



**NHS Forth Valley**  
**Procurement Strategy 2015 - 2018**

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## **1. INTRODUCTION & SCOPE**

The proper management of procurement is an important factor contributing towards the efficient operation of NHS Forth Valley and the attainment of corporate objectives. In order to support steps already underway to deliver better healthcare, it is vital to staff and patients that products and services are delivered at the highest quality and optimum value, within systems tested as fit for purpose at point of delivery, whilst managing risk and due diligence.

NHS Forth Valley currently expends over £125 million p.a. on non-pay expenditure, this includes PPP expenditure of c£58m and Utilities and Estates ( e.g. day work , maintenance and property) Expenditure of £6.5M. This leaves approximately £60.5m of annual revenue expenditure that is procured across the organisation including pharmacy expenditure of c£23m.

In relation to Estates (e.g. day work , property projects etc) , this is procured through the Strategic Properties and Projects Directorate with input and support from the procurement team on specific projects. Routine purchasing is handled through the estates departments and will follow the procurement principles to ensure consistency with the Board's Standing Financial Instructions (SFI).

This Procurement Strategy positions procurement activity visibly within the organisation establishing Board level commitment to and involvement in the management of the Board's procurement deliverables. It additionally sets out clear, measurable objectives and priorities for improvement which will be closely monitored. Progress against strategic objectives will be reported to the NHS Forth Valley Board through the Corporate Management Team.

The strategy addresses key procurement issues including compliance with CEL 05 (2012) i.e. Dealing with Key Procurement Principles, the Procurement Reform (Scotland) Act 2014 along with New Public Contracts Regulations 2015.

The strategy will be supported in line with management accountability structures and savings targets will in turn be reflected within the savings plans of Departments.

The strategy will additionally shape the Board's procurement procedures which set out the detailed operational controls governing procurement activity in a manner which meets the requirements of the Board's Standing Financial Instructions, Financial Operating Procedures and relevant procurement legislation.

Like many corporate support areas across the NHS in Scotland, the Procurement function is part of the National Shared Service Review Programme. The Programme will determine the future shape of Logistics and Procurement functions across Scotland to meet the improving health objectives as well as driving efficiency and best practice. As these plans develop our Strategy will be reviewed and updated.

The emerging picture of Health and Social Care Integration across Forth Valley will be kept under review and the Strategy will be updated accordingly.

The principles of this strategy encompass all relevant procurement activity undertaken by the Board.

## **2. ROLES AND RESPONSIBILITIES**

The Director of Finance is accountable to the Board for the achievement of the objectives associated with the procurement strategy. Specific responsibility for the delivery of the strategic objectives is vested in managers who are professionally accountable in relation to procurement activity. Through the Lead Director for Procurement and The Head of Procurement, they are expected to review spend that is able to be influenced and develop formal plans to ensure spend is appropriately managed through a single procurement gateway, in line with public procurement reform best practice, for the delivery of the strategic objectives.

Pharmacy work In line with pharmacy professional standards, medicines procurement is managed by pharmacy. Quality assured medicines are procured through robust and appropriate processes, with NHS National Procurement the main source of procurement support for pharmacy medicines procurement in NHS Forth Valley. As described in this Procurement Strategy the NHS Forth Valley Procurement Department will continue to work collaboratively with the Pharmacy and other departments to ensure that assistance, guidance, consistency of standards and best practice is captured, shared and maintained.

Progress with the Procurement Strategy will be reported through the Corporate Management Team (CMT) on a quarterly basis. An overview of the Governance and Reporting Lines is presented in **Appendix 1.**

## **3. STRATEGIC ALIGNMENT**

To ensure effective alignment through organisational strategies the following national and local strategies are referenced and have been taken into consideration in formulating this strategy.

### **3.1 NHS Forth Valley Strategy, Vision and Values**

#### **Strategic Aims**

- Contribute to closing the health inequalities gap within a generation
- Improve health life expectancy by supporting people to look after themselves
- Ensure that services meet agreed quality standards, especially patient experience
- Be cost effective in all decisions, actions and services

#### **Vision**

- Safe, effective and person-centred care which supports people to live as long as possible at home or in a homely setting, the 20/20 Vision.

#### **Values**

- Committed Team Member
- Ambitious
- Supportive
- Person Centred
- Respectful
- Integrity

Effective and efficient procurement makes a key contribution by optimising the resources available for local health priorities.

### **Improving experience of Care**

*Build a greater understanding of the service needs to support the improvement in patient care.*

Evidence to support this aim can be demonstrated in a number of ways:

- Customer Survey
- Technical User Groups

*Work through structures to test interventions to enhance organisational capacity to improve quality of patient care. And*

*Ensure we buy the “right thing” for the patient rather than buy in the “right way”.*

Evidence to support these aims is through the development of the role of a Clinical Procurement Specialist who has engaged a wide range of stakeholders to learn, train and consult on product use and requirements.

### **Ensuring the best use of money**

The Main Aims of the Strategy are to deliver: -

- Lower Prices.
- Cost avoidance/Preventable Spend.
- Reduced waste and variation.
- Process efficiencies.
- Lower operating costs.
- Improved affordability/VfM.
- Value of RTC (Releasing Time to Care) efficiency.

#### **Strategic Objective 1:**

##### **Consistent Review of Best Use of Nationally Agreed Contracts –**

All organisational National Contract up take will be reported, monitored and assessed.

### **3.2 Review of Public Sector Procurement in Scotland**

John F. McClelland’s “Review of Public Procurement in Scotland” in 2006, commonly referred to as the McClelland Report, outlined the path to “Best Value” in Public Sector Procurement and contained attributes and performance assessment metrics for organisations to aspire to and map their way to superior performance. NHS Scotland has used the McClelland Report as a basis for its Reform Programme and to develop its reform agenda aligned with Scottish Government and its Public Procurement Reform Programme.

There is an accepted principle all of an organisation's non-pay expenditure should be subject to professional procurement influence and that is a measurable aspiration. This has been further developed and expanded by the recent Procurement Reform (Scotland) Act 2014 which is due to come into Law in April 2016 the main additional focus that the Act are transparency of procurement (e.g. annual report) , supporting opportunities for Small , Medium sized Enterprises ( SMEs) and the requirement to publish more widely previous agreed contracts and plans of work for the following 2 years.

Within NHS Forth Valley there are c200 contracts which are managed and operated through the Procurement department including nationally agreed contracts.

A focus of NHS Scotland's drive to attain "Best Value" is the use of a Procurement & Commercial Improvement Programme (PCIP). This was formerly known as the Procurement Capability Assessment (PCA) and is conducted annually assessing performance in terms of the attributes outlined in the McClelland report.

These attributes accumulate to provide an overall Procurement Status for each organisation evaluated in 4 key categories of "Non Conformance", "Conformance", "Improved Performance" or "Superior Performance".

The 2012/13 cycle was the seventh annual assessment of procurement activity in Health within Scotland. NHS Forth Valley retained an overall Procurement Status of Superior Performance, demonstrating continuous improvement, evidenced by increasing total score from 75% to 83%. As a result of achieving a "Superior" assessment NHS Forth Valley were not subjected to a further review in 13/14. During 2014/15 the new PCIP arrangements were being formulated and therefore no assessments were carried out in Health during this period.

Recognition of NHS Forth Valley's positioning in such an assessment is merely the foundation to support the wider organisation meet its objectives in what will be a challenging financial future, but it is presented to reinforce confidence that the Procurement Team are in a strong position to do so.

Improvement action plans and associated work sessions on specific areas will continue to ensure continuous improvement and innovation as we move onto the new pan Public Sector PCIP.

**Strategic Objective 2:**

**Continuous improvement and innovation** - We will baseline NHS Forth Valley's performance rating within the PCIP process during the initial assessment of the new National Accreditation system.

In order to ensure top level support for Procurement activity and improvement in the organisation regular reports and reviews will be presented.

**Strategic Objective 3:**

**NHS Forth Valley Board informed of progress and positioning** - The Lead Director for Procurement will submit a Quarterly Report to the Corporate Management Team (CMT) and an Annual Report to the Procurement Steering Group prior to the approval and sign off at the Corporate Management Team.

**3.3 CEL 05(2012) Key Procurement Principles**

The Accelerated Procurement Initiative was established by the NHS Chief Executive Officers' Group in August 2010. The group recognised the essential nature of the engagement between procurement professionals and the wider Health Board teams to maximise the delivery of benefits for NHS Scotland and to ensure that appropriate professional input from across the service is provided to assist Best Value outcomes for procurement activity.

This work was developed further and is now controlled within the NHS Scotland Procurement Steering Group. The CEL 05 (2012) sets out the key principles of this engagement to be adopted by all Health Boards and Special Boards in Scotland with regards to Procurement activity.

In particular:-

- National, Regional and Local Contracts will be used as part of the strategy
- Where a contract exists then it must be used within the health board or exceptions noted and justified.
- Procurement, Clinical and Technical leads will work with National Procurement, Regional Procurement and Local Procurement to support these contracts and ensure best value decisions are made for the board on their use.
- Commodity Advisory Panels (CAPs) and Technical Users Groups (TUGs) will continue to function and progress reported through Procurement Steering Group.
- Wide coverage on all the various National, Regional and Local contracts will be maintained through the engagement of the TUGs and CAPs.

**3.4 Supplier Development and Contract Management**

A key element of the Procurement Reform Bill is that of supplier engagement and involvement and monitoring of key contracts. Through this strategy NHS Forth Valley have set out the following key aims:-

- **Health and Safety** -Contractors and sub-contractors will be required to comply with the Health and Safety at work Act 1974 (c37) and any provision made under the Act.
- **Contract Management** - Major Suppliers' performance will be reviewed quarterly with all aspects of performance assessed and improvements agreed.
- **Payment of Invoices** – NHS Forth Valley Payment terms will support the aims of Section 15 of the Procurement Reform (Scotland) Act 2014 with an aim to settle all invoices within 30 days. This is monitored through the

financial KPIs and reported as part of the Health Boards Annual Report and Accounts and Procurement Annual Report.

### **3.5 National NHSS Procurement and Logistics Strategy**

The National Procurement (NP) organisation is tasked with procuring and delivering a wide range of products and services to support Health Board in providing the highest levels of patient care and with promoting procurement reform within the sector, all underpinned with effective e-enabled technology solutions to allow Health Boards visibility and control of expenditure.

Forth Valley will collaborate with NP and take an active and lead role in the Health Procurement Delivery Group

In line with the national logistics strategy, NHS Forth Valley has adopted the National Distribution Centre (NDC) service. The model has been implemented which provides incentives to increase NDC activity in order to optimise NDC operating cost values and subsequent charge to Health Boards.

#### **Strategic Objective 4:**

**NDC value optimised** - Joint working of National Procurement (NP) and NHS Forth Valley officers will be evident. Progress is measured through quarterly analysis of the NP Management information.

NHS Forth Valley will continue to support and react to changes in organisational structure and systems in customer functions. An enhanced Customer Services Strategy will be developed which will utilise current call-handling technology, surveys as well as regular Directorate and Stakeholder meetings and engagement.

#### **Strategic Objective 5:**

**Optimal customer service** - Evidence of strong stakeholder and peer support will be apparent and an enhance Customer Service engagement plan will be in place.

## **4. STRATEGIC COMMODITY MANAGEMENT**

Strategic Commodity Management is the concept and principles of a cross functional team approach to managing contracts. By leveraging skills and expertise as well as economies of scale, greater saving opportunities and value benefits can be achieved.

At a strategic level, comprehensive sourcing group strategies convert NHS Forth Valley's objectives into tangible plans that outline the current and future business changes required. Developing and documenting individual category or sourcing group plans enables all sourcing strategies to be considered together, allowing NHS Forth Valley to prioritise those that yield the greatest benefit across the organisation where a number of clinical areas may be impacted.

The approach followed identifies and quantifies opportunities and then develops a strategy to realise the benefits. Benefits are recorded in monetary terms and time-phased. In parallel, the team will consider the costs and investment associated with realising the benefits. This is evidenced through the local “Savings Benefits Tracker” and the “National Single Tracker” which is reported regularly through the Procurement Steering Group.

At an operational level, a documented sourcing group strategy underpins successful implementation. It converts robust analysis into actionable plans. The category group lead will include the high-level plan in the strategy, which identifies the main activities, timescales and cross-functional team member responsibilities, for both part and full-time members. In this instance, a documented sourcing group strategy acts as a consistent frame of reference on the approach being taken.

Technical user engagement is a key success factor and sourcing will be supported by user groups at appropriate local, regional and national levels. Whilst procurement must respond to user demand, the sourcing group teams also need to review how the supply market will change over the same period. The strategy defines what actions they need to take, in terms of relationship strategies and supplier development to ensure they are working with those suppliers that will support achievement of long term business plans.

The team will gain a clear understanding of how product/service specifications meet customer and both clinical and business needs. The potential rationalisation and standardisation of specifications may generate savings locally, regionally and nationally.

The foundation for this is an understanding of the cost drivers for both the supplier and NHS Forth Valley. One feature of the sourcing group strategy will be the improvement and integration of processes between NHS Forth Valley and its suppliers. This will be realised through the implementation of supplier capability and improvement initiatives.

Clear, consistent, categorised spend profiles that identify non compliant spend, including existing wholesaler pricing agreements will be developed.

**Strategic Objective 6:**

**Consistent and professional management of expenditure** – By implementing the Procurement Journey Toolkit, The Strategy will ensure that , across the three best value supply chain dimensions (*Purchase Demand Management; Supply Base Management and Total Cost Management,*) there will be a consistent approach in supporting Directorates to manage expenditure.

**5. EXPENDITURE MANAGEMENT AND MANAGEMENT INFORMATION**

Using enhanced information systems to inform users on expenditure and volume data will allow attention to be drawn to variation, waste and cost on a systematic basis.

The NHS Forth Valley Procurement team will provide managers with relevant and timely information to service performance. A key tool in delivering this key information will be the deployment of the National Procurement Activity and Cost Module.

An important part of cost and contract control is the implementation of Catalogue Management processes to support efficiency and best value.

**Strategic Objective 7:**

**Support customers and budget holders** – with the deployment of the National Information Module, the Procurement Team will provide Managers with information on :-

- Comparative product consumption and price trends
- Contract Compliance
- Opportunities for further efficiency through improved contract compliance.

**Strategic Objective 8:**

**Catalogue Management** – In conjunction with the Clinical Procurement Lead and key service leads, the Procurement Team will put in place a plan to rationalise key product catalogues.

## **6. COMMITMENT TO SERVICE IMPROVEMENT**

The annual Procurement & Commercial Improvement Programme (PCIP) identifies and depicts performance in terms of the attributes outlined in the McClelland report.

Although in 2012 NHS Forth Valley retained an overall Procurement Status of Superior Performance and demonstrated year on year improvement through the forerunner to the PCIP being the Procurement Capability Assessment, future performance will be based upon the new PCIP which will take place in 2015/16.

The systematic use of improvement action plans and associated work sessions on specific areas will continue to ensure continuous improvement and innovation. NHS Forth Valley will be transparent by lodging all evidence on the Knowledge Hub website and assist other Boards in achieving improvement.

In addition a set of local Key Performance Indicators will be developed to augment those used to assess the level of service provided to NHS Forth Valley from the National Distribution Centre (NDC)

## **7. INTEGRATION, COLLABORATION AND SHARED SERVICES**

Health and Social Care Integration is in progress with the 2 local Partnerships (Stirling/ Clackmannanshire and Falkirk), moving forward there will be more opportunities for joint procurement of services and the strategy will be developed to support these developments

The East of Scotland Procurement Consortium (ESPC) has been created to support regional working and collaboration in pursuit of procurement savings and sharing of

best practice this will continue at least until the national review of Shared Services is concluded.

Focusing on the medium to longer term, the National Shared Services Review will be looking at options and models for logistics and procurement delivery for the whole of the health sector. The impact of this review will be reflected in an updated local strategy. In the meantime engaging in a voluntary collaborative approach will continue to harness opportunities either in physical cash savings or in shared approaches to local procurement.

## **8. QUALITY, RISK AND SYSTEMS OF ASSURANCE**

The Procurement Steering Group, which is multi-disciplinary governs assurance and records NHS Forth Valley's position within the national Procurement & Commercial Improvement Programme (PCIP), The PCIP Programme has been adopted as the Quality Management System which is scrutinised independently and audited by Audit Scotland.

Risk registers are maintained in line with the Procurement Journey and the organisational risk assessment system is supported.

On an annual cycle Internal Audit review procurement positioning, performance and controls and advises the Audit Committee appropriately.

## **9. HAI AND INFECTION CONTROL**

Procurement staff have a clear commitment in working with Clinical Directorates and Community Health Partnerships in supporting the Organisation's drive for on-going improvement on HAI and Infection Control. This commitment will include management responsibilities, personal objectives, action plans and regular review.

Procurement will work with the Infection Control Department on the selection of suppliers and products to meet the needs of preventing HAI within the health board.

This objective will be supported by National Procurement with any tactical and local minor capital purchases (e.g. dispensers') supported by the local Procurement team.

### **Strategic Objective 9:**

**Clinical stakeholders fully supported** - In the achievement of the corporate HAI objective the Procurement Team will prioritise procurement support in this area.

## **10. MANAGEMENT OF CAPITAL EQUIPMENT EXPENDITURE**

The Head of Procurement is a member of the Medical Devices group and will support the Director of Strategic Property Projects with the procurement of capital equipment advising on the best route to market and appropriate procurement legislation.

## 11. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Corporate Social Responsibility (CSR) defines a range of initiatives aimed at improving our ability to make positive impacts on society whilst reducing impact on the environment by improving and changing Procurement policy and practice.

Corporate and Social Responsibility (CSR) is summarised by the Chartered Institute of Purchasing and Supply as:

“the commitment to systematic consideration of the environmental, social and cultural aspects of an organisation’s operations. This includes the key issues of sustainability, human rights, labour and community relations, as well as supplier and customer relations beyond legal obligations; the objective being to create long-term business value and contribute to improving the social conditions of people affected by an organisation’s operations.”

CSR activities include:

- Impact of Society and Community Involvement
- Equality, Diversity and Human Rights
- Green Policies and Sustainability
- Improve the health, wellbeing and education of our community by working with our Partners, Forth Health, in the provision of food supplied in our hospitals
- Supporting our colleagues in Health Promotions encouraging local businesses to sign up for a Health Check.
- Support Workplaces registered with NHS Healthy Working lives to reinforce and strengthen community health, safety and wellbeing and develop their own capacity for corporate social responsibility.
- Work to address health an employability partnerships in each of the community planning partnership.
- Support Local Employability Partnerships through providing Modern Apprenticeship opportunities.
- All new private contractors agree that they are willing to engage with NHD Healthy Working Lives.
- Ethics and Ethical Trading

NHS Forth Valley’s Environmental Action Plan commits the organisation to account for sustainable procurement practices and processes and is measured by the Scottish Government’s Flexible Framework for Sustainable Procurement.

### **Strategic Objective 10:**

**Ethical trading credentials will be improved** – Via the National Invitation to Tender (ITT) process, we will develop and implement Ethical Procurement Policy.

## **12. WORKFORCE TRAINING AND DEVELOPMENT**

All Procurement staff will have PDP/eKSF reviews on a planned basis. A Training Competency Matrix will be maintained in parallel with that of the main Procurement Team to ensure training is focused on core competencies for the appointed role. Succession plans and mentoring are included in personal objectives.

There is a commitment to improving the level of professionally qualified staff in-line with the recommendations of the McClelland Report. Staff undertaking the CIPS professional qualification will be given full support.

### **Strategic Objective 11:**

**Well trained and skilled staff** – The procurement team ensure activity is compliant with the most current regulation and governance; formal and informal training and development will be encouraged and supported via the Health Board's EKSF and PDP review process.

## **13. KEY PERFORMANCE INDICATORS AND BALANCED SCORECARD**

To ensure the department's performance is visible to Procurement Management and Stakeholders, a comprehensive set of Key Performance Indicators (KPIs) will be maintained. Progress will be reviewed at the Procurement Steering Group.

### **Strategic Objective 12:**

**Performance measurement** – To match the needs of the Organisation, Regional and National Stakeholders. KPIs and Balanced Scorecard will be subject to quarterly review.

## **14. POLICY MANAGEMENT & MONITORING**

### **Review**

This strategy will be subject to ongoing review and formal regular review by Finance Director, the Lead Director and Head of Procurement. This will take account of any changes to organisational objectives and in NHS and Scottish Government policies and strategies. This review will also take account of the key targets and National Framework objectives under development by the Procurement Steering Group.

### **Communication and Implementation Plan**

This strategy will be published on the NHS Forth Valley Internet and Intranet Sites.

### **Monitoring**

The objectives and targets contained in this strategy will be reviewed at Procurement Steering Group and reported to the Corporate Management Team.