

Healthcare Purchasing Consortium

**HPC OPERATIONAL PURCHASING
DEPARTMENT BURTON HOSPITALS
LOCAL PROCEDURE MANUAL**

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Section One - Background

1.1 Introduction.

The provision of a local purchasing and supplies service to Stakeholder Trusts is delivered under Service level Agreements between the Trusts and HPC.

1.2 Responsibilities and relationships.

Each Stakeholder Trust has a lead officer that represents the Trust with HPC.

For Burton Hospitals NHS Foundation Trust it is David Harding, Director of Finance.
For South Staffordshire and Shropshire Healthcare NHS Foundation Trust it is Jon Meigh, Director of Estates and facilities.
For South Staffordshire PCT Provider Arm it is Mark Docherty, Director of Operations

The Operational Purchasing Manager is responsible to the Trust through the lead director for ensuring the Trust meets the national targets for procurement and for delivery of a Procurement Strategy.

The Operational Purchasing Manager is also responsible for relationship management between with HPC and the Trust and with external partners NHS Purchasing and Supply Agency and NHS Supply Chain and the operation of the local department.

1.3 Role of the Purchasing Department

1.3.1 The core functions of the Department include;

- developing and implementing appropriate local contracts
- committing to and implementing divisional contracts which are put in place for Trusts within Staffordshire and Shropshire
- committing to and implementing HPC contracts against the agreed HPC workplan.
- processing NHS Supply Chain requisitions or providing training to allow remote input
- placing purchase orders against requisitions raised against contracts
- operating receipt, distribution and local storage for Queens Hospital
- placing ad-hoc orders for expenditure below competition thresholds.

1.3.2 In carrying out these duties the department will ensure that all purchase orders conform to all the rules that cover non-pay expenditure. These rules are encompassed in:-

EU Procurement Legislation
The Trust's Standing Orders
The Trust's Standing Financial Instructions
The Trust's Delegated Financial Limits and Authorised Signatory Limits
The Trusts Procurement Procedures
The Trust's Standards of Business Conduct

1.3.3 The department will guarantee Public Accountability, a requirement of all public sector organisations by fulfilling the need to be able to prove to the public, usually through an auditor, that public money is being spent in an open, honest and economical way. The Department must maintain the Audit Trail.

1.3.4 The department will provide separation of responsibility by preventing the possibility of fraud or unacceptable practices by ensuring that the person who identifies the need to requisition goods and services is not the same person who carries out the activities relating to their purchase, nor the person who pays or certifies payment for them.

The contracting process and creation of purchase orders must strictly follow the Purchasing Department Procedures.

1.4 The Quotation and Tender Procedure

The quotation and tender procedure contains the tools that help prove value for money, provide an audit trail and prove separation of responsibility. The Trusts rules include a clear statement that orders must not be split or otherwise placed in a manner to avoid financial thresholds.

1.5 Assessing the value

Before deciding which procedure needs to be followed the value of the contract needs to be estimated. This estimation must include the full life costs of the contract. For large supply contracts the period should be four years. For the purchase of equipment the cost of maintenance and any consumables that may be required must be taken into account over a minimum four-year period. The estimation must include VAT. Contracts over similar periods for a similar range of products should be considered together and aggregated.

1.6 Competition thresholds.

Estimated expenditure over the thresholds detailed below must be subject to formal competition. For competition not to be sought Sole Supplier status must be approved. When the Sole Supplier status has been approved a formal, single quotation or tender must be invited on the Trust's standard stationery and against the NHS standard conditions of contract.

	Burton Hospitals	S&S Healthcare	SS PCT
Formal quotation procedure	>£10,000 inc VAT	>£5,000	
Formal tender procedure	>£50,000 inc VAT	>£50,000	
EU tender procedure	>£106,125 inc VAT (£90,310 exc. VAT)	>£106,125 inc VAT (£90,310 exc. VAT)	>£106,125 inc VAT (£90,310 exc. VAT)

For competition not to be sought Sole Supplier status must be approved. When the Sole Supplier status has been approved a formal, single quotation or tender must be invited on the HPC's standard stationery and against the NHS standard conditions of contract

Section 2. Formal Quotation Procedure

2.1 Sending out the invitation

An invitation to provide a quotation should be on the HPC's standard forms and include a statement this invitation to quote is being issued on behalf of the Trust which it is for. The Invitation document must include the following

- ✓ A clear specification that should generic. Where a non-generic description is used approval must be obtained from the Operational Purchasing Manager
- ✓ An agreed quantity. Where estimated quantities are used the document must clearly state "estimated".
- ✓ A reference number obtained from the tender and quotation register.
- ✓ A return date and time
- ✓ Reference to the appropriate NHS Conditions of Contract
- ✓ A pre-printed return envelope addressed to the Operational Purchasing Manager when paper documents are used
- ✓ A form of quotation that allows a company representative to signify their acceptance of our terms and conditions
- ✓ A PPQ form where appropriate
- ✓ A contact name and telephone number

Return date should allow companies a reasonable time to respond and depending on the technicality of the specification should be no less than two weeks from date of issue and no more than four. Exceptionally, in cases of real emergency, the period can be reduced with the agreement of the Operational Purchasing Manager.

2.2 Number of Invitations

No less than three companies should be invited to provide quotations. Where less than three quotations are invited, the reason for that decision must be recorded in the quotation file. The quotation file will be placed in the pending file and include a part completed Quotation Summary Form.

2.3 Further Information.

Should any company request and be provided further information all companies invited to provide a quotation will be provided with the same information in writing as soon as possible.

2.4 Return extensions.

Should any company that has been asked to provide a quotation request an extension to the return date the reason for the request must be recorded. The Operational Purchasing Manager, or in his absence a senior officer not involved in the process, must agree the extension. The need to extend must be reasonable and not be due the inefficiency of the company and must not benefit a single supplier. All companies invited to provide a quotation will be notified immediately in writing of the extension.

2.5 Receiving Incoming Quotations.

Upon receipt returned quotation envelopes must be date-stamped but not opened. They should be placed unopened in the pending quotation file and held there until the return date.

2.6 Opening Quotations

Quotations should be opened on the day after the closing date to allow for internal and external post problems unless all invitations have already been returned.

Quotations will be opened by members of staff not involved in that quotation who will date stamp and sign the quotation form. A quotation summary form will be completed providing, where appropriate, the products and quantities required, the current price being paid, and a summary of the offers received. Once complete the quotation will be handed to the issuing officer.

If less than three quotations have been received the Operational Purchasing Manager or deputy will be asked for approval to continue and must be satisfied that appropriate process has been followed that can demonstrate value for money.

2.7 Evaluating Quotations.

Trust rules state both that the lowest quotation should be accepted and that best value must be achieved. If a quotation, other than the lowest quotation, is recommended for acceptance, then a formal evaluation by the user department must have taken place. The evaluation must be against predetermined criteria and records of the evaluation provided.

The user department must evaluate the offers in all cases except where

- Quotations are non generic
- There are no quality issues

Where the lowest quotation is not to be accepted the written reason based on the evaluation must be approved by the Operational Purchasing Manager and kept in the master file.

Section 3 Formal Tender procedure (non EU)

3.1 The Invitation to Tender (ITT)

An ITT should be on the HPC's standard form and include a statement that this ITT is being issued on behalf of the Trust which it is for. The ITT must include a reference number taken from the quotation and tender register, a return date and time and;

3.1.1 The standard Terms of the Tender, that may be amended to take into account the specific requirements.

3.1.2 A Specification and Form of Tender. The specification should be generic. Where a non-generic description is used approval must be obtained from the Operational Purchasing Manager. The specification should be provided by the user department or some other officer with detailed technical knowledge. A specification and Form of Tender for equipment should allow for full life costing over the period of the contract include;

- ✓ Separately detailed segments of the specification that allows the supplier to signify that their offer is compliant with the specification
- ✓ An agreed quantity. Where estimated quantities are used the document must clearly state "estimated".
- ✓ Space to provide separate details and costs of any installation or commissioning requirements.
- ✓ Space to provide separate details and costs of any training requirements or opportunities for both user staff and EBME and their separate costs
- ✓ Space to provide details and costs of any maintenance options and their separate costs
- ✓ Space to provide separate details and costs of any consumable items required to support the operation of the equipment and their separate costs
- ✓ Space to allow the supplier to offer added value opportunities
- ✓ The evaluation criteria with weighting including sub criteria where appropriate.

3.1.3 The ITT should identify the relevant NHS Standard Conditions of Contract and guidance how to access them through the PASA website

3.1.4 The ITT should contain any Supplementary Conditions of Contract

3.1.5 The ITT should contain a Certificate of Bone Fide tender

3.1.6 The ITT should contain a Deed of Guarantee

3.1.7 The ITT should contain PPQ Forms where appropriate

3.1.8 The ITT should contain a pre-printed return envelope addressed to the Chief Executive

Written approval must be received from the user department agreeing that that the ITT and specification are correct. This approval should be kept on the file.

3.2 Tender Return

All tenders are to be returned to the Chief Executive in a pre-printed envelope. The envelope should contain the tender reference number, title and return date.

The return date should allow companies a reasonable time to respond and depending on the technicality of the specification should be no less than two weeks from date of issue and no more than four. Exceptionally, in cases of real emergency, the period can be reduced if approved by the Operational Purchasing Manager

A memorandum including a Certificate of Opening must be sent to the Chief Executive on the date of tender issue informing him of the title of the tender, its return date and the names of those companies invited to tender.

3.3 Number of Invitations

No less than five companies should be invited to provide tenders. Where less than five tenders are invited the reason for that decision must be approved by the Operational Purchasing Manager and be recorded in the tender file.

3.4 Further Information.

Should any company request and be provided with further information all companies invited to provide a tender will be provided with the same information in writing as soon as possible.

3.5 Return extensions.

Should any company that has been asked to provide a tender ask for an extension to the return date the reason for the request must be recorded. The Operational Purchasing Manager, or in his absence the deputy must agree the extension. Approval to extend should be limited and must be reasonable and not be due the inefficiency of the company. Approval must not benefit a single supplier. All companies invited to provide a tender will be notified immediately in writing of the extension. The Chief Executive will be notified in writing of the new return date.

3.6 Receiving Incoming Tenders.

The receipt and opening of tenders is carried out within the Chief Executives Department in line with the Trust's procedures for opening tenders contained in Standing Orders.

3.7 Evaluating Tenders

The evaluation must be against predetermined criteria that should be received prior to issue of the ITT and recorded in writing

The evaluation should identify the preferred supplier that offers best value for money. If the preferred supplier is not the lowest price then this fact and the reasons why the lowest price was not chosen should be in a permanent record.

The user department must evaluate the offers in all cases but for exceptional circumstances, approved by the Operational Purchasing Manager.

The tenders should be initially summarised within the Purchasing Department to obtain a price comparison. A meeting must be arranged with the user department to arrange evaluation. Where practicable the Purchasing Department should be lead the evaluation process whilst not being involved in technical equipment evaluations.

The user department must provide the names of those to be involved in the evaluation and the evaluation criteria. An evaluation pack should be provided to the user department to help them through the process that must be completed, appropriately authorised and returned to the Purchasing Department. A final meeting involving the Purchasing department will take place to ensure appropriate procedures have been followed and to agree the contract award and authorisation protocols.

Section 4 Formal Tender Procedure - EU

4.1 Introduction

EU Procurement Directives are incorporated into British law and as such are mandatory to all parts of the public sector. All tenders for goods or services where the total cost is £90,310 excluding VAT, or £106,114 including VAT, must comply with these procedures.

Deliberate disaggregation to avoid the regulations is in breach of EU procurement law and Standing Orders.

Before deciding which procedure needs to be followed the value of the contract needs to be estimated. This estimation must include the full life costs of the contract. For large supply contracts the period should be four years. For the purchase of equipment, the cost of maintenance and any consumables that may be required must be taken into account over a minimum four-year period. The estimation must include VAT. Contracts over similar periods for a similar range of products should be considered together.

If the value of the activity comes above the EU threshold the following procedures come into force. An advertisement is forwarded to the Official Journal of the European Union (OJEU) stating which procedure is to be used. The Operational Purchasing Manager will define which EU procedure will be followed.

Only those staff who have been trained in the specific competencies for EU Procurement will carry out EU Tenders.

4.2 Communication

A notice inviting declarations of interest from suppliers must be sent e-mail to OJEU

Under normal circumstances the Trust will want to limit the number of tenders it eventually invites. It is essential that the notice includes a statement to the effect that companies who do not provide information required in the notice will not be short-listed and that the Trust may wish to use a pre-tender questionnaire to short-list from the responses received.

Companies declaring an interest in response to the notice and who are not short-listed can demand to know why. An unsatisfactory answer may result in an appeal to the EU Commission and the eventual contract being declared invalid. The tenderer selection criteria must be set out in writing, be justifiable and auditable.

Shortlisting will be carried out through the issue of a Pre-Tender Questionnaire (PTQ). The HPC format will be used with the addition of specific question based on the product or service specification, including the inclusion of an equipment specification if appropriate.

Included will be the weighted evaluation criteria for shortlisting against which scores will be awarded. Failure to meet essential parts of the specification should result not being shortlisted. Suppliers should be notified that a shortlist will be drawn up through evaluation of the PTQ, perhaps including the maximum number of companies to be shortlisted.

4.3 The Restricted Procedure

The majority of EU tenders will be subject to the Restricted Procedure. A period of 37 days must elapse from the advert being despatched before tenders can be sent out. A further 40 days must be allowed to tenderers to complete and return the tender after issue and receipt of a PTQ and decision of shortlisting. This period can be reduced with the consent of tenderers as long as they are not put under duress to comply.

The actual time it takes to complete a tender exercise using the restricted procedure can take many months taking into account the above mandatory period, pre-tender questionnaire return, short-listing, financial vetting and evaluation.

4.4 The Negotiated Procedure

The introduction of the Competitive Dialogue procedure is intended to limit the use of the Negotiated Procedure which may be used only in the following circumstances:-

- i. When the open or restricted procedures result in irregular or unacceptable tenders being received.
- ii. When the open or restricted procedures did not result in a response.
- iii. When the goods are to be manufactured purely for the purpose of research, experiment, study or development, but not when the goods are to be purchased to establish their commercial viability or to recover their research and development costs.
- iv. When for technical or artistic reasons, or for reasons connected with exclusive rights the goods can only be manufactured or supplied by a particular person.
- v. When for extreme urgency brought about by unforeseeable events the above time limits cannot be met.
- vi. When the goods to be purchased are required by the Trust as a partial replacement for, or addition to, existing goods or installations and when to obtain goods from a person other than the person who supplied the existing goods would oblige the Trust to acquire goods that have different technical characteristics that would result in;
 - incompatibility between existing goods and those to be bought,
 - disproportionate in the operation and maintenance of existing goods or installation.

Unless the above criteria can be clearly met the Competitive Dialogue procedure is recommended for goods or services where a clear specification is not available and/or a solution is required. It is especially pertinent to major IT system purchases or complex service contracts.

The Negotiated Procedure can exceptionally be used if there is only one company who can provide goods or services there is no need to place a notice in OJEU. We

must be absolutely sure that we are not excluding any potential supplier by taking this step. Otherwise a notice must be placed stating that it is subject to the negotiated procedure and 37 days must elapse before the notice is closed. The time-scale for negotiation of the contract needs to be agreed between the Trust and the suppliers.

In general the use of the Negotiated Procedure, if negotiating with a single supplier, will require Trust Board approval prior to award.

When using the Negotiated Procedure, record must be kept through Trust Board minutes, justifying the use of the procedure that must contain

- i. the value, quantity and type of goods to be bought
- ii. the number of persons asked to be selected to tender or negotiate for the contract.
- iii. the number of persons selected to tender or negotiate for the contract
- iv. the number of persons if any, who, having sought to tender were not selected and the reasons.
- v. which of the circumstances in 4 above constituted the grounds for that decision.

4.5 The Competitive Dialogue Procedure.

EU tenders under the Competitive Dialogue procedure will be led by the Operational Purchasing Manager.

4.6 OJEU Award Notice

When the preferred bidder is selected and we are ready to notify bidders the 10 day standstill period is invoked. This allows a debriefing with unsuccessful bidders and gives them the opportunity to challenge the decision before the contract is awarded.

The contracting authority must provide additional debriefing within the mandatory standstill period (10 days) only if an unsuccessful tenderer requests it by the end of the second working day of the standstill. Contracting authorities must allow for three working days between this additional debriefing and the end of the standstill period. Contracting authorities may accordingly need to extend the standstill around public holiday periods. Where a request arrives within the standstill period but after the two working days deadline, contracting authorities are not bound to provide further debriefing within the standstill but still need to provide it within 15 days of receiving a written request

Whichever procedure is used an Award Notice must be published in OJEU stating the range of goods or services contracted for and the company with whom the Trust has contracted.

4.6 Tender procedure

The remainder of the EU Tender Procedure is to follow the Tender procedure detailed in Section 4.

Unsuccessful tenders

In all cases companies whose tenders (non-EU) and quotations are unsuccessful will be notified in writing. Whilst the name of successful bidders can be released to unsuccessful companies, under no circumstances will prices be divulged. Companies who are unsuccessful in submission of an EU tender have the right to be de-briefed as to the reason why. This de-briefing may include the name of the successful tenderer and the process of evaluation. An indication of percentage difference may be given as long as the confidentiality of the actual contract is maintained.

Note. The importance of appropriate selection of suppliers, specification, evaluation criteria and process and award criteria should be stressed as a disaffected unsuccessful supplier may refer the contract to the EU Commissioner if they feel aggrieved and may seek damages through the courts if the contract has not been fairly and scrupulously awarded.

Section 5 Placing Purchase Orders.

5.1 Sourcing Goods and Services.

Requisitions will be distributed by the Supply Chain Supervisor.

- All staff can process requisitions for contract items up to any value.
- Non-contract requisitions below competition thresholds can be processed by all staff (See section 6 – page 4)
- Non-contract items above the quotation thresholds but below tender levels can be processed by those trained to invite formal quotations
- Non contract items above the tender limits will be processed by those specifically trained to invite tenders
- Requirements above EU thresholds will be processed by those specifically trained to invite EU tenders
- Mini-competitions against existing framework will be processed by those specifically trained to do so.

Note: The introduction of the KSF framework will identify and record those appropriately trained.

5.2 Selecting suppliers.

The selection of the supplier is the duty of purchasing staff. Where the product or service required is a contract item the contract should always be used. Agreement not to use the contract can be approved by the Purchasing manager, Deputy or Purchasing and Contracts Officer. There must be absolute justification.

Where a non contract requisition has a supplier's name provided, the choice as to whether or not that supplier should be used is down to purchasing staff. Where the value of the product is low then it is reasonable to not change supplier unless from experience there is good reason to do so.

5.3 Competition Below Competition Thresholds

Informal competition is encouraged through Multi Quote or Price Enquiry Forms for activity under competition thresholds where added value beyond the cost of the exercise is expected..

5.4 Agreeing the price

It is entirely acceptable and to be encouraged to challenge suppliers on prices offered either verbally or through price lists and to ask for discount. It is also good practice to negotiate price reduction and if necessary to go back to the requisitioner to identify cost reduction opportunities by amending their requirements.

5.5 Purchase Order Information

The purchase order must contain as a minimum:-

- i. for the general delivery of goods - the quantity required, a full description of the goods, the NSV code, the price, appropriate contract, tender or quotation reference, the order value, your name for contact in case of problems, the delivery date and the final internal delivery address.
- ii. for standing, blanket or call off orders for goods - all as i. above plus the end date.
- iii. for services – all as i. above but with a reference to a full specification if appropriate plus an end date.
- iv. any carriage charges that are agreed

5.6 Order signatories and verification

The majority of purchase orders are auto-faxed and therefore carry the signature of the Purchasing Manager. The authorisation of the purchase order therefore takes place at verification of the purchase order in Material Management or alternatively when not auto-faxed if a purchase order is physically signed.

Purchase orders must not be verified or signed by the member of staff who either raises the order or who carries out competitive activity unless necessitated by value requirements below.

Order signatories and verifiers are;

- ❖ The Operational Purchasing Manager at all values
- ❖ The Supply Chain Operations Manager up to £50,000
- ❖ Contract Enablement Officer up to £30,000
- ❖ Supply Chain Supervisor up to £10,000
- ❖ All order values are inclusive of VAT

In the extended absence of the team members each level will be able to verify at the level above their own.

5.7 Signatory and verifier responsibilities

Before signing or verifying the purchase order signatories must ensure that the detail of the order is accurate.

5.7.1 Where the value of the order is above the competition limit and including VAT and below and below the EU threshold

- i. that there is a valid contract in place,

- ii. that competitive quotations or tenders have been received or Sole Supplier status has been awarded in line with Quotation and Tender Procedure;
- iii. where in exceptional circumstances Standing Orders relating to competition have been waived, evidence of which must be approved by the Operational Purchasing Manager
- iv. that the quotations or tenders have been evaluated and that the supplier selected is the appropriate supplier in line with the Formal Quotation and Tender Procedure;
- v. that authorisation appropriate to the value of the requisition has been received as defined in the Scheme of Delegation.

Electronic verification must be used only when all the above criteria are met

5.7.2 Where the value of the order is above EU threshold the Operational Purchasing Manager or deputy must check

- i. that there is a valid contract in place which has been awarded in line with the requirements of EU Procurement Directives,
- ii. that competitive tenders have been received in line with the requirements of EU Procurement Directives;
- iii. that the appropriate EU Procedure has been used;
- iv. that the tenders have been evaluated and that the supplier selected is the appropriate supplier in line with the Formal Quotation and Tender Procedure;
- v. that authorisation appropriate to the value has been received as defined in the Scheme of Delegation..

Section 6 Authorisation of Expenditure

6.1 General

Authorisation of expenditure initially takes place at requisition stage. The Department's role is to ensure that authorisation at the appropriate level has been received prior to the purchase order being verified.

Generally the signature on a requisition from the PCT and Healthcare Trust must be checked against the Authorised signature list.

Electronic requisitions from Burton Hospitals are managed by the materials management system where authorisation values are linked to Officers names, up to and including the Chief Executive at £100,000.

6.2 PURCHASING AUTHORISE

Under certain circumstances authorisation is required by more than one officer of the Trust, and in some cases Directors prefer not to use material management for verification.

In these cases the requisition should be copied onto a mox in the PURCHASING AUTHORISE mox address and sent to the relevant officers for approval. That approval, when received, must be filed on the PURCHASING AUTHORISE filing system under the requisition number to be able to demonstrate an audit trail.

6.3 Blanket and Call Off Orders – Burton Hospitals

Where the value of the original requisition is to be exceeded during the initial period of the order, the value may be increased upon receipt of a message requesting the increase to PURCHASING AUTHORISE. The combined value of the original requisition and any subsequent amendments must be added together, and authorisation sought from an officer with authority at the combined value.

6.4 Blanket and Call-Off Orders SSPCT and SSSHFT.

Blanket and Call-Off Orders from this source should not be amended. They should provide a new requisition that will generate a new purchase order.

6.5 Trust Board approval.

Where the expenditure value requires Trust Board approval this approval will be generated by the Operational Purchasing Manager who will keep a permanent record of the approvals.