

Southern HSC Trust Procurement Strategy

2018 – 2021

January 2019

SECTION 1.0 – INTRODUCTION AND CONTEXT

1.1 Purpose of Strategy

1.1.1 The purpose of this strategy is to outline the key aims and objectives which should be applied by the Trust in addressing a range of key procurement issues over the **next 2-3 years**. The strategy draws from the HSC Strategic Procurement Action Plan 2018-2021 and NI Public Procurement Policy 2002 (as amended).

1.1.2 This strategy document is not a manual of guidance nor does it define how these aims and objectives should be implemented, on the basis that such guidance is explicit within a range of other procurement documentation. Rather, this document provides a direction of travel for the Trust in how it should proceed in conjunction with the Department's two CoPEs (BSO PaLS and CPD Construction Division – Health Projects) and for procurements derogated to the Trust for management, specifically some aspects of Social Care and Estates Services.

1.1.3 The Chief Executive is responsible for preparing this strategy and bringing it to Trust Board for approval. This task is delegated to the Director of Finance, Procurement and Estates.

1.2 What is public procurement?

1.2.1 Public procurement is “the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, services and works and other supplies by the public service”. Examples of each of these different kinds of procurement are given below:

- Supplies procurement (office supplies, vehicles, hospital equipment);

- Services procurement (e.g. externally managed ICT systems, consultancy, full facilities management services, externally provided social care services); and
- Works procurement (e.g. construction & maintenance of the infrastructure and Government Estate).

1.2.2 The definition of public procurement covers both conventionally funded contracts and more innovative types of procurement such as Public Private Partnerships (PPP) and Private Finance Initiatives (PFI).

1.2.3 The procurement process spans the whole life cycle of the procurement from conception and definition of need through to the end of the useful life of an asset or the end of a contract. It includes pre-contract activities such as market sounding, sourcing and post contract activities such as contract management, service and maintenance and supplier relationship management activities. These may be considered in three distinct phases: Commissioning, Procurement and Contract Management.

1.3 Legislative Framework

1.3.1 Public procurement is currently regulated throughout the European Union (EU) through the provisions of the Treaty on the Functioning of the European Union (TFEU, formerly known as the EC Treaty) and the EC Directives.

1.3.2 The purpose of the EC Directives is to open up the public procurement market and to ensure the free movement of supplies, works and services within the EU. The Directives set Europe-wide standards which must be achieved in every Member State by transposition of the Directives into national legislation. The EU Procurement Directives have been transposed in the UK (excluding Scotland) as The Public Contracts Regulations 2015, The Utilities Contracts Regulations 2016 and The Concession Contracts Regulations 2016. The development of Public Procurement Policy must be taken forward in the context of this legislative environment

1.3.3 It is acknowledged that during the period of this strategy, that the United Kingdom is due to exit the EU and as a result the legislative framework may change.

1.4 NI Public Procurement Policy

1.4.1 The Northern Ireland Procurement Board is responsible to the NI Executive and accountable to the Northern Ireland Assembly and has responsibility for the development, dissemination and co-ordination of public procurement policy and practice for the Northern Ireland public sector.

1.4.2 The Northern Ireland Public Procurement Board sets out the Procurement Policy adopted by the Northern Ireland Assembly, together with the governance and organisational structures that have been established to implement it.

1.4.3 The public sector in Northern Ireland follows 12 guiding principles which the Northern Ireland Executive agreed at a meeting on 16 May 2002. The 12 principles extend to all public procurement in Northern Ireland and are:

- i **Accountability:** Effective mechanisms must be in place in order to enable Departmental Accounting Officers and their equivalents in other public bodies to discharge their personal responsibility on issues of procurement risk and expenditure.
- ii **Competitive Supply:** Procurement should be carried out by competition unless there are convincing reasons to the contrary.
- iii **Consistency:** Suppliers should, all other things being equal, be able to expect the same general procurement policy across the public sector.
- iv **Effectiveness:** Public bodies should meet the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement.

- v Efficiency:** Procurement processes should be carried out as cost effectively as possible.
- vi Fair Dealing:** Suppliers should be treated fairly and without unfair discrimination, including protection of commercial confidentiality where required. Public bodies should not impose unnecessary burdens or constraints on suppliers or potential suppliers.
- vii Integration:** In line with the statutory duties on equality of opportunity and sustainable development and the Executive's policy on joined-up government, procurement policy should pay due regard to the Executive's other economic, social and environmental policies, rather than cut across them.
- viii Integrity:** There should be no corruption or collusion with suppliers or others.
- ix Informed decision-making:** Public bodies need to base decisions on accurate information and to monitor requirements to ensure that they are being met
- x Legality:** Public bodies must conform to European Community (EC) and other legal requirements.
- xi Responsiveness:** Public bodies should endeavour to meet the aspirations, expectations and needs of the community served by the procurement.
- xii Transparency:** Public bodies should ensure that there is openness and clarity on procurement policy and its delivery.

1.4.4 The principle elements of the Northern Ireland Procurement Policy are summarised below.

(a) Best Value for Money

Best Value for Money is the primary objective of procurement policy. It is defined as: *"the most advantageous combination of cost, quality and sustainability to meet customer requirements."*

In this context, cost means consideration of the whole life cost; quality means meeting a specification which is fit for purpose and sufficient to meet the customer's requirements; and sustainability means economic, social and environmental benefits, considered in the business case, in support of the Programme for Government.

When the 12 guiding principles of public procurement (as outlined in paragraph 1.4.2 above) have been satisfied to an acceptable level, then "best value for money" can be said to have been achieved.

(b) Integration of Equality of Opportunity and Sustainable Development

One of the guiding principles within Public Procurement Policy is integration, which, when read in the context of the Executive's policy on joined up Government, requires procurement policy to pay due regard to the Executive's other social and economic policies, rather than cut across them.

The importance and relevance of this principle has been further reinforced by the focus on integrating equality and sustainable development into public sector procurement.

(c) Procurement through a Centre of Procurement Expertise

It is a mandatory requirement of the NI Public Procurement Policy that all public procurement is carried out by a CoPE or under the influence of a CoPE. This is to ensure that procurement is compliant with EU and UK legislation and is efficient, effective and in line with best practice.

Public bodies falling under the NI Public Procurement Policy must generally secure the services of a CoPE through a Service Level Agreement (SLA) which details the range of services to be provided.

In respect of the procurement of goods and services, the CoPE is the Business Services Organisation's Procurement and Logistics Service (PaLS).

The Trust must have an agreed SLA with BSO in order to ensure that it is able to access professional procurement advice and to have procurements conducted in accordance with current regulations and guidance.

CPD Construction Division – Health Projects fulfils the role of construction CoPE, recognising the bespoke nature and potential complexity of healthcare construction. The Trust must use CPD for the procurement of construction works and design services. In the circumstances where the Trust opts to not follow CPD's professional procurement advice, the Trust's Accounting Officer is required to inform the Departmental Accounting Officer and to justify such a decision.

(d) Award of Contracts on the basis of Most Economically Advantageous Tender or Lowest Price

Contracts should be awarded on the basis of objective criteria which ensure compliance with the TFEU Principles and which guarantee that tenders are assessed in conditions of effective competition. This permits contracts over the EU threshold to be awarded on the basis of either the Most Economically Advantageous Tender (MEAT) or lowest price.

For contracts below the EU threshold, the basis of award must be either the Best combination of Price and Quality (BPQ) or lowest acceptable price. For contracts for the supply of standard goods, non-construction services or below EU threshold construction works and design services, the preferred basis of award should be the lowest price or lowest acceptable price. In this context, 'standard' means when the goods, services or works can be clearly and simply specified, and are capable of being routinely delivered by a number of suppliers/contractors.

For more complex or strategic requirements for goods, services or construction, when the performance of a contract is crucial to meet business objectives, MEAT or BPQ may be used on the advice of a CoPE.

(e) Procurement Control Limits

The NI Procurement Board sets optimum limits for the procurement of general supplies, works and services which are detailed in Procurement Guidance notes issued by Department of Health.

Current EU limits

The specific thresholds that apply to projects when determining whether or not a contract for services, or a works contract, must comply with the EU Procurement rules (and particularly that require a Contract Notice to be published in OJEU) are now as follows:

Contract Type	Threshold *
Supplies & Services	£118,133
Works	£4,551,413
Light Touch regime for services	£615,278

*current but subject to on-going change

(f) Achieving Excellence in Construction

In 2002, the NI Procurement Board approved a Northern Ireland version of the Achieving Excellence initiative with the aim of making the public sector a best practice client when procuring construction works and services. Considerable progress has been made in the intervening period in relation to the key themes of Achieving Excellence – Management, Measurement, Standardisation and Integration. Its principles are now well established and are reflected in the procurement guidance issued by CPD and endorsed by the NI Procurement Board.

(g) Programme and Project Management (PPM)

The NI Procurement Board considers it critical that projects and programmes are managed in accordance with best practice and that they are subject to the

Gateway Review Process, which is managed in Northern Ireland by CPD via the CPD Centre of Expertise for Programme and Project Management, an OGC Authorised Hub. CPD Construction Division – Health Projects has been awarded sub-hub status by the CPD Centre of Expertise.

(h) Northern Ireland Guide to Expenditure, Appraisal and Evaluation

The principles set out in this guide should be applied with proportionate effort to every decision or proposal that entails spending or saving public money or otherwise changes the way resources are used.

1.5 Procurement Guidance

1.5.1 Procurement Guidance Notes (PGNs) are the administrative means by which the Northern Ireland Public Sector is advised of procurement policy and best practice developments.

1.5.2 Within the HSC, PGNs are issued as HSC (F) circulars by DoH.

1.5.3 The main source of guidance from CPD Construction Division is the Estates Procurement Manual, which all ALBs are required to follow for their procurements to be considered under the ‘influence of a CoPE’.

1.6 Structure of Procurement within DoH/HSC

1.6.1 Procurement within DoH and its ALBs is largely effected through two CoPEs – CPD Construction Division (Health Projects) and Procurement and Logistics Service within the Business Services Organisation.

1.6.2 **CPD Construction Division – Health projects** is the CoPE for construction works and design services for DoH. In this role, CPD is responsible for developing, disseminating and monitoring compliance with Northern Ireland

Public Procurement Policy and best practice guidance. CPD also provides strategic estate planning and project management services in an 'intelligent client' role in the delivery of major projects in the DoH capital development programme. The delivery of sustainable procurement is also achieved through the CoPE's procurement processes.

1.6.3 Procurement and Logistics Service (PaLS) – provides strategic and operational procurement services covering both contracting for goods and services and where no contract exists, negotiating prices and placing purchase orders on behalf of the DoH and its ALBs. PaLS is therefore largely involved in the procurement of the day to day services which keep the health service running.

1.6.4 A Regional Procurement Board (RPB), comprising all major customers of BSO PaLS, provides regional oversight and strategic direction on actions necessary to improve procurement practice/performance. It is chaired by the Permanent Secretary of the DoH and its responsibilities include:

- Developing an overarching Three year Procurement Action Plan which sets the strategic direction on HSC procurement matters and which aligns with Departmental Policy;
- Overseeing Goods and Services (including capital and pharmacy) Procurement savings initiatives;
- Supporting strong governance arrangements for procurement, maximising the purchasing power of HSC Trusts, and enhancing patient care through sustainable savings and improved products and services;
- Championing the cause of collaborative working and the profile of Procurement and supply chain management within HSC bodies, and in the wider Public Sector; and
- Supporting cross-cutting and collaborative procurement activities across UK Health and other government bodies

The Chief Executive and the Director of Finance of the Trust are members of the RPB.

- 1.6.5 Pharmaceutical procurement** - The arrangements for pharmaceutical procurement within HSC are well established and have been an integral component of the development of innovative procurement approaches aimed at improving value for money.

Within the HSC, a Regional Pharmaceutical Contracting Executive Group (RPCEG) is responsible for the governance and oversight of procurements in this area, including the prioritisation of tender activity and agreement of areas of specific work. Members of the group are drawn from Trusts, HSCB, BSO and a representative of Community Pharmacy NI. The RPCEG is also responsible for approving the award of all contracts that are awarded for pharmaceuticals and dressings across the HSC. It is recognised that a review of these arrangements is required to ensure transparency, accountability and that appropriate governance structures are in place and this is part of the HSC Procurement Action Plan.

In terms of the delivery of compliant pharmaceutical procurement arrangements, this is undertaken by two bodies: the Regional Pharmaceutical Procurement Unit, which is a shared service run by the Northern HSC Trust on behalf of all HSC organisations, and BSO PaLS, which is an accredited CoPE and conducts the procurements on behalf of HSC organisations.

- 1.6.6 Social Care Procurement** - Following a change in public procurement legislation (Public Contract Regulations 2015) from 26 February 2015, the Light Touch Regime for procurement of specific health and social care services was introduced.

The new directive does not apply to under threshold awards of contract, where there is presumed to be no cross-border interest. The Trust can therefore determine the procedure to award contracts below this threshold

observing best practice set out in the Procurement Guidance Note 02/16, 4.3 Below the Light Touch Regime, which reflects:

- NIPPP requirements that procurement should be managed via SLA with a CoPE;
- The requirements of Managing Public Money NI and need to use competitive tendering where possible maintaining a balance between the value of the contract and transactional cost;
- The requirement to process all tenders via eTender NI, to publish award criterion in procurement documents and appropriate use of quality and price criterion; to reflect rule on aggregation, and remove arbitrary requirements discouraging SME participation.

Within the HSC, a re-constituted, Social Care Procurement Board (a sub-group of the Regional Procurement Board) is to be established and a draft Terms of Reference and Structure has been developed subject to agreement of the Executive Directors of Social Work and endorsement by the Regional Procurement Board. This new Board will meet in 2019 and the Trust's representative will be the Director of Older People and Primary Care Services. This oversight aligns with the Regional Procurement Plan (Social Care) agreed by the Regional Procurement Board.

The arrangements for social care procurement in the HSC continue to develop. The Social Care Procurement Unit of BSO PaLS is responsible for over threshold procurements in line with the regionally agreed project plan. Under threshold service contracts for new service awards are being procured by Trust staff under the influence of SCPU within existing capacity and the Trust continues to work with the region to establish commonality in approach to the award of contracts under threshold.

The regional procurement plan will focus on increasing compliance in this sector for procurements over the EU threshold value.

SECTION 2.0 – STRATEGIC AIMS & OBJECTIVES

2.1 The Trust's strategic aims and objectives for procurement are:

- To have clear and appropriate governance and accountability arrangements in place for the management and oversight of the commissioning, procurement and contract management processes in the Trust.
- To have arrangements/processes in place to procure goods, services and works in accordance with Northern Ireland Public Procurement Policy so as to maximise value for money, encompassing quality, cost and sustainability, whilst at all times ensuring that goods, services and works purchased support quality clinical outcomes.
- To work collaboratively with all procurement partners to increase the level of expenditure through Centres of Procurement Expertise and ensure procurement priorities are aligned to both corporate objectives as outlined in the Trust's Delivery Plan and the HSC Procurement Action plan 2018-2021.
- To work with the Social Care Procurement Board, to continue to further the regional approach to the procurement of social care, for both over and under threshold procurements within the principles and policy direction of ensuring that public procurements are supported and influenced by a relevant CoPE and bring forward development of care strategies to support commissioning and procurement in this sector in association with policy developments.
- To ensure adequate skilled resources are available to support compliance with the agreed regional approach to social care procurement and contribute to the development of a regional/local contracting &

procurement plan, based on a risk managed approach, to increase compliance with social care procurement.

- To regularly monitor and report compliance against the NI Public Procurement Policy and DOH guidance via agreed key performance indicators
- To minimise the use of direct contract awards through actively exploring and targeting the scope for standardisation and product and supplier rationalisation
- To ensure adequate training and resources are available to staff to support compliance with commissioning, procurement and contract management guidance
- To exploit the benefits of information technology to achieve procurement savings
- To review performance quarterly and report on an annual basis to Trust Board via Audit Committee.

SECTION 3.0 – ROLES AND RESPONSIBILITIES

3.1 Trust Procurement Board

The Trust will establish a Trust Procurement Board to oversee the procurement activity of the Trust. The Director of Finance, Procurement and Estates will be the chair of this committee and it will report to the Audit Committee.

It will assist the Director of Finance, Procurement & Estates, as the official with responsibility for oversight of financial management under Managing Public Money NI, and others with operational responsibility in relation to the cycle to, inter alia, provide assurance to the Accounting Officer, Board and

Audit Committee on control, on law, policy and best practice compliance and on continuous improvement including both risks and opportunities in relation to commissioning of non-payroll expenditure.

3.2 Director of Finance, Procurement and Estates

The Director of Finance, Procurement and Estates will, on behalf of the Chief Executive, prepare an annual Operational Procurement Plan and will submit for approval by the Trust Procurement Board. Such plans will:

- (a) Be in accordance with the aims and objectives set out in the Trust Procurement Strategy;
- (b) Be produced following discussion with appropriate CoPEs and other stakeholders;
- (c) Be prepared within the limits of available funds;
- (d) Identify potential risks.
- (e) Cover all areas of externally sourced expenditure on works, equipment, goods, supplies, service and personnel;
- (f) Be in accordance with the regional HSC Procurement Action Plan

The Director of Finance shall monitor performance against the work plan with key stakeholders, review it on a quarterly basis and report to the Trust Procurement Board.

The Director of Finance, Procurement and Estates is also a member of the Regional Procurement Board, comprising all major customers of BSO PaLS, which provides regional oversight and strategic direction on actions necessary to improve procurement practice/performance.

The Director of Finance will carry out such other duties as are outlined in the Standing Financial Instructions of the Trust to support the Trust's Procurement Strategy.

3.3 Managers and staff

Managers and officers acting on behalf of the Trust must ensure that they comply fully with the Trust guidance on commissioning, procurement (including Direct Award Contracts) and contract management.

SECTION 4.0 – REVIEW

- 4.1** The Strategy will be subject to annual review by the Trust Procurement Board and any proposed significant revisions discussed with the Chief Executive.
- 4.2** The Strategy will be a two to three year strategy, however should significant changes in the legislative framework or guidance occur, the Strategy will be reviewed in the intervening period.