

NHS Purchasing and Supply Agency Supplier Relations and Communications Strategy

Introduction

The Supplier relations and communications strategy 2002 supersedes two documents previously produced on the subject of dealing with suppliers – A strategy towards improving relations and communications with suppliers, April 1999 and its Review and Update, September 2000.

Much of what was detailed in those two productions is still relevant but they were written in the days of NHS Supplies and the infancy of the Agency. The document constitutes reaffirmation of the salient points of the strategy and updates it to reflect the current state of play. The major recommendations are listed, together with a brief rationale for each, for ease of reading.

Since the production of the September 2000 revision a number of significant issues have arisen, notably:

The NHS plan

Shifting the balance of power

PASA's corporate and business plans

All of these – together with more general developments such as the remit of the Office of Government Commerce; the risk management, best practice and environment agendas; e-commerce and website technology – have considerable impact on the supplier community.

In addition to the above, two further issues of massive importance to the NHS procurement system are currently in the pipeline – namely the Audit Commission review and the Agency's proposals for the modernisation of supply, both of which will have significant implications for suppliers. Against this background it is absolutely essential that both existing and potential suppliers understand the complexities of the NHS market place. A prime role for the Agency is to ensure that suppliers understand the NHS, regard the NHS as an attractive place in which to do business and help maintain a vibrant and innovative environment for the benefit of improved patient care. Contributing to delivering this objective is incumbent on all staff within the Agency, led by Jo Lennox, Purchasing Executive – Supplier Relations.

Recommendations

Improving data on suppliers

Rationale: It is imperative that details of contracted suppliers are accurate and up to date. Whilst it is accepted that frequent personnel changes take place it is essential that our data is accurately maintained. Evidence from the recent supplier conferences shows that information on suppliers is not routinely maintained.

It is agreed that the national database should be subjected to a systematic process of audit and irregularities reported to and actioned by the Associate Directors of Purchasing.

Segmenting suppliers

Rationale: The Agency has contracts with around 1500 suppliers. It is obvious that the same degree of attention to all of these is not necessary. The original strategy advocated three bandings of suppliers - key, major and transactionary - based on the criticality of products or services, risk factors, prominence within a specific market sector, volume of spend. We have, by default, arrived at a list of major suppliers through assessing who should be invited to our conferences but this list has only expanded over the last two years (when there should have been additions and deletions). It is therefore in need of a complete overhaul.

It is recommended that:

- a list of key suppliers should be revised and agreed by the Associate Directors of Purchasing with the intention of meeting them at a senior level to share business objectives – maximum 1% of total supplier base

- each Purchasing section should systematically evaluate its suppliers towards agreeing a list of major suppliers with whom we meet regularly – maximum 30% of the total supplier base
- the remainder of the supplier base should be included on all routine correspondence
- as new contracts are introduced Purchasing sections should define which bracket the suppliers fit into, in order to maintain a dynamic database.

Requesting information from suppliers

Rationale: In 1999, NHS Supplies undertook an initiative towards reducing the burden of administration on suppliers. This took the form of asking suppliers to set up websites to display standard information routinely requested by the NHS in support of tenders. By creating a link to the NHS Supplies (later Agency) website on the NHS Net, trusts could access this information and remove the necessity for information in hard copy.

This initiative was not a success as suppliers were generally unwilling to go to the expense of creating specific sites – although alternative proposals were helpful, e.g. the British Healthcare Trades Association 'Business Hub'. The Agency has, therefore, recently decided to invest in an alternative system, managed by a third party, whereby a standard set of information will be collected and displayed on the one site.

It is recommended that the NHS is asked to support this initiative under the 'once only' principle and, led by the Purchasing Executive – Supplier Relations, agreement should be reached with both the NHS and supplier representatives on a realistic set of information needs.

Working with trade associations

Rationale: It has proved beneficial in recent years to have worked with representatives of suppliers towards agreeing, for example, standard terms and conditions of contract. Improved relationships with such as ABHI (medical devices), BHTA (rehabilitation), ABPI (pharmaceuticals) and BIVDA (diagnostics) have also provided considerable benefits in terms of a greater awareness of developments within both industry and the NHS.

It is recommended that each Purchasing section should assess the relevance of trade associations which exist in its sector and, in conjunction with the Purchasing Executive – Supplier Relations, agree an action plan for maintaining/developing the relationship and the issues to be addressed.

Implementing the e-commerce strategy

Rationale: e-commerce will have a substantial impact on suppliers, especially towards meeting the Government's objective of eliminating paper transactions by 2005.

It is agreed that, as the strategy develops, we:

- make the subject a standing item on agendas for meetings with key suppliers and trade associations
- issue regular updates to all existing suppliers on progress with the strategy
- ask the NHS to forward updates to their own specific suppliers
- consider the need, at an appropriate time, for a supplier conference dedicated to the subject.

Encouraging innovation, including supporting SMEs

Rationale: In previous documents we have described innovation and SMEs as two distinct initiatives. Current thinking is that we should be encouraging innovation from suppliers irrespective of the nature of the source, although of course we continue to seek ways of ensuring that small businesses are neither disadvantaged nor discouraged from bidding for NHS business.

It is recommended that Purchasing sections are asked to demonstrate examples of encouraging innovative products or new ways of reducing cost/adding value. In addition, the Agency – led by the Head of Research and Innovation – should continue to develop relationships with policy leads, DTI, Regional

Development Agencies, etc to ensure we are involved in appropriate initiatives. We should further maintain support for events such as 'Meet the Buyer' so that new suppliers have access to potential customers.

Managing contracts

Rationale: A major risk area is the potential for negotiating contracts on behalf of the NHS and not subsequently checking on the performance of that contract. One particular danger is the specification of the contract not being met, another is the supplier proving that it no longer has the capacity to perform the requirements of the contracts.

Measuring supplier performance is one of the Agency's business plan objectives. It is relatively simple to establish a system for measuring the performance of suppliers of consumables purchased on behalf of NHS Logistics - it is another matter to devise a way of measuring the performance of, for example, suppliers of agency staff. Irrespective of its complexity it is important that we can assess and feed back to suppliers details of their performance. It is also useful in that it would give suppliers the opportunity to offer suggestions as to how we could help them improve.

It is recommended that each Purchasing section ensures that contracts continue to be managed, with particular reference to the following:

- ensuring that the specification of the product/service supplied against the contract continues to match that accepted against the tender
- monitoring each contracted supplier to ensure it has the capacity to continually perform the requirements of the contract
- implementing supplier performance measurement systems, employing risk analysis to determine the level of sophistication

Managing risk

Rationale: Following on from the previous recommendation, the general issue of managing and minimising risk is one of strategic importance to the Agency. Recent examples of high-profile companies going out of business have heightened the need to ensure we are dealing with reputable and stable suppliers and are aware of the consequences of a major supplier not being able to fulfil its contractual obligations.

Suppliers are routinely financially appraised at the Invitation to Tender stage but that is only a snapshot - financial accounts dating back two or three years might have little bearing on a supplier's current state of health.

It is recommended that:

- purchasing staff should be conversant with the OGC document Supplier Financial Appraisal Guidance
- the controls assurance standard on purchasing and supply management, produced by the Agency on behalf of the Department of Health, should be circulated to all purchasing staff
- the standard mentioned above should be subject to constant review
- financial health of suppliers, details of recent mergers/acquisitions and their impact on performance of the contract should be a regular feature of meetings with major suppliers
- up-to-date financial reports, e.g. Dun and Bradstreet, should be employed in assessing suppliers' financial viability, as opposed to using historical financial accounts
- the Agency should consider providing staff training on interpreting supplier-related financial information
- the exercise carried out in 2001 to assess suppliers' contingency plans should be reviewed and updated.

Doing things 'once only'

Rationale: A major recommendation of the Cabinet Office Review of Procurement was that the Agency should pursue initiatives at a national level which can be done just the once – the intention being to bring

about greater clarity and reduce the burden of administration on all parties. There have been some striking successes, notably the agreement of standard sets of terms and conditions of contract, but there is still scope for much more to be done.

The initiative towards collecting information from suppliers has been described already. The success of this venture will be a turning point, in that it will provide – where appropriate – processes which can be agreed and done just once, opening up the possibility for achieving similar results in other areas. For example, it is a condition of contract that suppliers hold a sufficient level of insurance – this is one example of where the Agency could audit all suppliers (and possibly combine with the website initiative by displaying the results).

It is recommended that a survey is carried out by the Policy and Performance team to identify suitable areas for addressing ‘once only’ on behalf of both the Agency and the NHS, to prioritise and produce a plan of action for agreement with the relevant interested parties.

Meeting environmental targets

Rationale: As part of the ‘Greening Government’ initiative, the Agency is committed both to meeting our objectives and ensuring that we are dealing with suppliers who both understand their responsibilities and display the required level of commitment to them. A survey was undertaken in 2001 to ascertain the awareness of suppliers and a comprehensive report has just been published.

It is agreed that a conference should be arranged for the environmental specialists of major suppliers in order to explain the detail of the survey, ensure they are conversant with current and pending legislation and are familiar with the Agency’s own targets.

Communicating with suppliers

Rationale: The Agency has a good record of communicating with suppliers - demonstrated by our conferences, publication of reports, specific written communications and accessibility of messages on the website.

In March 2002 we organised two one-day conferences for major suppliers which over 400 in total attended. Feedback received following the event has been very positive.

It is agreed that the level and quality of our communications should be maintained. In particular, lessons should be learned from the conference. For example, it is important that each Purchasing team has a nominated co-ordinator to ensure that the administrative elements are handled efficiently. Also, space permitting, it would be useful if representatives from the NHS could also be invited to the supplier conferences in order for them to hear first-hand the issues which cause concern to suppliers.

Conclusion

Improving how we manage relations and communications has to be a major item on the modernisation agenda. Much progress has been made over the last three years and suppliers generally express themselves content with the way in which we communicate with them. What we really need to work on, however, are issues such as the ‘once only’ principle – getting rid of the vast amount of replicated administrative effort could help greatly towards fixing our sights on more areas of strategic importance.

Engagement of staff within the Agency and the NHS is absolutely vital. Thus, a general recommendation has to be directed towards staff training, getting the strategy onto team meeting agendas and including the more relevant elements into personal objectives. It is also important that how we and the NHS deal with suppliers is recognised as a high-profile objective on the best practice agenda.

This strategy is commended to all staff engaged in purchasing. Comments are welcome and should be addressed to Neil Argyle (neil.argyle@doh.gsi.gov.uk) or Jo Lennox (jo.lennox@doh.gsi.gov.uk).

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