
Procurements & OJEU Tenders: Faster & Focused

For many years, an assumption prevailed that the public sector procurement process for OJEU (Official Journal of the European Union) tenders required 6 months from start to finish and 2-3 months for non-OJEU tenders. However, the NHS Institute for Innovation and Improvement demonstrated that the timescale for OJEU tenders could be reduced by at least 50%. As a result, their streamlined processes are not only faster but, with skilful application of eSourcing, a most effective use of time, money and resource.

This report presents historical procurement evidence, to illustrate the issues encountered, followed by a brief description of the change management process adopted by the NHS Institute with the specialist guidance of Ashgreen Business Services and Curtis Fitch Limited. The strategic decision by the NHS Institute to embrace eSourcing has re-energised the procurement process and the results deliver a clear and decisive message of fundamental change and commercial success.

60% Efficiency Saving Achieved

The NHS Institute is central to the driving force for change in UK healthcare industry processes by development and rapid dissemination of new ways of working, new technology and innovative change leadership. The NHS Institute has national focus and has achieved unparalleled success, through rigorous methodology, in developing fully integrated solutions with the NHS Executive.

In 2006, the NHS Institute had encountered the reality of the traditional public sector procurement timescales, when endeavouring to source suppliers for marketing communications support. The tender involved 8 categories but was not especially complicated. Nevertheless, the process lasted from 3rd April 2006 to completion on 13th September 2006 – very much in keeping with the generally accepted timescales but an extravagant use of valuable resource.

The NHS Institute recognised that the traditional public sector procurement functions were handicapped by reliance upon paper-driven processes and people intensive routines and that the time expended had become the established and accepted standard. Statistical research indicated that, on average, 80 hours were required to run a standard tender but this increased to 175 hours where such tenders needed to ensure compliance with specific EU procurement regulations, commonly referred to as OJEU tenders. The NHS Institute procurement team, which over the course of 2007 comprised an average of 2.5 Full Time Equivalents (FTEs), successfully sourced 100 tenders during 2007 (91 standard and 9 full OJEU tenders). The team also devoted at least 40% of their time to other responsibilities including contract management of business services and facilities management. Based on the statistical averages, the total tenders in 2007 would have required 8,855 hours.

However, the maximum number of hours available from the procurement team was 3,645 and, using a generous assumption that 60% of such time was devoted to tenders, then only 2,187 actual process hours were available. The number of hours provided by non-procurement team members, in evaluating tenders, increased the dedicated time by a further 1,200 hours, putting total available hours at 3,387. **This efficiency saving target of more than 60%, compared to the preceding statistical averages, represented one of the biggest challenges faced by NHS Institute.**

NHS Institute embraces eSourcing

The objective was clear from the outset – to find the most effective process to meet the challenge faced by the NHS Institute procurement team. In pursuit of this goal, the NHS Institute chose to outsource its strategic procurement support. In conjunction with Ashgreen and Curtis Fitch, the NHS Institute delivered the best solution that would use resources more efficiently, reduce timescales and manage financial budgets more effectively.

Following review of the background and NHS Institute objectives, it was recognised that the goals could be achieved by implementing a suite of eSourcing solutions and identified that such solutions would be provided most effectively by an organisation that had development control over the software, would react quickly and had substantial private sector experience.

Curtis Fitch have many large private sector companies as established clients and have been very effective in developing and implementing successful procurement process changes in those companies. The NHS Institute chose Curtis Fitch as the eSourcing providers who were the most likely to achieve the necessary collective buy-in of private sector best practices within a public sector organisation. It was clear to the NHS Institute that eSourcing, in general, and Curtis Fitch *iSource*[™], in particular, would deliver the target savings and provide ongoing solutions to sustain an environment of dynamic and cost-effective procurement.

Success: Transformation of Procurement

The benefits of eSourcing were immediate and transformed the procurement process. Some of the headline results are shown below and are representative of the savings in cost and time achieved since the new streamlined procurement processes were introduced by the NHS Institute.

As a clear example of the empowerment delivered by eSourcing, during the period from December 2007 to February 2008, the new process cost £70,000. This included all employee costs, outsourced service costs and the investment in Curtis Fitch *iSource*[™]. The savings achieved during the same period amounted to £910,000 – 13 times the outlay.

An immediate example of the cost effectiveness of eSourcing was the tender for the re-procurement of specialist library services, involving 28 libraries and a 3 year contract worth £6million. Through Curtis Fitch *iSource*[™] the NHS Institute have been enabled to devote more time and energy to post-tender negotiations and have secured savings of £1.1million for the specialist libraries over the 3 year contract period.

Illustrative examples of time efficiency for OJEU procurements were delivered by the award of Regional Field Team contracts, in 11 weeks from start to finish, which established Strategic Health Authorities and thereby provided NHS organizations with localized points of contact for all the NHS Institute products, development programmes and intellectual resourcing.

The most effective and comparable example of increased time efficiency is the NHS Institute tender in April 2008 for suppliers to the marketing communications support framework, which required nearly six months using traditional methods in 2006, but is expected to complete by 1st July 2008 – nearly 3 months faster despite greater category complexity.

In 2007, supply expenditure in excess of £50,000 required approval by the procurement team. However, in a confident start to 2008, the procurement team, having already demonstrated improved efficiency, is now able to promote the use of their service for procurements above £5,000. This enhanced spend control has been achieved without any increase in the number of procurement team staff, reflecting the time efficiency savings already achieved by the introduction of eSourcing.

The transformation of the procurement process has received the highest acclaim throughout the NHS Institute and many internal customers have praised the procurement team for their user-friendliness and excellent support.

Furthermore, eSourcing technology is eco-friendly. Curtis Fitch *iSource*™ has reduced the amount of paper used for tenders by up to 80% and has eliminated the cost of storing paper versions of all tender responses. In addition, the software enables all data to be centralised for sharing with other functions and ease of audit control and is flexible in application, for example, Human Resources recruitment processes – uploading of CVs, applications, evaluations, etc.

The NHS Institute also completed two successful reverse auctions using Curtis Fitch *iSource*™ and delivered further significant savings. These reverse auctions were for Lap Top Packs in June 2007, which produced a 44% saving, and Contract Cleaning Services in September 2007, which achieved a 58% saving. The graphs in Appendices 1 and 2 from Curtis Fitch *iSource*™ illustrate the savings achieved in these reverse auctions.

The streamlined processes associated with eSourcing enables suppliers to concentrate on developing the content of their submissions rather than adhering to time consuming processes. Without these systems the volume of tenders generated by the NHS Institute might cause suppliers to suffer from ‘tender fatigue’ and the quality of tender submissions to decline as a result. This entirely paperless process has significant benefits for suppliers, not least of which is guaranteed on time delivery with no reliance on the performance of couriers. This helps the NHS Institute to develop strong relationships with suppliers.

Verdict: Savings in Time, Money and Resource

From the outset of this project, all participants were clear about their particular goals and the overall objectives. The NHS Institute, supported by Ashgreen and Curtis Fitch, required better use of key resources, more effective use of time and money and, at least as importantly, to establish a proactive commercial sense within public sector procurement, in readiness for future demands for increased efficiency.

The weaknesses of traditional methods were readily identifiable. Ashgreen and Curtis Fitch had the emphatic results achieved with large private sector companies to provide the eSourcing solutions. The challenge to change established and accepted ways of working was willingly accepted by the NHS Institute. Their collective determination ensured the right solutions would be delivered and their expertise and management experience guaranteed the essential specialist support. The results demonstrate the level of success already achieved from eSourcing. **The NHS Institute is confident that commitment to the highest levels of customer service and desire for improvement through change mean that the best is yet to come.**