

**Health Professions Council
Finance and Resources Committee – 21 November 2005**

HPC SUPPLIER TENDERING

Executive Summary and Recommendations

1. Introduction

HPC has been following a tender process for significant supplier contracts for a number of years. Examples include building, legal and professional services. The responsibility for managing the supplier relationship, including contract management and contract negotiation relating to fees and service quality, has rested with the HPC manager with the closest operational contact with the supplier, on an ongoing basis. In many cases, this manager has also been the budget-holder incurring the supplier cost for services provided to HPC.

As part of the general tightening up on processes, procedures and systems following recent Baker Tilly audits, the tender process has been formally documented and posted on the HPC intranet (Springfield) for all staff to refer to.

The purpose of this paper is for the Committee to note EMT's recent approval in change in threshold level (£10k to £30k annual spend) for triggering supplier tenders and to note that tendering is now embedded in a wider HPC procurement process - see box (2) in section 3 diagram below. The procurement process was also recently formalized and posted on the intranet (Springfield) for staff to refer to.

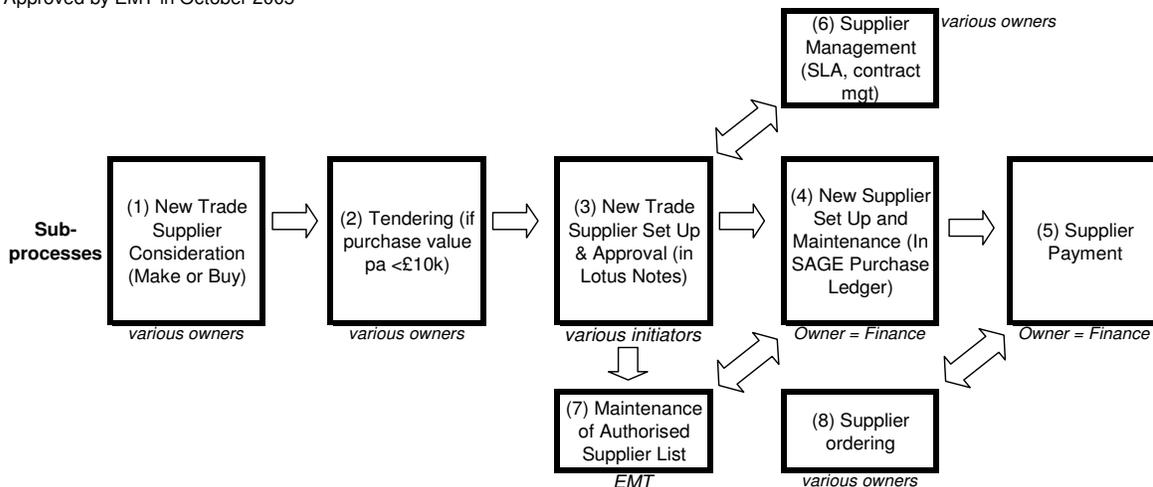
2. Decision

The Committee is requested to note the document. No decision is required.

3. Background information

HPC PROCUREMENT PROCESS

Approved by EMT in October 2005



Potentially tendering could be done job by job or on supplier total value (for a range of services). To elaborate using legal and IT development costs as examples, even if a supplier was authorized to be used and was HPC's principal supplier for that type of service, individual (legal or IT) jobs or cases could potentially be tendered for, if the job size was over

the threshold level. Given the sheer volumes of jobs and cases, and the operational need to use suppliers familiar with HPC's requirements and processes, this is undesirable and potentially unfeasible.

Alternatively, tendering could be based on total supplier value i.e required if the annual value of business with that supplier exceeded the threshold level. This does not imply that every year all suppliers should be tendered for, simply that the threshold be based on annual tender value. Tendering based on total supplier value is the preferred approach at present.

The reason for the increase in threshold (for invoking a request for tenders) from £10k to £30k per annum is to ensure significant value contracts are tendered for and that the administrative costs of tendering are exceeded by the economic benefits of tendering i.e that the likely price difference at least covers the cost of tendering.

To ensure value for money, HPC also have other checks and balances operating. For example;

- business cases to evaluate the financial impacts of significant projects (inclusive of supplier inputs),
- a budgetary process for approving annual operating expenditure and capital expenditure
- a list of authorized suppliers. With this list, the intention is that once the list is further rationalized, then where possible we negotiate bulk-purchase discounts for larger-volume business and longer-term business with those suppliers, to obtain ongoing cost savings for HPC.

To put tendering further in context, HPC spend £900k - £1.2M per annum on FTP legal costs alone, with most legal cases costing HPC legal fees of £10k per case. Similarly, we spend significant amounts on Digital Steps project work to update our core information systems (LISA enhancements and Renewals projects). Given the size of such costs, we believe management attention is better directed to ensuring value for money and health regulation outputs are delivered from focusing on the close, ongoing working relationships with our principal suppliers, and putting less emphasis on tendering for small and one off supplier services because a low tender threshold has been set.

A further issue arises about ownership of intellectual property e.g. computer source code (LISA). If one of our key suppliers (by value of business) owns the intellectual property, it becomes problematic to tender for future work, regardless of the threshold value set.

4. Resource implications

Nil

5. Financial implications

Nil

6. Background papers

Nil

7. Appendices

Nil

8. Date of paper: 21 November 2005