

**Schedule 2**

**NHS Supply Chain**

**Standard Conditions of Contract for Logistics**

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## 1. Interpretation

1.1 These conditions are supplementary to the Standard Conditions of Contract (the **“Standard Conditions”**). Terms defined in the Standard Conditions shall be given the same meaning in these supplementary conditions. Should there be any inconsistency between these supplementary conditions and the Standard Conditions, these supplementary conditions shall prevail.

1.2 In these conditions of Contract the following definitions shall apply:

- 1.2.1 **“Authority Depot”** means the NHS Supply Chain depots, listed at paragraph 3.4.3
- 1.2.2 **“Cross Dock Product”** means Goods picked by the Contractor using Order details sent electronically by the Authority and which are delivered to the Beneficiary within a forty eight (48) hour lead time. The Contractor processes and picks Orders on the same day the Orders are received from the Authority and deliver overnight to the specified Authority Depots
- 1.2.3 **“E-Direct Product”** means items which are picked, packed and labelled to a requisition point by the Contractor and are delivered direct to the Beneficiaries by the Contractor on a mutually agreed fixed lead time between the Authority and the Contractor.
- 1.2.4 **“New Line”** means a new type of Good added to the lines of Stocked Product, Cross Dock Product, Variable Lead Time Product, and E-direct product ranges
- 1.2.5 **“Stock Product”** means specified Goods delivered by the Contractor to a limited number of Authority Depots. These Goods are transported by the Authority for stock at other Authority Depots
- 1.2.6 **“Variable Lead Time Product”** means Goods picked by the Contractor using Order details sent electronically by the Authority and which are delivered to the Authority to an agreed lead time which is greater than that for Cross Dock Products. Beneficiaries are informed via the Authority catalogue that the items have a lead time greater than 48hrs, and on Ordering the items the Beneficiaries are advised via the priced advice note of the exact date the Goods will be delivered to them.

## 2. New Lines

2.1 For each New Line of Goods the Contractor must provide, the following information for each type of Goods covered by the Contract:

- 2.1.1 the number of units per case;
- 2.1.2 the number of units per layer of a pallet;
- 2.1.3 the number of units per pallet;
- 2.1.4 agreed lead time;
- 2.1.5 any agreed contractual minimum order quantities that exist;

- 2.1.5.1 any hazardous Goods must have COSHH data sheets where applicable;
- 2.1.5.2 expiry date details.

### 3. STOCK PRODUCTS

#### 3.1 Order Placement

- 3.1.1 The Authority may send Orders to a Contractor by Electronic Data Interchange ("EDI") or other electronic interface, E-mail or fax. The Contractor receiving Orders transmitted by EDI must be capable of acknowledging receipt of the Order via the EDI system. EDI trading standards used by the Authority include TRADECOMS – ORDERS V8 and EDIFACT – TF2ORD, but most other standards can be used.
- 3.1.2 At the request of the Beneficiary, the Authority may amend or terminate an Order by written notice [including email, fax, or letter at any time prior to the despatch of the Goods by the Contractor.

#### 3.2 Deliveries

- 3.2.1 For all Stock Product Orders the Contractor must agree the delivery day and time with the Authority at least three (3) working days before the delivery is due. Exceptions are made for any Contractors with agreed fixed delivery slots, who can confirm delivery up to one (1) working day before the delivery is due.
- 3.2.2 The Authority's receipts departments operate a 24 hour receipts schedule. It is the Contractor's responsibility to ensure that they or their carriers can facilitate deliveries at any time throughout the day and/or night as required by the Authority.
- 3.2.3 The Authority reserves the right to administer a charge against any Contractor who fails to accept the delivery timescale provided by the Authority. Such charges to cover any additional administrative costs incurred by the Authority associated with rescheduling a Contractor's delivery time.
- 3.2.4 If, after the delivery time has been agreed, the Contractor or their carrier wishes to amend the delivery time, and authorised representative of the Contractor must contact the Authority's inventory department for authorisation to amend a delivery time. Any such amendment to be requested at least 24 hours prior to the planned delivery.
- 3.2.5 Delivery vehicles must not arrive at the Authority Depot more than 30 minutes in advance of their booked delivery time. Any deliveries which do so may be asked to wait at an area off site and subsequently return at the agreed time.
- 3.2.6 Delivery vehicles which arrive at the Authority Depot more than 30 minutes after the agreed booking time may be subject to delays or refusal.
- 3.2.7 The Authority reserves the right to terminate the Contract immediately where the Contractor or their carrier fails to arrive at the agreed

delivery time on three (3) consecutive occasions in any three (3) month rolling period.

3.2.8 Any delivery which fails to arrive may result in a rescheduled delivery time outside the Contractor's normal working hours. Rescheduled delivery times will be at the discretion of the Authority's inventory and warehouse operations teams as appropriate.

3.2.9 Where a Contractor uses a carrier to deliver goods it is the Contractor's responsibility to ensure that their appointed carrier complies with Authority's conditions of Contract.

3.2.10 The carrier must be informed of the official Order number to effect the delivery of the Goods into the relevant Authority's Depot.

3.2.11 Where receipts are checked prior to the delivery vehicle leaving the Authority's Depot any damaged Goods, over-delivery or otherwise unacceptable Goods will be returned with the vehicle and the driver's paperwork amended accordingly. Where the driver's notes are signed "unexamined" or "unchecked" the Contractor will be advised within three (3) working days In Writing of any damaged Goods, over-delivery or otherwise unacceptable Goods which require uplift. Where the Authority notifies the Contractor of shortages, the Contractor shall either raise a credit note or send on replacement Goods.

3.2.12 Where checkless receiving is in operation, the Authority will assume that the contents of each delivery will comply 100% with the delivery note. in such circumstances the Authority will undertake random spot checks of deliveries. Where any discrepancy is found between the contents of the delivery and the delivery note the Authority will assume that the same discrepancy has occurred in each delivery received by the Authority in the preceding three (3) months from the date the spot check took place

3.2.13 In unusual circumstances the Authority may require the Goods to be delivered on a same day or next day basis. In this case the Authority will notify the Contractor of the delivery time.

### 3.3 Refusal of Deliveries

3.3.1 The Authority reserves the right to refuse deliveries in the following circumstances:

3.3.1.1 any delivery that is dangerous to unload, including but not limited to poor presentation of pallets, the vehicle is unsuitable for safe unloading;

3.3.1.2 stock is damaged and not fit for sale or use by the Beneficiary;

3.3.1.3 Goods show visible signs of tampering or theft;

3.3.1.4 the delivery arrives more than thirty (30) minutes after the agreed delivery time;

3.3.1.5 any delivery that arrives without a delivery advice note;

3.3.1.6 the remaining shelf life of any Goods is less than 75% of the total shelf life.

3.3.2 The Authority reserves the right to accept a substandard delivery in order to continue supply to Beneficiaries. Where this occurs the Authority will charge the Contractor the costs incurred by the Authority for reworking of the delivery including but not limited to costs associated with re-stacking or re-packaging the delivery so that it is safe to store within the Authority Depot and send on to Beneficiaries.

#### 3.4 **Containers and Pallets**

3.4.1 Pallets must be four-way entry 1200 x 1000mm with a full perimeter base of nailed wooden construction. Euro-pallets should only be used if contractually agreed between the Authority and the Contractor before delivery. Euro-pallets must be four-way entry 1200 x 800mm with a full perimeter base of nailed wooden construction. It is recommended that the pallet design and construction is suitable to support the load and should satisfy, where possible, the requirements of the appropriate British Standards (BS ISO 6780 : 1998 and BS ISO 8611 : 1991).

3.4.2 The maximum total weight of each pallet should not exceed 1000kg, inclusive. In exceptional circumstances, where contractually agreed between the Authority and the Contractor, pallet loads will be permitted in excess of 1000kg. The weight should be evenly distributed and overhang/underhang must be avoided at all times. In exceptional circumstances, where contractually agreed between the Authority and the Contractor, the overhang/underhang must not exceed 25mm.

3.4.3 The maximum total height of each pallet should not exceed the inclusive dimensions below, except with the prior written agreement of the Authority.

<b>Warehouse</b>	<b>Maximum height</b>
Normanton	1500 mm
Alfreton	1500 mm
Runcorn	1400 mm
Maidstone	1400 mm
Bury St Edmunds	1500 mm
Bridgwater	1500 mm

3.4.4 To prevent movement in transit and handling, pallet loads should be stabilised by stretch wrap, shrink wrap, taping or other methods which do not cause any damage to the Goods or packaging.

3.4.5 Pallets held at the Authority's Depots will be exchanged at the time of delivery only, on a one for one basis. If pallets are not available, or the Contractor is unable to collect at the time of delivery, a pallet exchange note will be issued by the Authority. Pallets will only be exchanged when proof of delivery or the pallet exchange note is produced by the Contractor. These pallets will be given to the Contractor at a later date on production of the original exchange note. photocopies will not be accepted unless by prior agreement.

- 3.4.6 Contractors using GKN Chep pallets may utilise a one way pallet Scheme whereby pallets are de-hired at the time of delivery and collected from the Authority by GKN Chep.
- 3.4.7 If a driver refuses to accept exchange pallets at the time of delivery, the Authority will assume that no charges will be made for those pallets.
- 3.4.8 The Authority will accept no transfer of costs or liability in respect of any local, regional or national pool pallets. The Authority is not a pallet bank.
- 3.4.9 Damaged or sub-standard pallets will not be exchanged on delivery as the driver will hold responsibility for them as well as the contained Goods.
- 3.4.10 Unless otherwise agreed In Writing, no more than one type of Goods shall be delivered on one pallet. In bulk loading conditions, all cartons, etc of one Goods must be distinctly separated from any other good. Mixed pallets must not be delivered unless contractually agreed prior to delivery. Therefore, wherever less than one full pallet of a particular Goods type has been Ordered, wooden pallets must be horizontally layered between such Goods types to separate them in a safe manner which does not cause damage to those said Goods.

### **3.5 Outer Packaging**

- 3.5.1 The printing/labelling on outer cases must be on a minimum of two sides of the casing. It must include:
  - 3.5.1.1 the Goods description, quantity and handling instructions;
  - 3.5.1.2 Authority Goods code;
  - 3.5.1.3 batch numbers (where applicable);
  - 3.5.1.4 best before/use by dates (where applicable);
  - 3.5.1.5 EAN (European Article Number);
  - 3.5.1.6 Bar code.
- 3.5.2 Only outer cases containing one product code will be accepted.
- 3.5.3 A maximum weight of 15kg per outer case is permitted. Where an outer case weighs more than 5 kg the weight should be visible on the outer case in line with requirements above.
- 3.5.4 Goods must be packaged in multiples that conform to maximum weights and sizes specified in the Health and Safety Executive "Manual Handling Guidelines", with a maximum weight per package of 15kg.
- 3.5.5 Outer cases must provide adequate protection for Goods during transit to the supply centre, storage at the supply centre, and possible onward distribution to user points.

- 3.5.6 Outer cases must enable handlers at the supply centre to recognise immediately the Goods they contain.
- 3.5.7 Special storage or handling instructions or warnings related and relevant to the Goods should be printed clearly on the outer case to enable correct and safe handling at the supply centre.
- 3.5.8 Any manufacturer's identification codes or part numbers must not in any way confuse the "best before" dates displayed on the outer casing.

### 3.6 **Returns**

- 3.6.1 The Contractor must arrange for prompt uplift of the goods, using an uplift note, and the Goods will be returned to the Contractor with a copy of the Authority's returns to Contractor note as approved by the Authority's inventory manager.
- 3.6.2 In the event of the return not been actioned by the Contractor within the timescales agreed by the Authority and the Contractor up to a maximum of ten (10) working days, the Authority reserves the right, after notification of the Contractor, to either:
  - 3.6.2.1 consign the Goods back to the Contractor by carrier and charge the Contractor for the carriage and claim credit from the Contractor for the value of those Goods; or
  - 3.6.2.2 dispose of the Goods, and issue a credit against the Contract for the value of the Goods along with any appropriate disposal costs, in accordance with the Authority's procedures; and
  - 3.6.2.3 charge the Contractor a fee for costs incurred by the Authority for administration of the actions as detailed above.

### 3.7 **Sale or Return**

- 3.7.1 Where the Authority notifies the Contractor In Writing that any Goods the Contractor supplies, or is to supply, under these conditions have not been previously stocked by the Authority, this paragraph 3.7.1 shall apply to such Goods. Until such time as the Authority considers that it has a reliable history of demand, all purchases of Goods to which this paragraph 3.7.1 applies shall be supplied by the Contractor on the basis of twelve months "sale or return". Should any Goods be returned under this arrangement, the Contractor shall forthwith reimburse the Authority with the full amount (including VAT) paid by the Authority for such Goods. Alternatively the Parties may agree to arrange for an exchange of Goods of equal value from other Stocked Products contained in the Authority catalogue as varied from time to time.

### 3.8 **Service Levels**

- 3.8.1 All Contractors' inbound service levels are monitored, the measures used are on-time delivery performance (deliveries made within 30 minutes of the agreed delivery time), line level order fill % (each line within the Order received in full at first receipt) and overall On Time In

Full ("OTIF") line service % (OTIF is a combination of the previous 2 measures).

3.8.2 The Parties shall work together to maintain the Contractor's OTIF performance at a minimum level of 98% as measured by the Authority. The Authority shall measure this performance by taking the first received quantity for each line Ordered, as a percentage of the quantity Ordered, over a 13 week period. This performance measure is calculated separately for each contracted line and will be available to be viewed by the Contractor via the website [www.nhssupplychain.nhs.uk](http://www.nhssupplychain.nhs.uk) or upon contacting the relevant Authority inventory stock controller. Should performance fall below 98% the Authority will require the Contractor to review its procedures and produce in conjunction with the Authority an operational action plan to restore the agreed OTIF performance above 98%.

3.8.3 Where a Contractor fails to meet the OTIF 98% target three (3) times in any three (3) month rolling period the Authority reserves the right to charge the Contractor for:

3.8.3.1 any loss of margin incurred by the Authority due to the Contractor's poor performance;

3.8.3.2 any costs incurred by the Authority in sourcing an alternative supply, including but not limited to administrative costs and additional product costs.

#### **4. CROSS DOCK AND VARIABLE LEAD TIME PRODUCTS**

##### **4.1 Order Placement and Transmission**

4.1.1 Order details, including pick label information, are sent to the Contractor electronically at various times throughout each working day with the final transmission at 4.30 p.m, which may not reach the Contractor until 5.00 – 5.30 p.m. The Contractor receiving Orders transmitted by EDI must be capable of acknowledging receipt of the Order via the EDI system. EDI trading standards used include TRADECOMS – ORDERS V8 and EDIFACT – TF2ORD, but most other standards can be used by the Authority.

4.1.2 At the request of the beneficiary the Authority may amend or terminate an Order by written notice at any time prior to the despatch of the Goods by the Contractor.

##### **4.2 Amending Order Details**

4.2.1 Where a Contractor is unable to supply Goods, the Order details must be amended on the Authority's I.T. system by the Contractor. Contractors are given access to the Authority's I.T. system to amend Orders and must alter any order quantities to reflect the delivery quantity before 8.30 p.m. on the day prior to delivery of the Order to the Authority. Contractor access to the Authority's I.T. system, using remote terminal log on, is via a PC with internet access, internet explorer (version 6 minimum) and session cookies enabled.

4.2.2 The Contractor will be allocated usernames and passwords to allow access to a secure area of the Authority's website

([www.supplychain.nhs.uk](http://www.supplychain.nhs.uk)) known as the supplier portal. This will allow access to the Contractor's Order details where amendments can be made.

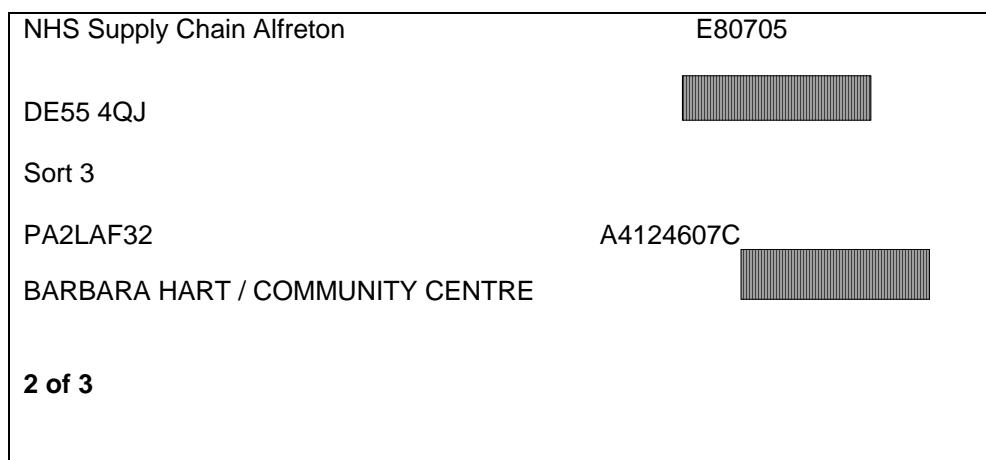
4.2.3 Compliance with the user guide to the website is mandatory. Failure by the Contractor to comply with remote terminal log on procedures may result in a charge per line in order to cover administration costs incurred by the Authority resulting from any non-compliance.

#### 4.3 **Order Pick Assembly**

4.3.1 Goods must be picked by the Contractor and each box labelled for the appropriate requisition point. Label information is available from three (3) sources:

- 4.3.1.1 the EDI along with the Order transmission;
- 4.3.1.2 the information provided by e-mail from the Authority;
- 4.3.1.3 the supplier portal.

4.3.2 Labels must contain the following information contained in the example label (note information contained in the brackets will not be printed).



4.3.3 Contractors must ensure that all Goods are packaged so they will reach the Beneficiary in good condition. Small Goods, loose items or fragile items will require additional packaging such as cardboard boxes or jiffy bags, and address labels must be clearly visible on the outside of the packaging.

#### 4.4 **Outer packaging**

4.4.1 The requirements for outer packaging are specified in paragraph 3.5.

#### 4.5 **Pallet specification**

4.5.1 Pallet specifications are set out in paragraph 3.4.

## 4.6 **Deliveries**

- 4.6.1 Deliveries of Cross Dock and Variable Lead Time Products do not need to be booked in at Authority Depots unless they are being delivered with other Stocked Products. If deliveries are to be consolidated with Stocked Products the Cross Dock /Variable Lead Time items need to be clearly identifiable and must be delivered in accordance with the lead times for that item. Any item which is not will be returned to the Contractor.
- 4.6.2 The Contractor will be provided with a mutually agreeable set delivery time for each Authority Depot.
- 4.6.3 Cross Dock Product Orders must be delivered over night at mutually agreed delivery times.
- 4.6.4 The Authority reserves the right to recover from the Contractor any costs incurred due to a late delivery by the Contractor.
- 4.6.5 The Contractor and the Authority will agree a timetable at least two (2) months in advance, for any variations to the agreed delivery times/days which occur as a result of Authority Depot closures (e.g. seasonal closures for Christmas/Easter) and forward a copy of the new order/delivery timetable to the relevant Authority inventory manager.

## 4.7 **Service Levels**

- 4.7.1 The Contractor's performance levels are monitored for on-time deliveries, order lines and items. Contractors are required to deliver to the following service levels:

4.7.1.1	On time deliveries	100%
4.7.1.2	Lines service level	98%
4.7.1.3	Supply of confirmed order lines	100%
4.7.1.4	Picking accuracy	99.5%.
- 4.7.2 The Authority reserves the right to terminate all or some of a Contractor's Contract where the Contractor fails to meet any of the required levels of service as set out in clauses 4.7.1.1 to clause 4.7.1.4 three (3) times in any rolling three (3) month period where the Contractor has confirmed an Order via remote terminal log-on.

## 4.8 **Returns**

- 4.8.1 All Cross Dock and Variable Lead Time Product returns to an Authority Depot from a Beneficiary are approved by the Authority's customer services team and must be physically returned to the Authority within ten (10) days of such approval.
- 4.8.2 On receipt of the Goods by the Authority an "advice of returns to supplier" note is completed by designated staff within the Authority Depot, and forwarded to the Authority's inventory team. The Authority will only return items to the Contractor and claim credit for those that are fit for resale.

- 4.8.3 Where a Contractor disputes the condition of returned Goods photographic evidence must be provided by the Contractor. Failure to provide photographic evidence will result in the Authority claiming credit for the returned Goods.
- 4.8.4 The Authority will hold any returned Goods within the Authority Depot in a secure and safe state but cannot be held responsible for any deterioration due directly to damage caused due to non collection by the Contractor.
- 4.8.5 In the event of the return not been actioned by the Contractor within the agreed timescales, the Authority reserves the right after contacting the Contractor to either:
  - 4.8.5.1 consign the Goods back to the Contractor by carrier and charge the Contractor for the carriage and claim credit from the Contractor.
  - 4.8.5.2 dispose of the Goods, and issue a credit against the Contractor for the value of the goods along with any appropriate disposal costs, in accordance with Authority procedures.
  - 4.8.5.3 charge the Contractor a fee for administration costs incurred due to the actions detailed above.

#### **4.9 Beneficiary Queries**

- 4.9.1 All Beneficiary shortages/delivery discrepancies are reported to the Authority's customer services team by the Beneficiary, within five (5) working days of receipt of an Order. The Authority will provide information of Beneficiary shortages to the Contractor on a weekly basis In Writing by e-mail, fax or letter.
- 4.9.2 The Contractor must respond to any notification of a Beneficiary discrepancy as set out in clause 4.9.1 In Writing to the Authority within five (5) working days, authorising credit to be paid to the Beneficiary or not (if not, stating a reason for no credit and providing proof of delivery documentation signed by the Authority).
- 4.9.3 Should a Contractor fail to deliver Goods, the Authority reserves the right to issue suitable alternative Goods to Beneficiaries. The Authority also reserves the right to recover from the Contractor any additional costs incurred by the Beneficiary in these circumstances.
- 4.9.4 The Authority reserves the right to recover administration costs incurred due to Contractor discrepancies.

### **5. E-DIRECT PRODUCTS**

#### **5.1 Order Placement**

- 5.1.1 Order details, including pick label information, are sent to the Contractor electronically, either by EDI or E-mail at various times throughout each day, Monday to Friday with the final transmission being 16:30 hours. The Contractor receiving Orders must be capable of acknowledging receipt of the Orders via the EDI system. EDI

trading standards used include TRADACOMS – ORDERS V9 and EDIFACT – TF2ORD, but most other standards can be used by the Authority.

5.1.2 At the request of a Beneficiary the Authority may amend or terminate an Order In Writing at any time prior to the despatch of the Goods by the Contractor.

## 5.2 **Amending Order Details**

5.2.1 The Authority's procedures for amending Order details are set out at paragraph 4.2.

## 5.3 **Order Pick Assembly**

5.3.1 Goods must be picked by the Contractor with each box labelled with the appropriate requisition point, requisition name and Order number. Label information is available from 3 sources

5.3.1.1 the EDI along with the Order transmission;

5.3.1.2 information provided by email from the Authority; and

5.3.1.3 the supplier portal

5.3.2 The Contractor must ensure that all Goods are packaged so that they will reach the customer in good condition. Small Goods, loose items or fragile items will require additional packaging such as cardboard boxes or jiffy bags. Address labels must be clearly visible on the outside of the packaging.

5.3.3 The Contractor must ensure that carriers/distributors delivering their Goods allow sufficient time for the Beneficiary to check the delivery and sign a "proof of delivery" note.

## 5.4 **Returns**

5.4.1 The procedure for returns is set out at paragraph 4.8.

## 5.5 **Beneficiary Queries**

5.5.1 The procedures for Beneficiary queries are set out in paragraph 4.9.

## 5.6 **Service Levels**

5.6.1 The Contractor's performance levels are monitored for on-time deliveries, order lines and items. Contractors are required to deliver to the following service levels:

5.6.1.1 On time deliveries 100%

5.6.1.2 Lines service level 98%

5.6.1.3 Supply of confirmed order lines 100%

5.6.1.4 Picking accuracy 99.5%.

5.6.2 The Authority reserves the right to terminate all or some of a Contractor's Contract where the Contractor fails to meet any of the required levels of service as set out in clauses 5.6.1.1 to clause 5.6.1.4 three (3) times in any rolling three (3) month period where the Contractor has confirmed an Order via remote terminal log-on.

## 6. INVOICING

### 6.1 Invoice processing

- 6.1.1 Invoices must be sent and dated to the Authority on the same date as the Goods are received by the Authority.
- 6.1.2 Invoices must be sent either electronically or in paper format, with one Order per invoice. Invoices will be paid by BACS up to 45 days of receipt unless there is an agreed discount for early settlement. Any discounts must apply to all Goods supplied and to all Authority Depots.

### 6.2 Credit notes

- 6.2.1 Credit notes relating to price queries must be received by the Authority within twenty one (21) days of the query being raised or a debit note will be raised by the Authority.