

D3/March 2017

Diploma in procurement and supply

Sourcing in procurement and supply

Date	Tuesday 7 March 2017
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Time	Start 09:30	End 12:30	Duration 3 hours
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QUESTION PAPER

INSTRUCTIONS FOR CANDIDATES

This examination has **FIVE** compulsory questions worth 20 marks each.

1. Do not open this question paper until instructed by the invigilator.
2. All answers must be written in the answer booklet provided.
3. All rough work and notes should be written in the answer booklet.

You are advised to allow 20 minutes to read carefully and analyse the information in the case study before attempting to answer the questions.

CASE STUDY – NORTH EASTERN PROCUREMENT CLUSTER (NEPC)

The North Eastern Procurement Cluster (NEPC) is a new initiative, which has been developed to support the ever increasing demand on the health care provision in the area. Four NHS trusts have combined their procurement functions to achieve better value for money and to ensure that the resources available are used as efficiently as possible. NEPC's governing body believes that there will be opportunities for the consolidation of orders, bulk buying discounts and economies of scale.

NEPC has recently appointed a new procurement director, Steven Marsh, whose previous experience was not in the public sector, but had been in the private sector. Steven previously worked for two public limited companies in the pharmaceutical industry, where he had been successful in improving and streamlining procurement functions.

Steven has decided that his priorities in his new role are to develop a sourcing plan for selecting appropriate suppliers and to engage with NEPC's stakeholders, to ensure that the sourcing process will meet their needs.

Steven is aware that a serious problem faced by the four NHS trusts, before the cluster was developed, was supplier failure. A number of key suppliers, who had been awarded three-year contracts, experienced financial problems because of a lack of liquidity and they were unable to complete the contracts. Steven is determined that this will not happen in future and he intends to ensure that the financial status of all potential suppliers is vetted rigorously before a contract is awarded. In particular, he will be looking at their financial liquidity ratios.

Steven is in the process of recruiting a small team of buyers to assist him with sourcing the supplies needed by the four NHS trusts. He is keen to recruit buyers who have public sector – and preferably NHS – experience, given his private sector background.

Once the team has been put in place, one of its first tasks will be to undertake analysis of the markets and suppliers. He is particularly keen that the team gathers, analyses and evaluates as much relevant data as possible about potential suppliers and markets. After his team has completed this process, Steven intends to use the data to start the supplier selection process.

Shortly after taking up his new post, Steven was informed that the laundry services contracts of all four NHS trusts would come to an end within the next four months.

The values of the four current contracts vary between £850,000 and £1.2 million, with the total value being £3.8 million. Steven has decided that a new single contract to provide laundry services should cover all four NHS trusts and his aim is to achieve a saving of 10%, compared to the cost of the current contracts.

The new contract will be for a three-year period and, as required by the EU Procurement Directives, a tendering process will be used. Having previously worked only in the private sector, Steven is unsure as to whether an open or restricted tendering process should be used.

Another important decision that he has to make is to determine the award criteria for the laundry services contract. He plans to ask his new team for advice on both the nature of the tendering process to be used and the award criteria.

QUESTIONS

These questions relate to the case study and should be answered in the context of the information provided. You are advised to spend 32 minutes on each question.

- Q1** (a) Briefly describe **FOUR** stakeholders that Steven might engage with, as part of NEPC's sourcing process. (8 marks)
- (b) Describe **THREE** possible ways in which Steven might involve NEPC's stakeholders in the sourcing process. (12 marks)
- Q2** The case study information states that one of Steven's priorities is to develop a sourcing plan for selecting appropriate suppliers.
- Describe **FOUR** elements that might be included in a sourcing plan for goods and services at NEPC. (20 marks)
- Q3** (a) Outline **FOUR** sources that Steven could use to obtain information on the financial status of potential suppliers to NEPC. (12 marks)
- (b) Describe **TWO** ratios that Steven might use to establish whether potential suppliers have sufficient liquidity to complete contracts in the future. (8 marks)
- Q4** (a) Explain the differences between primary and secondary data, when gathering information about potential suppliers and markets. (5 marks)
- (b) Outline **FIVE** sources of secondary data related to suppliers and the supply market that might be used by NEPC. (15 marks)
- Q5** The case states that a tendering process will be used to award the new laundry services contract.
- Explain **FOUR** tendering procedures that a public sector organisation such as NEPC should consider using. (20 marks)



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