

Board of Directors Meeting

Report

Subject: Procurement Strategy Update

Date: 31st July 2014

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Executive Summary

To update the Board of Directors on the activities of the recently implemented Strategic Procurement Unit.

Recommendation

That the Board of Directors receives the update and note the contents of the paper

Relevant Strategic Objectives (please mark in bold)

Achieve the best patient experience	Achieve financial sustainability
Improve patient safety and provide high quality care	Build successful relationships with external organisations and regulators
Attract, develop and motivate effective teams	

Links to the BAF and Corporate Risk Register	
Details of additional risks associated with this paper (<i>may include CQC Essential Standards, NHSLA, NHS Constitution</i>)	
Links to NHS Constitution	
Financial Implications/Impact	
Legal Implications/Impact	
Partnership working & Public Engagement Implications/Impact	
Committees/groups where this item has been presented before	Finance Committee, 17 th July 2014
Monitoring and Review	
Is a QIA required/been completed? If yes provide brief details	

1.0 PURPOSE

- 1.1 To update the Board of Directors on the activities of the recently implemented Strategic Procurement Unit.

2.0 STRUCTURE AND CATEGORIES

- 2.1 All appointments to the new posts in the Strategic Procurement Unit have now been made. These consist of an 8c (Strategic Head of Procurement) two Band 7s (Senior Category Managers) and a Band 5 (Category Manager). These posts complement the existing Band 8a who will take on some category management duties as well as managing the Purchase to Pay section (including Materials Management).
- 2.2 The new appointees bring a wealth of public sector procurement experience from, amongst others, acute trusts, commissioners, NHS Supply Chain, blue light, central government and local authority.
- 2.3 The new appointees have been structured into a category management system. The categories broadly cover:
- Specialist Clinical
 - Clinical
 - Non-Clinical
 - ICT
- 2.4 The category managers will be very visible to the other Trust services and will provide a single point of contact for stakeholders. Category Managers should be the first port of call when considering any procurement activity. The category managers will get involved at a very early stage in procurement discussions by scheduling regular catch up meetings with Trust stakeholders.

3.0 OUR MISSION

- 3.1 We will develop a high performing integrated team that manages markets to actively support the Trust's Quality and Financial objectives.
- 3.2 We will provide timely, innovative and best value solutions to our customers.
- 3.3 We will have a direct or indirect influence over every purchase made by the Trust.

4.0 GOVERNANCE

- 4.1 The Strategic Head of Procurement is currently engaged in a project with Finance to update the Standing Financial Instructions and Scheme of Delegation. A crucial part of this work is to implement a set of robust, workable Contracts Procedure Rules that cover all of the latest developments in the world of procurement regulations.
- 4.2 The work on Contracts Procedure Rules will be bolstered by a review and update of the Trust Procurement Strategy. This will incorporate best practice in relation to sustainability, use of local suppliers, engagement with SMEs, e-procurement etc.

4.3 Once the new Contract Procedure Rules and Procurement Strategy have been adopted, we will roll out a series of education events to buyers throughout the Trust. Depending on need, these could range from lunchtime drop in sessions to detailed lectures and e-learning.

5.0 COLLABORATIONS

5.1 Sherwood Forest Hospitals cannot act alone with regard to procurement. Collaborations, benchmarking and the sharing of best practice with other organisations are all essential to ensure that best value is delivered now and in the future.

5.2 The Head of Procurement already attends the East Midlands Heads of Procurement group. This forum allows all Trusts in the East Midlands to compare notes on past procurements, but also to propose collaborations or benchmarks for future projects.

5.3 The Strategic Head of Procurement has met with his equivalents at Chesterfield Royal and Nottinghamshire Healthcare to discuss collaboration on specific future projects. A meeting with the Head of Procurement at Nottingham University Hospitals is planned.

6.0 NATIONAL INITIATIVES

6.1 The Department of Health is currently delivering a number of innovative, centrally controlled procurement projects. These are cascaded down to us via a web portal and we are working closely with DH colleagues to assist with the implementation of these initiatives.

6.2 The key highlights from the list of projects are:

- **Core 1000** (trying to achieve a single NHS-wide “best” price for commonly used products)
- **Top 30 Suppliers** (active contract management of the Top 30 Suppliers to the NHS. Dedicated contract managers allocated to each supplier by DH)
- **Transparency** (all opportunities over £25,000 should be advertised on the Contracts Finder web portal. Such spend should also be published on the Trust website)
- **E-Procurement** (Trusts should implement electronic procurement systems to integrate finance systems and catalogue data)
- **E-Tender** (tenders should be run electronically to streamline the process for potential suppliers)

6.3 We are currently developing an education package for potential suppliers to the Trust. This will be delivered at “Meet the Buyer” events to be held jointly with the likes of Chamber of Commerce, Mansfield 2020 and local District Councils.

7.0 NHS STANDARDS OF PROCUREMENT

- 7.1 The Department of Health has produced a paper (“NHS Standards of Procurement”) showing what “world class” procurement should look like within an NHS organisation. This is supported by a check list of around sixty criteria.
- 7.2 We have carried out an initial self-assessment against the criteria and have discovered a number of gaps. Work is currently underway to plug these gaps.
- 7.3 A further self-assessment will take place once we are confident that all gaps are filled. We will then present our case for peer review by another Trust. This process is being handled collaboratively by the East Midlands Heads of Procurement Group and the peer review will take place in October 2014.

8.0 FRAMEWORKS

- 8.1 The Trust currently subscribes to framework providers Health Trust Europe (“HTE”) and North of England Central Purchasing Consortium (“NoE CPC”). These accounts are actively contract managed. Benchmarking work is taking place to determine the most appropriate use of these frameworks.
- 8.2 The Trust also makes use of agreements from NHS Supply Chain and Crown Commercial Services (formerly Government Procurement Service). These can be used as a swift, compliant route to market.
- 8.3 Framework agreements should not be used slavishly. Rather they should be tested to see whether they provide best value. Frameworks suffer as prices are not based on definite volumes from customers. Framework prices incorporate an element of risk to the supplier and sometimes we may be able to achieve better value by tendering ourselves.

9.0 WORK PLAN

- 9.1 We are currently engaged in some detailed Spend Analysis around spend with suppliers over the past twelve months. This work is highlighting themes and will feed in to the work plans of the category managers.
- 9.2 The outcome of the Spend Analysis won’t solely be to put in place better deals. There also need to be better decision making about requirements, better governance and the implementation of “gatekeepers” to control spend.
- 9.3 This work is currently at an early stage and will be reported more fully as the themes develop.

10.0 DELIVERABLES

- 10.1 The Procurement Department have been set a CIP target of £500,000 for the year 2014/15.

10.2 In Quarter 1 of 2014, the Procurement Department achieved actual savings of £105,000, through either cost reduction or improved rebate. The Full Year Effect of these savings is £347,000.

10.3 The procurement work plan for 2014/15 indicates that savings of £550,000 will be achieved. The procurement department are investigating further projects to add to these projected savings.

11.0 OVERSIGHT

11.1 The Strategic Head of Procurement will report to the Finance Committee on a Quarterly basis with an update on Work Plan activity and progress against savings targets.

12.0 RECOMMENDATION

12.1 That the Board of Directors receives the update and note the contents of the paper.

Bob Truswell
Strategic Head of Procurement