

Supplier Management

NHS Supply Chain contract extension Q and A

Why are you extending the NHS Supply Chain contract? Is there a better value alternative?

A variety of options were considered including not extending the contract and undergoing an immediate re procurement and extending the contract for a further five years on the existing terms (which was envisaged within the original contract). Following an appraisal of these options, a two year extension on substantially improved terms for the NHS was evaluated as being the best value option.

The Department of Health (DH) and NHS Business Services Authority have already started considering the long term future operating model for procurement and supply chain services for the NHS from October 2018.

What are the substantially improved terms for the NHS?

The main improvements are:

- A target to deliver £150m of cash releasing savings to the NHS by the end of the contract in September 2018. This is in addition to the existing target to deliver £150m of cash releasing savings by end of March 2016.
- Greater transparency through the introduction of an open book contract management model.
- Greater flexibility to determine what and how services are provided (including the removal of the Master Services Agreement (MSA) exclusivity clause for procurement activity).
- Revised contract terms starting a year early (October 2015) to maximise the benefits of the changes to the NHS over the remaining contract period and extension term.

What level of savings will be produced for the NHS?

An additional cash releasing savings target of £150 million has been agreed for delivery by October 2018. This is on top of the existing commitment to £150 million savings by March 2016.

Are you confident that these savings will be delivered?

We are confident that this challenging savings target can be delivered, through close working with and support from the NHS. The revised reward structure incentivises the delivery of these savings. NHS Supply Chain are currently ahead of schedule on the existing £150m savings target, having delivered £96.5 million of savings to date.

Will the revised terms affect working arrangements with procurement hubs?

This extension does not affect the current landscape for procurement hubs.

How does the extension relate to Lord Carter's report earlier this year?

As part of the extension, the NHSBSA and NHS Supply Chain will work closely together to deliver on the opportunities for savings and efficiencies highlighted in Lord Carter's report.