v. Ensure processes are in place to benefit from early payment discounts

8.6. Benchmarking

The Trust will aim to introduce a structured benchmarking programme with its partners (London Procurement Programme (LPP) Ambulance procurement Hub, and other Ambulance Services) to identify best practice, review the procurement department performance, value for money and supply chain processes.

8.7. People Issues

The Trust aims to ensure at all times procurement is conducted with professionalism to the highest standard and follows the LAS equality and inclusion policy, and is conducted and supported by people with the correct competencies.

9. Purchasing Processes

The Trust is committed to continually improving its business processes in purchasing. Areas of focus include:-

- eProcurement using electronic catalogues and eTendering
- Improved financial systems integration (eSeries)
- Electronic supplier management
- Purchase cards
- eAuctions

10. Procurement Department Structure

10.1. Category management in Procurement

Category Management will be introduced within the department and the Trust to manage the procurement of goods and services.

Category management identifies various categories of goods or services purchased to improve its controls, give support to changing priorities, demand and gain better market knowledge to maximise value for money.

The process flow for contract management will include the following stages:

Stage 1: Developing a thorough understanding of third party spend and future demand.

Stage 2: Segmenting spends into market sectors.

Stage 3: Developing market sector strategies

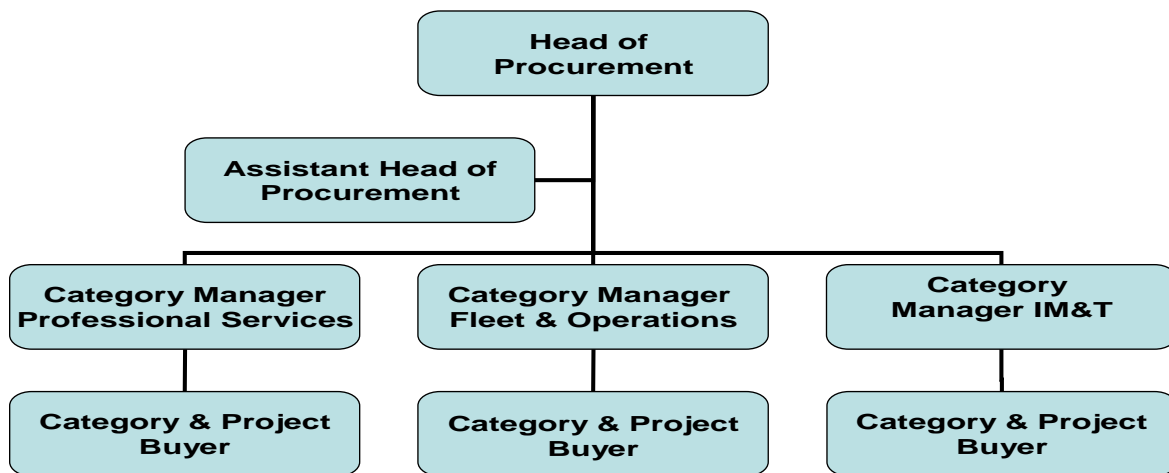
Stage 4: Supplier selection

Stage 5: Supplier performance management: including strategic supplier partnering. This will be done in conjunction with internal LAS customers/departments.

Category management will also identify examples and opportunities for collaborating with other organisations, future business requirements, market forces and the resources available.

10.2. Procurement structure

The department structure is detailed as below:



10.3. Supplier relationship management in procurement

Supplier Relationship Management (SRM) will be introduced.

SRM recognises that different relationships will be required with different Suppliers / providers and goods and services purchased, the type of relationship will depend largely on the criticality and/or value of the goods or services supplied and factors such as the number of suppliers in the market, and the global availability of a requirement.

It is critical that internal customers/departments manage external suppliers in conjunction with the procurement team. SRM will be designed to support this process, not supplement it.

SRM will allow procurement to develop strategies for dealing with suppliers to achieve ongoing value for money, and reduce the risk of poor performance or non-delivery or non-availability. It allows the procurement organisation to focus effort on the right strategic suppliers with internal customers/departments.

11. Equality and Inclusion in procurement

11.1. Procurement

The Trust aims to ensure that equality & inclusion is embedded and absolutely integral to everything we do.

The procurement department is committed to ensuring its practices support the Trusts Equality & Inclusion Policy to enable it to meet its duties under equality and anti-discrimination legislation.

As part of this commitment, the procurement department and its processes will ensure there is a consistent approach to equality within all contracts and procurement activity across the Trust.

The procurement department will follow the guidance from the Official Government Commerce (OGC) detailed in their document “Make Equality Count” and all subsequent revisions. Available at www.ogc.gov.uk

11.2. Supplier Diversity

The Trust is committed to fostering a diverse supplier base and aim is to ensure that businesses of diverse backgrounds and ownership have the opportunity to become valued suppliers of the Trust.

12. Corporate and Social Responsibility

The Trust is committed to sustainable procurement by ensuring that social, economic and environmental issues are considered during all stages of a procurement process and as part of the whole life cost of a contract.

The procurement department will follow the guidance from the Official Government Commerce (OGC) detailed in their document “Office of Government Commerce & Department for Environment, Food & Rural Affairs Joint Note on environmental issues in purchasing – dated 2003” and all subsequent revision

13. Work Plan

The Work plans will be produced on an annual basis and used to translate the objectives and expectations of the procurement strategy into an operational programme that will form part of the Trusts annual service plan, and will be targeted and measured. **See appendix A.**

14. Performance targets and monitoring

Measures will be put in place to assess the performance of the procurement department and whether the strategy aims and objectives are being adhered to.

The measure will include:

Measurement Area	Objectives	Reporting Frequency
Expenditure influenced by procurement	To demonstrate that the Trust has effective control of expenditure	Quarterly
Expenditure and overall procurement efficiency	To demonstrate whether the Trust is receiving value for money	Quarterly
Cost of Procurement	To demonstrate added value of the procurement function	Annually
Procurement competencies	To improve skill levels and ensure they match the Trust requirements.	Annually
Supplier & product rationalisation	To reduce associated procurement costs	Annually
Service quality/stakeholder satisfaction	To assess the level of satisfaction of users/stakeholders	Quarterly
Benchmarking with other ambulance trusts	Value for Money	Six monthly

15. Communications

The procurement strategy will be communicated to its stakeholders via the LAS intranet and regular management briefing by both the Director of Finance and the Head of Procurement

16. References

The following documents were used to prepare this strategy:

- i. The London Ambulance Service NHS Trust Standing Orders
- ii. OGC “make Equality Count” document
- iii. Office of Government Commerce & Department for Environment, Food & Rural Affairs Joint Note on environmental issues in purchasing – dated 2003 available at www.defra.gov.uk/sustainable/government/index.htm and www.ogc.gov.uk

APPENDIX A

DEPARTMENTAL

WORKPLAN

Key Action Point	Accountability	Actions	Outcomes	Time-scales
Develop Procurement Strategy document 2010 - 2013 <u>Objective No. i</u>	Director of Finance & Head of Procurement	a) Review procurement strategy documentation b) Agree changes with Finance Director c) Amend document accordingly d) Forward for Trust Approval	Set direction and objectives for the procurement function	Start 1/01/2010 Complete 31/03/2010
Departmental and service wide procurement policy and procedures <u>Objective No. i</u> <u>Objective No. viii</u> <u>Objective No. xiii</u> <u>Objective No. xiv</u> <u>Objective No. xv</u> <u>Objective No. xvi</u>	Head of Procurement	a) Review current procurement related documentation b) Identify policy areas c) Identify produce areas and required controls d) Introduce a Policy dealing with Equality and Inclusion in LAS procurement	Improve method of operations and understanding for the Procurement function Trust wide	Start 01/01/2010 Finish 31/12/2011 o Review quarterly
Procurement improvement programme <u>Objective No. iv</u> <u>Objective No. xii</u>	Head of Procurement	a) Increase in Contract management o Improvement in tendering process o Increase in Contract coverage o Introduction of Contract Register o Risk Management Coverage b) Performance testing process o Auditing Procurement o Savings o Benchmarking o Improvement in process and systems used in purchasing	Better value for money and risk reduction within contracts	Start 01/01/2010 Ongoing o Review monthly

		<ul style="list-style-type: none"> o Audit and improvement programme <p>c) Creation and Monitoring of procurement departmental KPI's</p>		
<p>Customer service improvement programme</p> <p><u>Objective No. iii</u> <u>Objective No. vii</u></p>	Head of Procurement	<p>a) Produce Communications Plan to include</p> <ul style="list-style-type: none"> o Customer questionnaires o Customer care awareness training o Better use of catalogues within Integra o Link's to LAS Web site o Improvement in product and service knowledge 	Improved customer satisfaction	<p>Start 01/04/2010</p> <p>Ongoing</p> <ul style="list-style-type: none"> o Review monthly
<p>Departmental development programme</p> <p><u>Objective No. vi</u></p>	Head of Procurement	<p>a) Introduction of PDP for all staff members</p> <p>b) Regular appraisal system</p> <p>c) Adaptable workforce</p> <p>d) Defined roles, responsibilities and accountabilities</p> <p>e) Structured training programme</p> <p>f) Team Development Programme</p>	Improved, motivated and adaptable workforce able to provide a professional procurement service	<p>Start 01/04/2010</p> <ul style="list-style-type: none"> o Review monthly
<p>Supply Management</p> <p><u>Objective No. iii</u> <u>Objective No. v</u> <u>Objective No. xi</u></p>	Head of Procurement	<p>a) Create Key supplier database</p> <p>b) Strategic Supplier analysis...Routine, Commodity, Critical & Strategic</p> <p>c) Introduce key supplier management performance measurements</p>	Better controls of the supply base and Improved flow of good and services, by way of reduction in delivery times and asset management costs	<p>Start 01/04/2010</p> <p>Ongoing</p> <ul style="list-style-type: none"> o Review quarterly

<p>Purchasing Collaboration</p> <p><u>Objective No. x</u></p>	<p>Head of Procurement</p>	<p>a) Actively participate in Ambulance procurement confederation</p>	<p>Benefits will include:</p> <ul style="list-style-type: none"> • Improved value for money due to economies of scale • Greater leverage in the market and greater provider loyalty • Access to resources and ideas from others working in the same environment • Sharing of the procurement burden. 	<p>Start 01/04/09</p> <p>Ongoing</p> <ul style="list-style-type: none"> ○ Review quarterly
<p>Cost Reduction</p> <p><u>Objective No. ii</u> <u>Objective No. ix</u></p>	<p>Head of Procurement</p>	<p>a) Set year on year cost saving initiatives for non-pay spend</p>	<p>Reduction in spend</p>	<p>Start 01/04/2010</p> <p>Ongoing</p> <ul style="list-style-type: none"> ○ Review Monthly
<p>Governance</p> <p><u>Objective No. ix</u></p>	<p>Head of Procurement</p>	<p>a) Ensure supplier performance is in line with Governance / Control Assurance framework</p>	<p>Improvement in ALE</p>	<p>Start 01/04/2010</p> <p>Ongoing</p> <ul style="list-style-type: none"> ○ Review quarterly