

Agenda Item (Ref)	B17-18/13.3	Date of Meeting: 7 th November 2017
Report to	Operations and Performance Executive Led Group	
Report Title	Procurement and Supplies Strategy 2017_2019	
Executive Lead	Ian Jones, Director of Finance and Business Services	
Lead Officer	Sue Colbeck, Head of Procurement and Supplies	
Action Required	Approval	

Report purpose	To update and implement a revised procurement strategy that encompasses national updates from Department and Health: Better Procurement, Better Value, Better Care strategy and Lord Carter: Operational Productivity and Performance in English NHS acute hospitals.		
Strategic Priority (s) this work supports	Deliver High Quality Safe Patient Care	<input checked="" type="checkbox"/>	
	Develop Effective External Partnerships	<input checked="" type="checkbox"/>	
	Deliver Our Service Commitments	<input checked="" type="checkbox"/>	
	Develop Staff's Potential	<input checked="" type="checkbox"/>	
Related BAF risk			
AQUIP Ref			
Equality Impact Assessment required?	No		
Next Steps	To agree a reporting mechanism to provide regular updates against carter performance metrics		
	To roll out a contract database system to managers identified as contract leads, to capture information relating to all contracts in a central location.		

REPORT HISTORY

Committee / Group Name	Agenda Ref	Report Title	Date of submission	Brief summary of outcome

Executive Summary

1. The purpose of this report is to provide an updated strategy to reflect on the Department of Health strategy¹ and recommendations from Lord Carter² namely;
 - Increase transparency using Procurement Transformation Programme (PTP) as appropriate vehicle, deadline October 2016
 - NHSI has provided a national spend analysis and benchmarking solution (PPIB)
 - Build supply chain capability in terms of both inventory management, systems and people
 - Achieve minimum standards identified for catalogue management, contract management and purchase order coverage.
 - Trusts accelerate collaboration with other trusts to develop aggregated work plans and reduce variety (NM LDS)
 - Adopt and promote NHS Standards of Procurement achieving Level 1 by October 2017.
2. The Trust has an annual non-pay expenditure of £91m (incl. £30.5m Drugs). This Procurement strategy covers all non-pay spend³ of the Trust across a full range of goods and services, to support the corporate objectives of the future.
3. The appropriate management of procurement and supplies is essential to the efficiency and effectiveness of clinical and support services. Patient care depends on the assured availability of quality equipment, materials and services, and accountability for the expenditure of taxpayer's money requires that sound economic decisions be taken in relation to supply.
4. The strategy covers the selection, acquisition, supply, storage, and use of goods and services to the Trust with a due regard to obtaining "value for money" having a regard to propriety and a regularity of competing the Trusts requirements while meeting our legal obligations under the EU procurement regulations and all other international agreements as implemented into UK Law.
5. The Head of Supplies and Procurement is responsible for the implementation of this strategy and the overall procurement performance.
6. Operations and Performance Executive Led Group are required to endorse the strategy which will be formally reported against annually and formally reviewed in 2019 pending the implementation of the Future Operating Model (FOM).

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226835/procurement_development_programme_for_NHS.pdf

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499229/Operational_productivity_A.pdf

³ With the exception of Pharmaceuticals

Background

7. Procurement is an area where an organisation can reduce costs and release funds for other purposes. Unlike many savings initiatives that a Trust is faced with, it is relatively painless, with little or no human resource implications and involves no reduction in quality or services
8. In line with the Trust's SFIs the responsibility for all commercial agreements⁴ over £10k fall under the remit of Procurement and Supplies function.
9. The mission of Procurement and Supplies is to provide a professional and comprehensive service to all customers within the Trust, using best procurement practices and to be a leading edge procurement function respected by both external organisations and internal customers.
10. This is achieved by providing customers with advice and guidance on the purchase of goods and services and establishing, reviewing, and, renewing contracts on the Trusts behalf.
11. Procurement and Supplies will provide and demonstrate value for money in purchasing in accordance with procedures that meet all required legislation, at the same time enabling the Trust to meet its aims and objectives.
12. Procurement and Supplies facilitate the planning and management of all activities involved in the supply chain to include but not be limited to; sourcing, procurement, materials and logistics management, contract and demand management ensuring the Trust has an efficient and integrated supply chain.

Introduction

13. This Procurement strategy covers the selection, acquisition, supply, storage, and use of goods and services to the Trust with a due regard for national policy, competing the Trusts requirements while meeting our legal obligations under the European Union procurement regulations and all other international agreements as implemented into UK Law.
14. The objectives of this strategy should lead to the delivery of support goods/services:
 - Effectively, in accordance with the Trust's needs;
 - By competent staff;
 - Where and, when required;
 - At an economical price and acceptable risk;
 - With minimum disruption to other work, in particular clinical;
 - To the quality and standards needed by the clinical, teaching and research functions, and by those delivering other strategic / support services.
15. The key principles for getting the strategy right, and successfully implementing it, are:
 - Understand and address the needs (not desires) of the end users;
 - Cost the activities (whole life);
 - Use appropriate procurement routes;
 - Determine how it will look in practice;
 - Manage the strategy firmly, but with care and consideration for the staff affected by it;
 - Appoint appropriately qualified staff to projects;
 - Managing physical stock efficiently;

⁴ With the exception of Pharmaceuticals

- Ensuring value is delivered throughout the life of contracts; and
- Ensuring appropriate governance and process in place.

16. The purpose of the strategy is:

- To obtain best value for every pound spent on healthcare goods and services;
- To provide procurement savings which contribute to the Trusts' overall Cost Improvement Programme;
- To ensure the commercial risk to the Trust is minimised;
- To ensure key controls are in place for all commercial transactions in the Trust;
- To meet our legal obligations under EU and UK legislation;
- To ensure the Trust utilises its procurement power to maximum effect;
- To ensure each procurement / project is allocated an appropriately qualified procurement resource;
- To take into account all best practice in procurement and use tools and techniques available to obtain best value for money on all purchased goods and services;
- To ensure Procurement and Supplies is appropriately resourced to meet future challenges and deliver best value to the Trust;
- Maximise transactional efficiency, minimising processing costs; and
- Ensuring a solid basis for engagement and compliance.

Achieving Value for Money

17. The Procurement and Supplies department will achieve value through implementation of best practice, these include, but are not limited to;

- Benchmarking prices;
- Standardising products;
- Rationalising the supplier base;
- Partner with other NHS Trusts or Procurement Organisations and contribute to national initiatives;
- Enhance partnership working with key suppliers; and
- Utilise technology to reduce administrative costs of purchasing.

18. To achieve Value for Money and in line with Lord Carter's recommendations⁵, the Trust will continue to seek opportunities to increase the total expenditure covered by formal contracts following competitive exercise that challenge our expenditure, taking into account whole life costing, and, the wider impact of "change".

19. In line with the national strategy the Trust will continue to have transparency and visibility in the prices it pays for goods and services and will seek to benchmark these with;

- NHS Supply Chain;
- NEP Health Logistics; and
- Other Government and quasi-government Departments (for stationary etc.) as required
 - Crown Commercial Services

20. All purchases will be made on the basis of "whole life costing" to avoid higher long term costs by using whole life costing methods to analyse bids from suppliers.

⁵https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499229/Operational_productivity_A.pdf

21. All purchases made on behalf of the Trust will be made on the basis of Value for Money, taking into consideration, quality, cost, and, technical merit over the whole life of the project.

Work Plans

22. Procurement and Supplies will ensure there are work plans in place for each Financial Year, and are presented to each Divisional Management Group and reported monthly via Transformation Steering Group (TSG) and Exception reports via Operations Performance Exec Led-Group (OPELG)
23. Work plan's will be dynamic and will include any opportunity from;
 - Local projects (contract renewals)
 - Regional collaboration (LDS/STP)
 - Group Purchasing Organisation Projects via HealthTrust Europe (Procurement Partner)
 - NHSSC projects and;
 - DoH and NHS wide national projects
24. The work plan will be constructed to ensure professional available resource is allocated to each project in ensuring benefits are derived promptly.
25. The introduction of the Clinical Product Evaluation Group will ensure appropriate resource assesses the potential for any clinical change to general day to day goods and increase the value of expenditure under formal agreements ensuring value for money and compliance is embedded in the Trust.
26. The Trust has a clear vision to seek like-minded partners in their commercial transactions and will collaborate wherever cross-department; cross/organisation collaboration brings benefit to the Trust
27. The Trust will actively and continuously evaluate the effectiveness of all its supply chains, and will evaluate the total cost of ownership or total cost of acquisition regularly. Historically the Trust has contributed to collaborative projects and will continue to actively work with partners on all areas of procurement, ensuring the Trust needs are met and to influence any project and resulting agreements
28. For the Trust to take advantage of the potential benefits the Procurement Department needs to realign and enhance the existing structure. The projects' being delivered through the various channels means a higher level of analysis, evaluation and more importantly engagement with clinical and medical staff.
29. Work has already commenced on the establishment of the Clinical Product Evaluation Group and upon building robust relationships across the Trust. This will ensure appropriate clinical and medical staff engagement in procurement activity and we achieve Trust-wide engagement and awareness of wider initiatives in procurement

Supplier & Contract Management

30. The number of suppliers used will be the right size with a high proportion having been evaluated for quality, delivery, service, responsiveness, and contribution to innovation and value for money
31. Procurement and Supplies will work with these suppliers as partners not adversaries with the emphasis clearly placed on ensuring Trust requirements and that the supplier's capabilities are clearly understood
32. To ensure all suppliers are appropriate and fit for purpose they will be evaluated on:

Category	Definition
Capacity	Sufficient and Flexible,
Commitment	To Quality (quality systems),
Controls	Control of process
Cash	Sufficient funds for the business,
Cost	Cost/price relationship and total cost of ownership,
Consistency	Consistent production of goods and services,
Competence	All staff all the time (requires evidence),
Culture	Compatible with similar values
Clean	Environmentally assured

33. It is recognised greater value is derived from contract management than any of the processes in selecting and appointing external resource
34. Procurement and Supplies under its continued improvement in training will ensure appropriate staff are fully conversant with appropriate skills / qualifications to ensure all procurement processes are facilitated in a timely and supportive manner from commencement to completion.
35. Good contract management starts with selecting the appropriate internal operational contract manager whose task is twofold:
 - To ensure end user and organisational satisfaction within budgetary constraints; and,
 - To seek opportunities for improving the service and overall value for money.
36. If the right supplier has been selected the first of these should be a routine but always important exercise and the second a fulfilling experience in business cooperation.
37. Procurement and Supplies will ensure with the internal client (contract lead) that contracts above £50k in value or identified as high risk will include a framework for management covering four activities:
 - Checking work performance against contractual requirements;
 - Communicating with end users on problems and suggestions;
 - Communicating with the supplier to resolve problems and discuss suggestions; and
 - Working with the supplier to introduce improvements in service and value.

A contract database system will be launched and rolled out across the Trust during 2017/18 to provide end users with access to signed contracts and change notices and will be a tool to allow managers to save all meeting notes, queries and KPI management information.

e-Procurement

38. The Trust is required to implement the recommendations of the NHS e-Procurement Strategy (2014)⁶ which is also endorsed by Lord Carter: Operational Productivity and Performance report 2016. Key actions include;
- Develop and commence implementation of a board approved GS1/PEPPOL adoption plan
 - Adopt the Sid4Gov supplier information database
 - Report procurement information monthly to NHSI
 - Enhance Purchase to Pay (PTP) systems adopting GS1 and PEPPOL standards
 - 80% addressable spend on catalogue by September 2017
 - 90% addressable spend on purchase order by September 2017
 - 90% of addressable spend under contract by September 2017

Metrics will be recorded and issued to NHS Improvement monthly for upload into 'Model Hospital'.

39. E-Commerce systems are an effective and efficient way of communicating. E-Commerce systems, including E-Sourcing and E-Procurement, are widely used by organisations to buy and sell products and can utilise technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems and automated data collection systems
40. The Trust will continue to pursue a strategy that reduces the transactional cost to users of the system in reducing both staff input and speeding up transmission times.
41. The Trust will continue to explore where value for money is derived from utilising modern P2P solutions / techniques to ensure the Trust receives maximum value for money.

Stock Control, Materials Management and Internal Supply Chain

42. It is important the Trust manages and controls the variety and quantity of goods/items it has on its premises, and to ensure it has accountability of the resources within its estate.
43. The Trust utilises the NHS Supply Chains eDC materials management (wards) to control stock levels and provide accountability across the Trust within general wards and departments. The solution can also aid the Material Management Team alongside Clinical colleagues to:
- Monitor and reduce stock levels;
 - Monitor and reduce waste;
 - Staff use their time more effectively; and
 - Have real time value of stock in the Trust
44. The Trust also requires 'one' agreed inventory management solution with GS1 functionality in line with the NHS e-Procurement Strategy⁷, to manage high value products / devices in

⁶https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344574/NHS_eProcurement_Strategy.pdf

areas such as, Theatres. Any solution implemented should be correctly scoped to ensure maximum effect for the Trust.

45. The Materials Management Team within Procurement and Supplies will continually review the products and volumes purchased by way of material management to ensure;
 - We are receiving value for money by utilising the optimum supply route;
 - Stocks are maintained at an optimum level (not too much, not too little); and
 - Numbers of products are limited in variety ensuring consistence across the Trust.
46. The Trust will continue to utilise the Clinical Product Evaluation Group (CPEG) in ensuring the right products are chosen by the Trust. CPEG will act as the catalyst for discussions on new products entering the Trust, opportunities to increase VfM and quality through an agreed standardisation and rationalisation programme. The Group is chaired by Deputy Director of Nursing and has delegated authority from the Trust's Executive to make appropriate decisions in this area on its behalf.

Risk Management

47. Procurement and Supplies will define clear processes that set standards for major types of procurement so risks are managed and this strategy is delivered systematically and consistently across the Trust.
48. The overall approach to risk management will identify and manage risks to individual procurement decisions.
49. It is recognised there is a direct correlation in the relationship between risk and expenditure and appropriate strategies will be put in place to manage the risk.

Recommendation

50. It is recommended that Operations and Performance Executive Led Group approves and adopts the Procurement Strategy.
51. Procurement and Supplies will monitor its performance through a defined range of Key Performance Indicators to be identified and approved in the Procurement Transformation Plan (PTP) and agreed with Divisional Chief Operating Officers as required at monthly meetings.

Attachments

52. Procurement Transformation Plan (PTP)

⁷https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344574/NHS_eProcurement_Strategy.pdf