Department of Health

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NHS

NHS Procurement & Commercial Standards

NHS Procurement & Commercial Standards

Towards Excellence

Version 3 – updated July 2016

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Commercial Division

Contents

Introduction

Procurement has a key role to play in supporting the delivery of high quality patient care whilst ensuring value for money is achieved. The demands on procurement and expectations of the efficiencies required are increasing, and organisations need to be able to respond to these challenges.

It is important that the Board and senior management teams have a sound understanding of the standards that their organisation should be meeting in relation to procurement and should provide support to improve the organisations procurement performance.
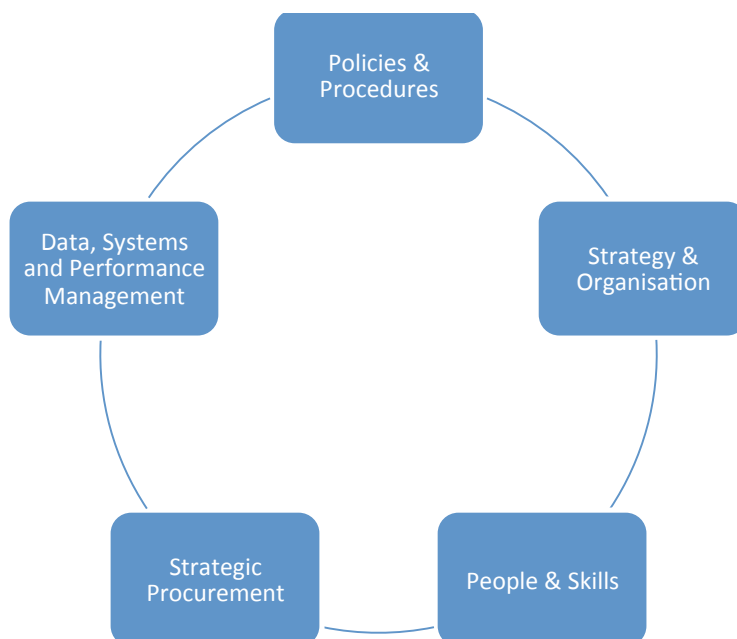
The NHS Procurement & Commercial Standards are structured to enable Boards and other key stakeholders to assess and benchmark procurement performance and identify areas for improvement. They provide a framework for consistent approaches and practices, delivering benefits across the NHS in procurement performance.

Development of the NHS Procurement & Commercial Standards

The NHS Procurement & Commercial Standards (the "Standards") were launched in May 2012 to support the recommendations from the Public Accounts Committee (April 2011) by providing a clear vision of good procurement. In the interest of continual improvement, an advisory panel of NHS Procurement professionals (Annex 1) was established to provide advice, support and recommendations for improvement. Following three years of their application, several NHS organisations have been successful in being accredited at level 1 and a working group (Annex 1) has subsequently met to review the Standards and to ensure that they reflect the changing procurement landscape.

The standards have been developed to support NHS Healthcare Provider organisations, referred to as the "organisation".

Aim and objectives

Policies & Procedures

Strategy & Organisation

People & Skills

Strategic Procurement

Data, Systems and Performance Management

How to use the NHS Procurement & Commercial Standards

The NHS Procurement & Commercial Standards are organised under six domains: **Strategy & Organisation, People & Skills, Strategic Procurement, Supply Chain, Data Systems and Performance Management**, and **Policies & Procedures**. Each domain contains a number of standards, all of which comprise:

- The standard
- How organisational performance will be improved from achieving the standard
- Maturity levels 1 to 3 identifying the attributes of:
    - Level 1 – Building – awareness and building blocks in place
    - Level 2 – Achieving – making good, strong progress
    - Level 3 – Excelling – outstanding commercial and procurement performance
- A range of potential indicators that can be used to monitor the impact of the standard on the organisations procurement performance

It should be noted that these levels are cumulative, meaning that to achieve level 3 "Excelling", the attributes will have been met in level one and two.

Organisations are encouraged to self-assess their performance against the attributes in the maturity matrix. To help organisations with their development and transformation plans, a self-diagnostic tool has been introduced, along with an evidence tool which will provide examples of the types of evidence, which can demonstrate achievement of the attributes.

In addition and to support the development from self-assessment to an independent appraisal process, the Department of Health in conjunction with **the Commercial & Procurement Skills Development Networks** have introduced a peer review process. This provides a number of benefits including a quality-led approach, as actual evidence needs to be collated for the peer review process, which is then presented to a "moderation panel". It provides an additional level of assurance that could be presented to the Board or Audit Committee to confirm achievement against the Standard. A further guidance document on Peer Review is available.

The standards are not in themselves mandatory, but are to be used as a tool to help organisations to identify areas of strength which they can use to support other organisations, and to provide guidance to organisations develop their own strategic improvement plans.

It should be recognised that organisations achieving level 3 "Excelling" are demonstrating world-class procurement performance, which may be aspirational at this stage for many organisations. It should be acknowledged that achieving level 2 demonstrates strong procurement performance, and for many organisations, the aim is to achieve this level by October 2018 (Carter recommendation 5f review 2016).

It is important to note that Standard Level 1 applies to the performance of the Procurement and Supply Chain Teams, and that levels 2 and 3 are aimed at the procurement and commercial performance of the organisation as a whole, not just individual departments. In line with this, where an organisation outsources procurement activity, uses a shared service or works with procurement partners e.g. sourcing, contracting, transactional procurement, the responsibility maybe transferred but the overall accountability remains with the organisation. Therefore these partner organisations should also be accounted for in any assessment against the standards.

The Standards

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
1. Strategy & Organisation The Board are fully accountable and committed to delivering best value across all areas of non pay expenditure to the tax payer, ensuring that goods and services are fit for purpose and support delivery of patient care. Appropriate commercial leadership is in place, engaging with stakeholders both internally and externally to reduce expenditure, increase efficiency, improve patient care, reduce risk and improve governance.	1.1	Strategy	• Clearly identified responsibility and accountability for all areas of non-pay spend. Clear understanding of spend which is addressable by the Procurement team. • Procurement strategy in place and developed in support of the organisation's strategy. • Procurement annual work plan agreed.	• Procurement and Commercial strategy approved by the Board. • Clear evidence that the Procurement strategy is being implemented and that the Procurement team regularly updates the Board on progress. • Procurement strategy is backed by detailed short and medium-term plans for delivery (i.e. an annual work plan). • Procurement strategy references progress against the Procurement & Commercial Diagnostic Improvement Tool.	• Procurement strategy is peer reviewed (by another NHS organisation). • Clear evidence that progress with the Procurement & Commercial Standards is reviewed on a regular basis by the Procurement team and at Board level. • Evidence that the performance of the Procurement team (e.g. progress against the annual workplan) is updated to the Board as appropriate.
	1.2	Executive Procurement and Commercial Leadership	• Clear accountability at Executive level for the Procurement strategy. • Identified Non Exec Director and/or Governor link to provide challenge/scrutiny for Procurement activity.	• Executives are clear advocates for Procurement arrangements throughout the organisation. Budget holders have received procurement and commercial training as appropriate. • Clear accountability at Executive level for the all commercial decision making.	• Executive and senior leadership teams demonstrate commitment to ensuring appropriate commercial arrangements are in place across the organisation (for example this may be included in job descriptions).

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
	1.3	Procurement and Commercial Leadership	• The Procurement leader is involved in some strategic decisions; mainly focused around procurement activity. • Evidence that the Procurement leader communicates regularly with customers, stakeholders and suppliers. • The Procurement leader is an integral part of the directorate senior management team (SMT).	• The Procurement leader is involved in all relevant key commercial and strategic decisions as appropriate. • The Procurement leader is integrated with the organisation's business and financial planning process. • The Procurement leader is known and recognised across the organisation and included in the organisation's Senior Leadership Team events (for example top 100 away days). • The Procurement leader helps to raise commercial and procurement standards across the organisation through education and promotion.	• The Procurement leader raises commercial capability through education and marketing across the wider profession. • Procurement leader actively supports other NHS organisations in their improvement activities. • Procurement leader takes a prominant role in wider NHS improvement activities.
	1.4	Internal Engagement	• Informative and useful procurement communication channels in place (e.g. intranet, newsletter, directorate team meetings etc.) • Mechanisms are in place to ensure that staff understand the procurement processes within the organisation. • Evidence that staff know when to engage and who to involve from the Procurement team e.g. through colleague survey results. • The Procurement team work closely with other departments on specific projects.	• The Procurement team has a defined process and programme for internal stakeholder engagement, which includes identifying and communicating with key stakeholders. • Evidence that commercially trained staff proactively collaborate in the significant (applicable) product areas/categories to deliver non-pay expenditure efficiencies and maximise income where appropriate. • Evidence that all relevant staff (including budget holders) understand and follow the procurement processes in place.	• Key Procurement staff are integrated in to the relevant departments management teams work together to deliver departmental objectives. • Evidence that the Procurement team is truly integrated with departments throughout the organisation. • Department annual plans include Procurement objectives/initiatives identifying how to deliver non-pay expenditure efficiencies and maximise income.

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
	1.5	External Engagement	• Procurement team can evidence collaboration with other NHS bodies. • Procurement team attend regional network events to gather learning from other organisations.	• Procurement team is proactively engaged with other NHS organisations, groups and bodies and other public sector organisations where appropriate (e.g. Procurement hubs and CCS). • Evidence Procurement team actively contributes to regional and national networks to share learning with other organisations.	• Procurement team has established and implemented joint work plans with NHS organisations and other like-minded organisations, (where appropriate). • The organisation plays a key role in the national procurement agenda.
2. People & Skills All staff involved throughout the procurement and commercial life cycle have access to the appropriate professional support, are developed. The Organisation has the appropriate commercial capability to ensure that efficiencies are made in non-pay expenditure whilst maintaining/improving the patient experience.	2.1	People Development and Skills	• Procurement skills/competencies clearly documented in job descriptions. • Skills gap analysis and training plans in place for all staff in the Procurement Team. Evidence that the Procurement team maximises training opportunities available. • Training plan in place for all new staff involved in procurement activities; this should be tailored to the amount of time expected to be spent on them. • Clearly defined annual objectives and appraisal process in place for all Procurement staff. These should be up to date and support commercial competencies. • The Procurement team has the appropriate mix of skills enabling transactional and strategic working as required. • Procurement staff know how their role fits within the organisaitonal objectives.	• All Procurement staff are clear on their development needs and there is evidence that these are supported by clearly articulated development plans. • Procurement staff can demonstrate a commitment to continuous professional development (CPD). For example having relevant professional qualifications (e.g. CIPS & IACCM) and evidence of CPD. • Procurement development programme in place to support individuals involved with commercial activity across the organisation. • Good mix of "on the job" training and classroom training provided to the Procurement teams. • Procurement team actively participate in networks which provide training, mentoring and sharing of best practice (for example the Procurement Skills Development network).	• Procurement team considered a centre of excellence for people and skills following peer review. Team willingly share their procurement and commercial skills for the benefit of the wider health economy. • Senior Procurement staff regularly provide coaching and support to other NHS organisations (for example through the Procurement Skills Network). • Procurement teams manage talent through engaging in secondment opportunities across the health economy.

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
	2.2	Scope and Influence	• Procurement team influences some but not all areas of the organisations non-pay spend. • Procurement strategy articulates the scope and influence of the Procurement team.	• Responsibility and accountability for entire procurement activity of the organisation is clear – whether it is through hubs, national, procurement, end user, PFI. • Procurement teams are strategically involved in all relevant key procurement and commercial decision making across the organisation (for example including pre-market engagement, contract/supplier reviews and make/buy decisions).	• There is professional procurement involvement in all areas/aspects of non-pay spend including where relevant income generation schemes.
	2.3	Resourcing	• Balance of skills (e.g. strategic versus tactical) optimised within Procurement. Where relevant a business case for appropriate staff requirements developed and submitted to for approval.	• The Procurement leader holds a 3-year plan of the organisation's procurement activity, and match skills, knowledge, experience and ability of staff to the relevant roles. • Annual plan of the organisation's procurement and commercial activity and resource requirements in place. • Proportion of "strategic" versus "tactical" skills optimized through use of technology, collaboration and up-skilling over time.	• Resource strategy in place for flexible "stretching"/resourcing for peaks and troughs.
3. Strategic Procurement Early market engagement, focus on defining the need, demand management, contract management and supplier relationship management should help to reduce expenditure, improve patient safety, reduce risk, improve governance and be an efficient use of clinical time.	3.1	Category Expertise	• Evidence of Procurement category expertise utilised in some but not all categories (this can be either in house expertise or via another route e.g. a procurement hub). • Category experts used have a good understanding of the core supply markets of their categories.	• A broad range of category expertise is readily available to the organisation. • Category expertise is utilised on all major procurement and commercial arrangements. • Category plans in place for key spend areas (including income areas where relevant).	• Category expertise in place across all key categories of spend and income. • Category experts pro-actively provide the organisation with regular updates on potential opportunities and market developments.

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
	3.2	Contract and Supplier Management	• Database of contracts managed by the Procurement team, flagged for renewals with action plan. • Expenditure is categorised and analysed to identify and prioritise opportunities to pursue through contract management. • Basic contract management processes are developed and implemented with key suppliers. For example ad hoc management of contract key performance indicators (KPIs).	• Evidence of a robust and well maintained contract database system in place making it is easy to access a complete list of contracts for a specific supplier from across the organisation. • Contract management system/ process provides electonic alerts for renewals. • Effective activity and demand management in place for key contracts. Strategy for contract and supplier management across the organisation is in place with clarity on responsibility on who leads.	• Benchmarking of supplier performance with other organisations in place. • There is a focus on delivering value beyond existing contract (innovation, quality, costs). • Plans and mechanisms are adopted to incentivise suppliers to continuously improve and develop (innovative products/services and ways of working, risk and reward schemes).
	3.3	Supplier Relationship Management (SRM)	• An assessment process has been undertaken to identify key suppliers. • Evidence that Procurement are involved in the performance of some key strategic suppliers. • Procurement team reactively supports innovation within the organisation when requested.	• Detailed Supplier Relationship Management (SRM) programme in place with key suppliers with clear roles and responsibilities. • Key suppliers identified have structured supplier appraisal with agreed representatives from the organisation. Review of both qualitative and quantitative measures (for example quality, delivery, total cost of ownership, innovation). • Joint meetings/seminars/ workshops held with key suppliers with clearly defined objectives and development plans. • Procurement team has a mechanism/process in place for encouraging new suppliers who can provide new ideas and solutions.	• Procurement leads the SRM process, organisation and systems. • Organisation has achieved or following the principles of BS11000 – collaborative business relationships. • Evidence that supplier ideas and innovations are being trialled and implemented.

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	3.4	Risk Management	• Procurement risk register in place and regularly reviewed. • Critical goods and services and/or suppliers are identified by assessing the impact of supply failure. • Emergency process in place – there is a named lead for co-ordinating responses to disruptions in supply of critical goods and services.	• Disruption to the supply of critical goods and services has been considered for addition to the corporate risk register. • Evidence that managing risk, continuity of supply and supply chain resilience are routine elements of contract management. • Risks to the supply of critical goods and services are assessed and mitigation/contingency plans are developed and implemented. • Business continuity plans of suppliers of critical goods and services are have been reviewed.	• Managing risk, continuity of supply and supply chain resilience are routine elements of Supplier Relationship Management (SRM). • Evidence that risks are monitored regularly. • Business continuity plans of suppliers of critical goods and services are routinely reviewed to ensure that risks to supply are adequately addressed. • Business continuity plans deemed critical are regularly tested and reviewed.
	3.5	Sourcing Process	• Standard sourcing approach used periodically/for certain key categories and major procurements. • Evidence that all sourcing options are identified and evaluated for all major procurements. (Sourcing options to be considered include the use of hubs/national frameworks and other collaborative routes. Where an organisation specific tender is undertaken the reasoning will be made clear including use of e-auctions/DPS.) • Collaborative sourcing opportunities explored and used as appropriate. • E-Sourcing system in place and utilised for all EU level tenders as a minimum.	• Sourcing process outlined, communicated and used by all Procurement and commercial staff as appropriate. • Sourcing plans developed and agreed for each EU level tender. • Make or buy decisions considered routinely as part of strategic sourcing process. • E-sourcing system used for all tenders over £25k.	• Organisation informs the national procurement strategy for sourcing.

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	3.6	Benchmarking	• Evidence that ad hoc price benchmarking activity is carried out with other organisations (formally/informally). • Clear evidence that action plans based on variances identified through benchmarking with other organisations are being implemented (e.g. the Lord Carter top 100).	• Price benchmarking tool/process implemented. • Price benchmarking is undertaken prior to all major strategic exercises as a matter of course.	• Benchmarking undertaken routinely to assess the general procurement performance and identify opportunities. • Organisation undertakes a strategic approach to benchmarking.
	3.7	Specifications and Whole Life Costs	• Procurement team has some involvement in the specifying process and looks to standardise certain purchases and make sure the specification allows for reasonable competition. • Standard specifications used within the organisation where possible. • Whole life costs are assessed as part of the strategic sourcing process (for example taking in to account consumables and maintenance costs).	• Product/service specification are governed, developed, evaluated and managed by stakeholder user groups, particularly clinical decision-making groups where relevant. • Organisation implements and pro-actively supports the development of national specifications. • Evidence that specifications are challenged appropriately. • Commecial decision making takes account of all whole life costs across the organisation (for example: early discharge, time in theatre etc).	• Specifications are reviewed regularly against outcomes and reduced to the appropriate requirement. • Where national (clinically led) specifications are not used there is a clear evidence for doing so. • Evidence that where appropriate whole life costs are considered across the clinical pathway and health economy.

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
4. Supply Chain Knowing and managing assets will enable efficient and effective use and planning of resources to reduce waste through obsolence, release space and ensuring right product is at the right place at the right time. This reduces expenditure and risk, whilst improving patient safety.	4.1	Inventory Management/ Stock Control	• There is documentary evidence of/strategy in place outlining an agreed approach for inventory/ materials management. • Where appropriate there is a materials management service in place (top up and put away service). • Store locations have a regular cycle (minimum annually) of stock checks in place (including a review of min/max levels). • The organisation knows the estimated value items held in stock.	• Optimum internal logistics (R&D) model implemented. • Where appropriate systems are in place that enable active management of inventory. • Inventory holding and stock management costs are known. • Value of stock written-off for date expired and obsolescent stock quantified.	• Inventory management solutions implemented (including automated systems on all or selected products/areas) with full integration into sourcing processes. • Optimum inventory holding and stock costs known. • Near real-time view of stock held and location in which it is held. • Appropriate "Lean" supply chain techniques implemented. Minimal input into ordering, replenishment and stock holding of products by clinical staff.
	4.2	Logistics	• Where in place Receipts and Distribution (R&D) are responsible for matching receipts to orders and arranging the internal delivery schedule. • Goods usually distributed the day they arrive, except where there is a clear policy of goods to be stored centrally.	• Optimum internal logistics model determined and documented which covers all key areas involved in moving goods across the organisation: for example porters, post, pharmacy, SDU, procurement, catering etc. • Minimum disruption to visitors, patients and staff from deliveries.	• No interruption to patient care as a result of internal logistics. • Evidence that visitors, patients and staff are not inconvenienced as a result of deliveries/tugs/cages on the corridors or in clinical areas.
5. Data, Systems and Performance Management Efficiencies are made and risks reduced through effective and automated processes which enables and tracks everything that is purchased from point of demand to use with agreed pricing and electronic invoice matching and payment. Fully electronic systems with extensive catalogue coverage facilitates reporting and performance measurement.	5.1	Performance Measurement	• Measures in place (including Lord Carter metrics as appropriate) which are reported within the Procurement teams and to the agreed Board member (e.g. Director of Finance).	• Key performance indicators approved by the Board and reported at least annually to the appropriate Board Committee with a link to the Non Executive Directors. • Clear plans and structures in place aimed at continuously improving performance.	• Broad and transparent metrics across all areas of activity with defined targets supporting both procurement and corporate objectives, including risk reduction and supply relationship management. • Cross-functional non-pay expenditure/procurement group established which reports to the Board. • KPI's benchmarked with appropriate cluster of organisations.

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	5.2	Savings Measurement and Credibility	• Agreed definitions with Finance on calculation of savings with audit trail on their reporting. • All cash releasing savings are validated by agreed stakeholders and Finance.	• There is a clear process for translating cost reductions identified into budget reductions or spend redeployment. • The benefits realisation process is integrated into the Finance function. • Stakeholders recognise savings when they are delivered.	• The Board recognise and understand the breadth of value delivered by the Procurement teams – including cost avoidance and value add.
	5.3	Catalogue Management	• Electronic catalogue system in place and regularly used for key areas of spend. • Strategy agreed on range of products/services to be included in the catalogue with plans to increase coverage to circa 80% of the addressable transaction volume by September 2017. Agreed process in place to respond to purchases made off catalogue.	• Well developed catalogue system in place which covers all regulalrly used supplies across the organisation. Catalogue coverage is 80% or more of the addressable transaction volumes. • Evidence catalogue is well maintained and pricing is up to date and subject to formal competition as appropriate. • Free text ordering confined to only genuine one off orders or services.	• Catalogues rationalised and variation minimised – For example in an Acute Trust a best in class health catalogue(s) would have less than 12,000 unique items used in any one year.
	5.4	Procure to Pay (P2P)	• Electronic ordering system in place and utilised. • Strategy in place as to which goods and services should be undertaken via PO, NHS SC, free text etc developed (includes procedures for orders placed not following process). • Plan in place to ensure that 90% of the addressable transaction volume is on an electronic ordering system by September 2017.	• E-procurement solution operating effectively and transacting 90% or more of the addressable transaction volume. • E-invoicing strategy in place with timeplan for implementation.	• Fully integrated P2P solution embedded across the organisation and used to drive all transactional procurement activity. • Significant volumes of invoices are received from suppliers electronically (e-invoicing).

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	5.5	Cost Assurance	• Some cost assurance activities undertaken (reconciliation audits). • Invoice tolerances are in place with % and maximum value. Effecitve process for challenging price queries evidenced.	• Cost assurance audits completed on key areas of spend (including but not limited to utilities, IT, VAT and duplicate payments). • Process or system implemented to ensure internal prices are consistent and visible and any variances are addressed. • Tight tolerances are in place (max 10% and/or £10 whichever is lower) at invoice level with routine challenge to queries and no tolerance for goods without a receipt note.	• No discrepancies in prices paid for the same product across the organisation can be evidenced. • Less than 5% of price or quantity queries by volume.
	5.6	Spend Analysis	• Spend analysis tool available for use by Procurement staff who regularly review key suppliers and categories by spend with a strategy for improvement.	• Spend analysis capability in place. Ability to analyse spend through a number of dimensions (for example department, e-class and supplier). • Procurement regarded as a key source of information on non-pay expenditure intelligence.	• Fully integrated electronic tools and systems used to categorise expenditure (products/suppliers/ prices paid/requistioners) utilising GS1 coding. • Detailed information available on future demand based on local population health demand (patient level information and costing systems PLICS) to inform non-pay expenditure planning. • Collaborative sharing of data with other Trusts and relevant bodies undertaken and evidenced.

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	5.7	GS1 and Patient Level Costing (Where relevant)	• Procurement team understand and support the organisation's approach to patient level costing and GS1 compliance.	• Action plan agreed for the development and implementation of e-procurement, including plans for the adoption of GS1 standards. • E-procurement action plan being executed and delivered. • Some patient level costing systems in place in high value areas with evidence that system is being used to drive efficiency across the organisation with high levels of coding accuracy.	• GS1 compliant patient level costing system used across the organisation where appropriate. • Organisation has the ability to track products throughout their lifecycle from manufacturer to consumption. • E-procurement action plan fully implemented with benefits realised and reported.
6. Policies & Procedures All procurement systems and process are designed and implemented to ensure VFM is achieved in getting the right product to the right place at the right time. An appropriate audit trail will ensure governance and reduce risk. The procurement policy will pro-actively consider the impact of commercial decisions on the wider health and social care economy, and latest government guidance.	6.1	Procurement Policy and Guidance	• Published Standing Orders (SOs) and Standing Financial Instructions (SFIs) and scheme of delegation. • Published and communicated Procurement processes in place to relevant staff across the organisation. • A published Procurement manual is in place, incorporating processes, policies and procedures (EU compliant) which clearly describe how all procurements are governed and managed.	• Agreed Procurement processes adopted and monitored across the organisation with evidence of high levels of compliance. • All departments/staff with procurement and commercial responsibilities are identified and agreed approval limits are embedded in systems across the organisation. • Policies and procedures are in place to assist with the control of Commercial/Sales representatives on-site.	• Procurement processes are monitored by the relevant group (e.g. a non-pay expenditure governance group). • Controls are subject to regular review and audit to ensure organisation-wide compliance.

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	6.2	Process Compliance	• Evidence that compliance to preferred suppliers, contracts and catalogues items is strong in some targeted categories. • Maverick spend is measured, with plans in place to follow up non compliance.	• No PO No Pay policy in place with high levels of compliance – 90% or more of 'addressable' purchases are against a PO (not retrospective).	• Evidence of a strong degree of compliance to preferred suppliers, contracts and catalogue items across all key spend areas. • Compliance levels are measured and instances of non-compliance are formally escalated and rigorously followed-up by the organisation. • Regular audit programme in place to identify billing errors (e.g. duplicate payments), fraud and abuse prior to invoice payment. • All addressable spend managed through a PO and retrospective PO's not permitted
	6.3	Asset Management	• Evidence that Procurement team is linked in to the capital asset/equipment replacement programme.	• Asset register in place with procedures that support development of the capital programme.	• An asset management system implemented which tracks asset utilisation.
	6.4	Corporate Social Responsibility (CSR)	• Evidence that all aspects of CSR are considered during the procurement process (as appropriate).	• Organisation's CSR policy includes the procurement approach to sustainability, modern slavery and all other appropriate ethical standards and approaches. • Significant sustainable development aspects, opportunities and risks identified and addressed within procurement policies and procedures. • Sustainable developments incorporated into wider procurement and commercial training, induction and development activity.	• Sustainable development related risks are routinely assessed as part of a wider corporate risk management system. • Sustainable procurement performance is reviewed by senior management and the Board and communicated with key stakeholders and made publicly available.

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
	6.5	Small to Medium Sized Enterprises (SMEs)	• The case for engaging 'encouraged enterprises' (SMEs) is documented and can be identified by staff with procurement responsibilities. • Procurement documentation, including terms and conditions are proportionate and not excessively burdensome so as to exclude "encouraged enterprises" (e.g. levels of insurance cover, terms of payment).	• Systems in place to routinely capture data that supports the identification of "encouraged enterprises". • Engagement of "encouraged enterprises" is incorporated into procurement training, induction and staff development activity. Strategy in place to increase spend with SME's to % as appropriate.	• Existence of on-going "encouraged enterprise" engagement initiatives that support policy and strategic aims. • Performance on the engagement of "encouraged enterprises" is reviewed by senior management/ the Board and communicated with key stakeholders and made publicly available.

Annex A: Glossary/Definitions

eProcurement

The application of technology to automate the exchange of procurement information throughout the supply chain.

Encouraged enterprises

Small, medium, micro and minority enterprises, charities and other third sector organisations including supported businesses (or other specific types of organisations as defined within the Organisation policy). Organisation to determine which encouraged enterprises to monitor based on its policy, strategy and circumstances.

GS1

A means of identifying products, people and locations using a single data standard. The GSI System is composed of four key standards: **Barcodes** (used to automatically identify things), eCom **GDSN** (Global Data Synchronisation Standards which allow business partners to have consistent item data in their systems at the same time) and **EPCglobal** (Which used **RFID** technology to immediately track an item).

Procurement and Commercial Leader

This role may have responsibility for the following activities – materials management, inventory control, purchasing, managing logistics and the movement of goods, accounts, commercial and income generation, receipting of goods and services, payment of invoices (accounts payable), contract management, supplier relationship management and supplier development.

May also be known as the Director of Procurement, Head of Procurement, Head of Supply, Chief Procurement Officer, Head of Commercial.

Non Pay Expenditure

This covers all expenditure that is not permanent worker pay or associated costs ie National Insurance, pensions etc. This is all third party expenditure and includes all clinical and non clinical goods and services/drugs/facilities and estates/non permanent workers/professional services.

Procurement

Is an all-encompassing term to describe the activities of obtaining the right goods, works and services from third parties at the right price, at the right time. Activities include supply chain management, sourcing, purchasing, contracting, contract and supplier management, supplier relationship management, supplier development. For the purposes of the NHS Procurement & Commercial Standards, procurement includes all those departments with procurement responsibilities; this includes but is not limited to pharmacy, pathology, estates and catering.

Procurement & Commercial Strategy

It is a plan of action detailing how a particular goal/ambition and objectives will be achieved (where do we want to be, how do we get there, how will we know how we're progressing). It provides a medium to long term focus and direction aligned to meet the overall Organisation objectives. The strategy, endorsed by the Board, will clearly articulate the accountabilities and responsibilities for all non pay expenditure within the organisation.

Procurement partner(s)

There are a number of procurement partners that provide services to the NHS. These include NHS Supply Chain, Crown Commercial Services, and collaborative procurement organisations (both NHS and privately owned). There is considerable scope in the services provided by these organisations, from transactional procurement solutions, to EU compliant frameworks and full collaborative partnership working.

Procurement & Commercial Policy

A set of rules or principles to guide decisions and achieve outcomes. A statement of the overall intentions and direction relating to the procurement practice and performance of the organisation, as formally expressed and agreed by top management.

Procurement Procedures

Is a sequence of actions, methods or techniques to ensure a consistent approach to procurement practices.

RACI Matrix

A **responsibility assignment matrix**, also known as **RACI matrix** (Responsible, Accountable, Consulted, Informed) describes the participation by various roles in completing tasks or deliverables for a project or business process. It is especially useful in clarifying roles and responsibilities in cross-functional/departmental projects and processes.

Annex B: NHS Engagement

This group of NHS Procurement Advisors provided support into the review of version 2 of the NHS Procurement & Commercial Standards in 2013

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