

## REVISED PROCUREMENT POLICY FOR THE NI HEALTH AND PERSONAL SOCIAL SERVICES

To : **Chief Executives, HSS Boards,**  
Trusts and Agencies;

HSS (PPM) 8/2003

The Chief Executive,  
The Northern Ireland Council for  
Postgraduate Medical and Dental Education;

The Chief Executive,  
Mental Health Commission for Northern Ireland;

The Chief Executive,  
The Northern Ireland Social Care Council;

The Chief Executive,  
The Northern Ireland Practice and Education Council  
For Nursing and Midwifery

30 May 2003

**Dear Sir / Madam**

### REVISED PUBLIC PROCUREMENT POLICY FOR THE PUBLIC SECTOR

1. In November 2000 a review of public procurement policy and purchasing arrangements in departments was initiated by the Executive under its commitments in the Programme for Government to ensure resources were used more efficiently. The review concluded that a more strategic approach needed to be taken to the development and implementation of procurement policy to ensure Best Value for Money is being delivered and due regard paid to equality obligations.
2. To take this forward, a revised public procurement policy for the public sector was approved by the Executive on 16 May 2002. This adopts all the definitions, principles and recommendations from the Procurement Review Report and introduces more than 70 measures over the period to March 2005 to deliver increasing and sustainable value for money from non - pay spend.
3. As an introduction, a brief explanation of the four main areas of the revised policy: - policy definitions and principles; organisational structures; procurement processes and practices; and integration are provided at Annex 1 for your information. Further information can be obtained from [www.dfpni.gov.uk/procurementreview/](http://www.dfpni.gov.uk/procurementreview/). This site contains a full copy of the Procurement Review Report, which defines the revised public procurement policy.
4. All public bodies to which the revised public procurement policy applies are required to adhere to the policy in carrying out their procurement activities. **This includes the Department of Health, Social Services and Public Safety and all Health and Personal Social Service (HPSS) and Non Departmental Public**

**Bodies (NDPBs) within its remit.** Guidance on the action which the HPSS and NDPBs are required to take to implement this policy is detailed below.

### **Implementation of the revised procurement policy**

5. A central theme of the new policy is the adoption of a more professional approach to procurement through the use of staff with professional procurement expertise to strengthen performance and encourage aggregation of individual requirements. It is accepted that procurement performance is likely to be improved by the use of suitably qualified and experienced procurement staff. To achieve this, a key recommendation of the new policy requires public bodies to use relevant centres of specialist procurement expertise for all routine and specialist procurements (see paragraph 3.22 of the review report).
6. Within the remit of the Department, both the Regional Supplies Service (RSS) and Health Estates Agency (HE) have been recognized as Centres of Expertise.
7. RSS provides a regional and local procurement service for the HPSS under individual service level agreements, including:
  - Regional warehousing and logistics service;
  - Regional contracting for common use products and specialist services; management of local purchasing services;
  - Supply chain management including management and delivery of local stores and customer care services;
  - Specialist procurement and commercial advice to customers on capital equipping of major schemes and major equipment procurements; and
  - E – commerce initiatives.
8. HE, while it does not have a direct procurement role, supports the procurement of:
  - Capital work projects through the provision of project sponsor support, project management services, consultancy and specialist services to the HPSS; and
  - Land and property transactions by Trusts in accordance with the Lands Transaction Handbook;and in collaboration with RSS and individual Trusts:
  - Diagnostic imaging systems in accordance with circular HSS (PDD) 4/94 “ Procedures for the Procurement of Diagnostic Imaging Equipment”, and their specialist specification writing, evaluation and inspection roles in tenders and installations;
  - Laboratory and electro-medical systems specialist specification writing, evaluation and inspection roles in tenders and installations;

- Decontamination equipment, principally in specialist specification writing and verification and validation roles in tenders and installations.

HE will continue to provide project owners and procurers with appropriate levels of client support and advice on procurement in accordance with the revised procurement policy.

9. Whilst not yet recognized as a Centre of Expertise, the Directorate of Information Systems, (DIS), plays a key role in the procurement of information and communications technology (ICT) for strategic, regional and major collaborative ventures, establishment and operation of regional contracts, and the approval of other HPSS ICT procurements. The Department will be seeking formal recognition of DIS as a Centre of Expertise through the Procurement Board.
10. It is important that all purchasing and supply activity utilises available professional expertise to ensure it is properly managed to consistently deliver Best Value for Money and minimize retained risk. To ensure that procurement is carried out at a professional level, **all HPSS and NDPBs are required to use RSS and HE for all procurement activity (paragraph 3.22 of the Review) with the exception of expenditure below any de minimis levels set and ICT expenditure.**
11. It is envisaged that the requirement to obtain professional procurement services and advice from RSS and HE will promote better procurement practice resulting in better value for money in the use of resources. This will assist Chief Executives in satisfying their responsibility to achieve Best Value for Money. Whilst it is clearly acknowledged that the responsibility and accountability for decisions on the use of resources rests with individual bodies, nonetheless they are required to follow any professional procurement advice received. Where bodies opt not to follow such advice, the Chief Executive must inform the Department and justify any decision taken.
12. For reasons of practicality, it is not the intention that all procurement activity will be carried out by a Centre of Expertise, responsibility for the procurement of low value items will be retained by individual bodies through the setting of de-minimis levels. In doing so, however, bodies are expected to apply good practice to their own procurement processes to minimize cost and risk and maximize the efficient use of their resources. In particular, bodies are urged to utilize Procurement Cards for the procurement of low value goods and services to reduce the costs of ordering and invoicing, freeing staff time and resources. The Department will be reviewing the use of procurement cards with the aim of improving the percentage spend going through this procurement tool.
13. A **de – minimis level of £500,000** will apply to the value of works projects, which must be referred to HE. **For the purpose of this circular only this is defined as including only the works costs, excluding fees, equipment and land purchase.** Above this, the Agency will determine the level of input necessary on works projects ranging from strategic advice to full project management or design services depending on the individual characteristics of a particular scheme. The

setting of a de-minimis level does not preclude organizations from seeking support below the £500,000 threshold.

**[The requirement that HPSS bodies must submit to the Department for approval all business cases for projects where the total all inclusive costs exceed £500,000 stands and is not affected by the de-minimis level for referral to HE for procurement advice].**

14. With regards to RSS, a de – minimis level has not been established as yet due to insufficient information on the volume and value of activity currently outside the RSS remit. This information, along with other basic management information on procurement will be requested by the Department from all bodies in the form of a questionnaire to enable a level to be set. Above any level set, RSS will determine the level of input required dependent on their assessment of the robustness of any body's individual procurement systems.

### **Action Required**

15. This change will only impact on procurement activity not currently going through RSS and HE. Obviously for those HPSS bodies already using RSS and HE for a large proportion of their procurement activity changes will be minimal. However all bodies now need to focus on procurement activity that is not currently being handled by a Centre of Expertise to identify what needs to be referred.
16. To facilitate this new policy it is important that any further information requested by the Department on activity levels is provided to allow practical arrangements for the supply of these services by RSS and HE to be finalized. It is also acknowledged that the increased usage of existing Centres may have implications for funding. The Department will review funding arrangements and address any difficulties once the required activity levels have been established.
17. Although March 2005 has been set as the latest date for compliance the Department is keen to implement this recommendation much earlier. All bodies are therefore required to refer relevant non-ICT procurement activity to RSS and HE by the earliest date possible.
18. HPSS bodies are already required to use specialist procurement advice and services provided by DIS for ICT procurements in accordance with guidance issued by DIS on 13 April 2002 on its role in ICT procurement. This will continue. Once DIS is recognized as a centre of procurement expertise this requirement will extend to all NDPBs.
19. The need for better management information on procurement activities was also highlighted in the review. In order to be able to assess the efficiency and effectiveness of procurement performance, it is essential that bodies can provide detailed procurement information on all areas of spend. Whilst initially requests for information will be pitched at a relatively high level, bodies should be aware that further more detailed breakdowns will be required.

20. There is also an expectation that the new procurement policy will generate savings from improvements in procurement practice and that the Procurement Board will set targets for efficiency savings as a measure of the policy's effectiveness. The Department will consult with the Procurement Board to ensure that any targets set take account of the high standard of performance in procurement already evidenced by the HPSS.
21. To take forward implementation of the revised procurement policy Chief Executives are required to:
  - Review urgently all procurement activity in the context of the above- mentioned questionnaire which will issue shortly to identify any current areas of spend which do not go through the RSS, HE or DIS, or for which procurement advice is not given;
  - Liaise with RSS and HE to agree any necessary migration of service or referrals to the Agency; and
  - Minimize procurement transaction costs through the use of purchase cards, where possible, for low value transactions.
22. The key purpose of this circular is to advise bodies of the policy requirement to use the defined Centres of Expertise, RSS and HE, for procurement. Further details of how this policy will be implemented in practice cannot be defined until an initial assessment of procurement requirements have been carried out by Chief Executives as set out above. Once procurement requirements have been defined, it is the intention of the Department to run a series of work shops, in association with RSS, HE and DIS, with individual bodies to determine how professional procurement expertise will be applied to their procurement activity.
23. The specific question as to what changes, if any, may be required in relation to the specialist area of medicines, dressings and associated pharmaceutical products will be the subject of further discussion with the relevant stakeholders, recognizing that medicines are licensed products and subject to a range of professional and regulatory controls. The Department has recently issued to the HPSS Controls Assurance Standards on Medicines Management that place responsibility on Trust Chief Pharmacists for the control of medicines including procurement. In addition, the Department acknowledges the effective and progressive existing arrangements that have been developed through the Pharmaceutical Contracting Executive Group, established by the Trust Chief Executives, and the Audit Commission's recognition of the significant performance of hospital pharmacy departments as models of good procurement practice in the NHS.

We wish to build on such good practice, ensuring continued professional involvement and expertise in purchasing decisions across the whole range of pharmaceutical products, applying the following principles:

- good procurement practice must be applied to the procurement of all medicines, dressings and associated products;

- the use of regional and national contracts by the Pharmaceutical Contracting Executive Group will be expanded to cover as much procurement spend as possible;
  - where good procurement practice exists this should be built upon in collaboration with Centres of Expertise to ensure best procurement principles are applied in accordance with this circular and other Departmental guidance.
24. If you have any queries about the content of this circular or require any further information please contact Alison Jeynes on 028 90 525116.

**BRYAN DAVIS**  
**Planning and Performance Management Directorate**

## KEY AREAS OF THE REVISED POLICY

1. The revised policy consists of four main areas:

### Policy definition

2. Procurement is defined as:

*“ the process of acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public service ”*

3. The acquisition process spans the whole life cycle from initial conception and definition of the needs of the public service through to the end of the useful life of an asset or to the end of the contract. Both conventionally funded and more innovative types of purchases, such as public private partnerships and private finance initiatives, are included in the definition as is the contracting out of services.
4. Twelve guiding principles have also been adopted as the basis of Northern Ireland procurement policy in the future. These include **transparency** in policy and its delivery; **integrity**; **fair-dealing** and **consistency** when dealing with suppliers; purchasing by **competition** unless there are convincing reasons to the contrary; **responsiveness** to the needs and aspirations of the customer/user served by the procurement; ensuring **legality**, through compliance with EU and other statutory requirements; **effectiveness** in meeting the commercial, regulatory and socio- economic goals of Government in a balanced manner appropriate to each requirement, **efficiently** carrying out procurement; **informed decision making** in procurement matters; **integration**, paying due regard to other local economic and social policies and accounting officers (and their equivalents in other bodies) continuing to be personally **accountable** for procurement expenditure.
5. In applying the 12 principles, the primary objective of the policy is Best Value for Money, this concept remains central to public procurement policy.

### Organisational structures

6. Given the financial importance of procurement policy, a Procurement Board has been established with responsibility for the development, dissemination and co-ordination of procurement policy and practice for the Northern Ireland public sector. Under devolution the Board was chaired by the Minister of Finance and Personnel and included the Permanent Secretaries from all departments however this arrangement may be reviewed in light of recent developments.
7. The Procurement Board will be responsible for ensuring that a wide range of changes to operational processes and practices are introduced as appropriate. The aim is to improve the efficiency and effectiveness of procurement activities for contracting authorities and suppliers.
8. To support the Procurement Board in its work, a central procurement directorate has been established within the Department of Finance and Personnel. In formulating procurement policy and practices for the Board, the directorate will consult with the centres that have specialist procurement expertise across the public sector.

### Procurement processes and practices

9. A wide range of recommendations aimed at improving the efficiency and effectiveness of procurement activities both for contracting authorities and suppliers will be implemented.

### Integration

10. The policy also seeks to utilize public procurement to assist in the delivery of wider social, economic and environmental policies. To test how this might be applied in practice and judge its effectiveness, a pilot project directed at utilizing public procurements contracts to facilitate the unemployed into work has been initiated as a first step. Under the pilot project suppliers will be required to include in their tenders a specific plan for utilising the unemployed. Implementation of the utilisation plan will be a condition of the contract.

11. Departments have been asked to identify suitable contracts for inclusion in the project. To offer sufficient opportunity for the unemployed participating contracts need to be substantial and are targeted at those around the EU procurement thresholds of £3.86m for construction contracts or £0.5m/ year for services.
12. Anti discrimination legislation will also be extended to ensure it covers the award of all procurement contracts and greater emphasis will be placed on integrating the North/South, as well as the UK and European – wide procurement markets.