

Trust Board Report

Meeting Date:	24 th October 2011
Title:	Procurement Strategy
Executive Summary:	Revised 3 year Procurement Strategy – 2011 to 2014
Action Requested:	Approve
Report of:	Kevin Stringer, Chief Finance Officer
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Resource Implications:	
Public or Private: (with reasons if private)	Public
References: (eg from/to other committees)	n/a
Appendices/ References/ Background Reading	n/a
NHS Constitution: (How it impacts on any decision-making)	<p>In determining this matter, the Board should have regard to the Core principles contained in the Constitution of:</p> <ul style="list-style-type: none"> ✚ Equality of treatment and access to services ✚ High standards of excellence and professionalism ✚ Service user preferences ✚ Cross community working ✚ Best Value ✚ Accountability through local influence and scrutiny

Background Details

1	The strategic priorities are consistent with the key recommendations for Trusts, highlighted in the National Audit office report on consumable purchasing, published Feb 2011.
2	The strategy is also aligned with the best practice procurement diagnostic tool produced for the Foundation Trust Network, Gateway reference 15564.
3	On agreement of the Strategy a detailed plan with workstreams and Key Performance Indicators will be developed.

ROYAL WOLVERHAMPTON HOSPITALS NHS TRUST

PROCUREMENT STRATEGY – 2011 – 2014

Author: Neil Simmonds, Acting Head of Procurement

Approved by: Trust Board - October 2011

Version: v1

Owner: Head of Procurement

1. INTRODUCTION & OVERVIEW

The proper management of Procurement 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. Accountability for the expenditure of taxpayer's money requires that sound economic decisions are taken in relation to procurement.

In line with national policy the Trust Board originally approved a Supply Strategy in 2002. In March 2006 the Trust Board approved a significantly revised Supply Strategy and again in 2008 an updated 3 year strategy was endorsed by the Board.

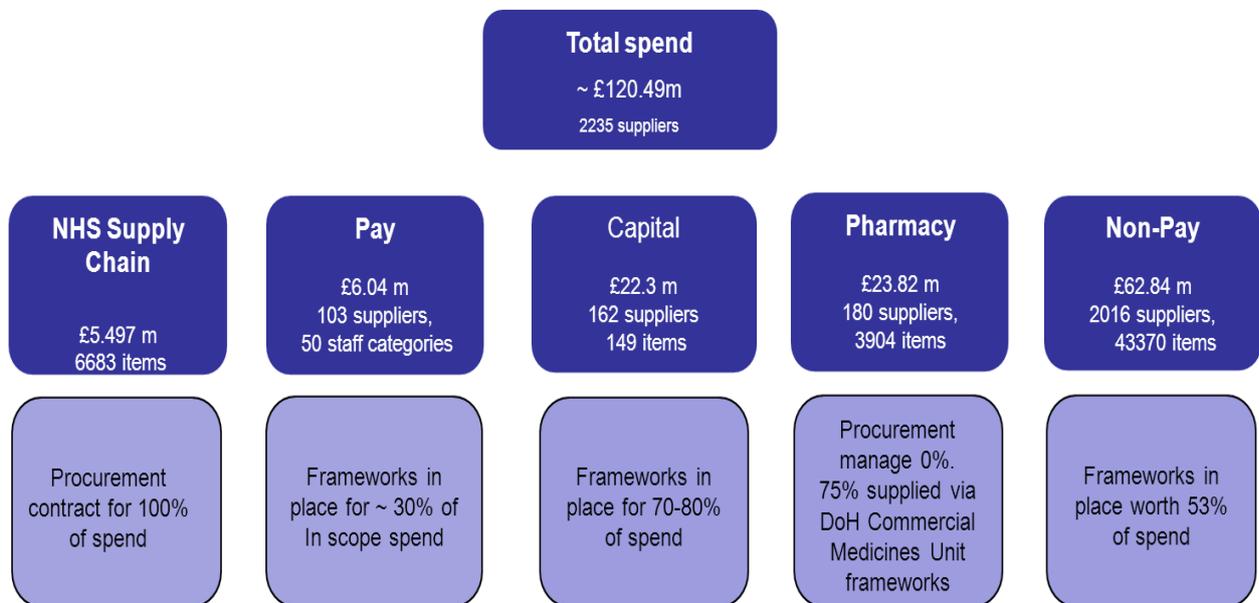
It is now necessary to revise the strategy, reflecting the integrated acute/community service provision; the move towards Foundation Trust status and the adoption of the new Trust Vision, together with current issues and developments which impact on supply activity.

This latest revision builds on the work contained in the previous strategy; it identifies areas for on-going improvement and review together with initiatives that represent transformation in the way we buy goods and services, from the systems we have in place and the processes that we follow.

2. STRATEGIC SCOPE

This strategy applies to non-pay expenditure for goods and services undertaken by the Procurement Department. Figure 1 below summarises 2010-11 third party spend which, when added to the community provider spend from 1st April 2011, increases the Procurement influenced spend to over £100m.

Third party spend 2010 (1st April 2010 – 10th March 2011, £m)



Collection of detailed financial data shows the total spend with suppliers is £120.5m. Procurement contracts are in place for ~47% of the total spend (£57m), although it is estimated they are involved to some degree for up to £92.38m (77%)

Figure 1

3. **PROCUREMENT ROLE & STRATEGY MODEL**

The role of the Procurement department may be defined as follows:

To lead and operate a comprehensive best practice supply management service, that adds value to the healthcare provision for patients by delivering value for money and procurement services that are efficient, cost effective and continually developing for the overall benefit of the Trust.

In defining a strategy that delivers best practice supply management, it is important to identify the procurement model and key elements on which the strategic priorities are based. These key elements are highlighted below:

Leadership, Governance & Control

- At Board level the Chief Finance Officer is responsible for the Procurement function, with the Head of Procurement having operational responsibility for the delivery of the service including sourcing, transactional/buying teams and the receipts and distribution function, which will also include the wider materials management provision.
- High level Corporate governance and Trust policies are in place defining operational compliance
- Controls for performance and risk are in place ensuring operating effectiveness is controlled, measured and managed.

Process and the supply chain

- Strategic sourcing to get the best products and services at the best value and the continuous attention to improving and re-evaluating purchasing and the supply chain.
- Purchase to pay transactional processes confirming the requirements with suppliers, receiving and paying for the goods or services
- Visible spend data through utilisation of financial, purchasing and inventory management data, informing demand and the sourcing programme.

Enablers

- Effectively utilising resources, both within the Trust and it's collaborative partners to effectively manage the non-pay spend
- Professionally qualified and skilled staff supporting the supply management processes
- Integrated systems that manage the operating infrastructure

The above elements are summarised in the best practice supply management delivery cycle, Figure 2 overleaf.

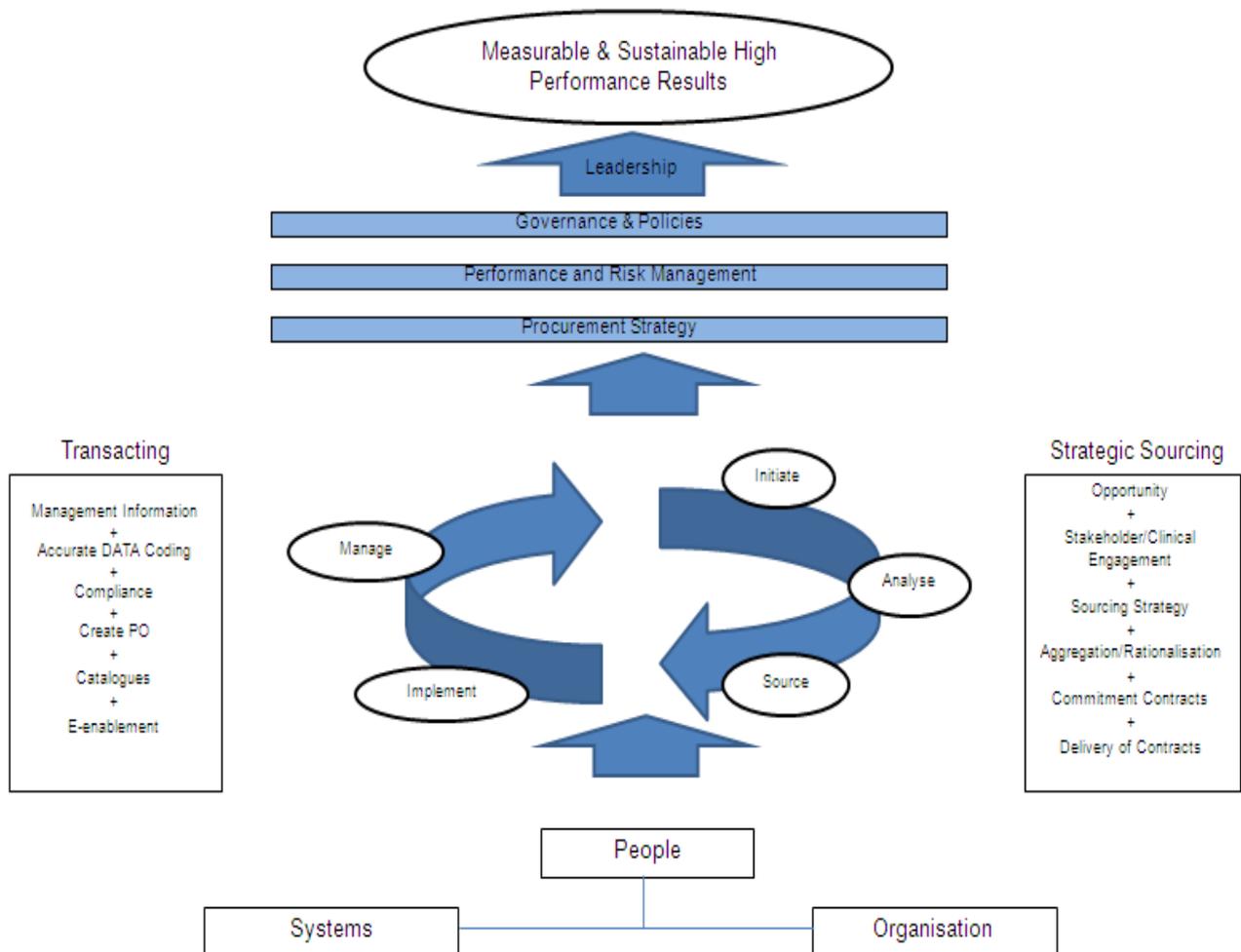


Figure 2

4. **STRATEGY OBJECTIVES**

Considering the above, as well as the Trusts specific corporate objectives, the following areas have been identified as the strategic priorities for the Trust during the next three years.

Corporate Governance

Purchasing activity will continue to be conducted in accordance with Trust Standing Orders, Standing Financial Instructions the scheme of delegation and with relevant EU Public Procurement Regulations and Information Governance requirements.

The existing Procurement department procedures and process guides for the acute and community service will be consolidated and developed further, incorporating additional criteria and performance requirements, such as sustainability and equality and diversity.

Risk Management

Procurement has an established business continuity plan to ensure arrangements are in place for the supply of products and services in the event of an emergency situation. In addition an update to the existing contracts portfolio/database has commenced, alongside the catalogue management roll-out programme, which will integrate with the business continuity plan and risk register, providing visibility at Trust and Divisional level for strategic and/or critical products and suppliers.

Performance

The current Performance indicators and strategic workplan will be refreshed to present more detailed and comprehensive spend data, demand, contract compliance together with measures for transactional efficiency and performance against carbon reduction targets. These reports will also be structured to produce relevant information at a Divisional level, to compliment the current monthly financial reporting process.

Procurement influence and expansion of contract coverage

A continued aim of this strategy is to maximise Procurement influence on the non-pay spend. The analysis presented in Figure 1 highlights further opportunities to increase contract coverage across the 3rd party spend. The on-going work to consolidate the current 'siloed' data in to meaningful comprehensive spend and demand information will enable for improved engagement with Divisions and the supplier markets, to effectively target and influence these gaps in spend.

Procurement savings and Strategic Sourcing

Procurement has an integral part to play in delivering the Trusts overall cost improvement plans and the current recurrent target of £2.5million per annum requires continued focus and application of sound strategic sourcing methodologies;

- Continued targeted approach to high spend areas and top spend suppliers, applying competitive and modern purchasing techniques.
- In conjunction with Divisional teams formulate savings plans identifying those areas which will contribute to the savings target.
- Consolidate supply to reduce the number of suppliers used by the Trust.
- Effective contract and vendor management incorporating regular reviews to measure operational performance, activity and service improvements
- Develop effective benchmarking with other similar organisations/networks
- Consider, where appropriate the introduction of longer term agreements with major suppliers, including commitment expectations to realise savings benefits
- Identify and promote lower cost products and sources of supply
- Understand the logistics and supply chain cost to serve models and determine optimal supply routes, volumes and stocking options for consumables items

Clinical Engagement

A fundamental priority in ensuring that Procurement supports the delivery of quality patient care as well as maximising value for money as part of the strategic sourcing programme is the effective engagement of clinical staff. Whilst in many clinical areas good relationships have been developed there are still opportunities to improve engagement with clinicians, recognising as well the integration of community provider services and the need to improve communications across these areas. The sustained focus will be to better align the category leads with departments and directorates to provide a more visible and targeted contracts workplan for these clinical areas.

Capital and Service Development

Procurement will continue to play a proactive role in supporting the equipment and development programmes, with the Pathology Integration project representing a major Procurement focus for the coming 12 months.

Information, Purchase to pay and e-commerce systems

Highlighted as a major element in the previous strategy, the recently approved business case investment for the implementation of new systems provides the much needed platform for the Trust to integrate information systems to provide spend visibility and analysis tools and accelerate transactional efficiencies. Introducing these developments represents a transformation in the way the Trust controls stocks and manages the ordering and payment processes.

The main objectives/benefits are:

- The inventory management system (IMS) and edc roll-out programme presented to the Trust Board in September 2011, will effectively deliver electronic ordering for in excess of 80,000 product lines, representing circa £18million worth of expenditure per annum, across 80+ requisitioning areas/departments.
- The purchase of the GHX catalogue management tool provides the data base to hold the Trusts contracts. Utilising the National NHS e-classification coding, departments will have electronic access to the complete portfolio of contracted products available for their area providing up to date pricing and ordering data and ensuring full contract compliance.
- Additional modules purchased within the Integra finance system enable the import/export of data to transact orders, receipt and pay electronically through the various supply routes, streamlining and automating existing paper driven processes.

Materials Management and receipts and Distribution

The supply chain review conducted at the end of 2010 highlighted the disjointed and inefficient management of resources, systems and services supporting the clinical and ward areas for materials management. The recommendation to merge the existing Directorate materials management teams together within the Procurement receipt and distribution facility was endorsed by the Trust Management Team, to deliver an extended and best practice materials management service to all the identified clinical areas. This organisational change runs in parallel with the IMS and edc programme, with the aim to have a fully harmonised structure/team and service in place from February 2012.

Collaborative Procurement

The Trust will continue to maximise the opportunities of collaborating with other organisations on procurement and supply activity in the following ways:

- Collaborative Procurement Hub, HealthTrust Europe (HTE) – the Head of Procurement will lead the Trust's relationship with HTE, identifying and agreeing the joint sourcing workplan and ensuring the savings performance targets are delivered
- NHS Supply Chain – the Trust will continue to access contracts and services offered where they deliver appropriate benefits and best value
- Government Procurement Service – on-line access to the public sectors national procurement portal providing a range of supply and service frameworks, with the facility to undertake on-line competitive exercises efficiently and within agreed best value criteria and terms.

Sustainability

The Trust's Sustainable Procurement strategy (developed with consideration of the NHS Procuring for Carbon Reduction Roadmap (P4CR)) will ensure that goods and services procured by the Trust are designed, manufactured, delivered used and managed at end-of-life in an environmentally and socially responsible manner and forms an integral part of the Trusts overarching Sustainable Development Plan, approved by the Trust Board in July 2011.

The Trust has calculated its baseline carbon footprint at just over 40,000 tonnes of carbon from Procurement activities. Adopting the nationally recognised flexible framework for sustainability and carbon reductions, the Procurement target over the next 3 years is to reduce the Trusts baseline footprint by 10%.

Professional competence and Development

The delivery of the Supply Strategy requires that all staff involved in supply activity are developed to the appropriate level of competence. Staff within the Procurement department have been and will continue to undertake appropriate training and qualifications, including obtaining membership of the Chartered Institute of Purchasing and Supply (CIPS).

All staff have agreed KSF outlines for their posts and these are used in their on-going appraisals supporting their personal development plans.

5. CONCLUSION

This updated Procurement Strategy re-states the importance of effective supply management to the overall performance of the Trust and moves the procurement function forward significantly by transforming some of the key systems and processes to provide a more integrated and efficient service.