



Procurement Service NHS Ayrshire & Arran

Procurement Strategy 2017/18 to 2019/20

Executive Summary

The provision of high quality local health services relies on NHS Ayrshire & Arran's ability to procure goods and services economically, effectively and efficiently. As a public sector body it is also important that NHS Ayrshire & Arran does this in a way that is fair and sustainable.

The aim of this strategy is to secure Best Value through planned and sustainable procurement which best meets the needs of the organisation and supports key objectives. This strategy covers all areas of NHS Ayrshire & Arran's purchasing activity, including construction, IT and pharmacy as well as other consumables, equipment, and services.

This strategy aims to demonstrate a clear and concise approach to NHS Ayrshire & Arran's procurement activities outlining what will be done, how and when it will be achieved over the three financial years spanning 2017/18 – 2019/20.

Procurement Vision

Our vision is to ensure that we procure goods, services, and works within a clear framework of accountability and responsibility and by the most economic, efficient, effective and sustainable means to ensure that the needs of NHS Ayrshire & Arran and its patients are met.

Strategy Context

This Procurement Strategy is set against NHS Ayrshire & Arran's Corporate Objectives which are as follows

Our Objectives are:
Working together to...

1. Deliver transformational change in the provision of health and social care through dramatic improvement and use of innovative approaches.
2. Protect and improve the health and wellbeing of the population and reduce inequalities, including through advocacy, prevention and anticipatory care.
3. Create compassionate partnerships between patients, their families and those delivering health and care services which respect individual needs and values; and result in the people using our services having a positive experience of care to get the outcome they expect.
4. Attract, develop, support and retain skilled, committed, adaptable and healthy staff and ensure our workforce is affordable and sustainable.
5. Deliver better value through efficient and effective use of all resources.

Key Priorities

Linking to our Corporate Objectives, NHS Ayrshire & Arran's Key Priorities in relation to Procurement can be summarised as follows:

A. To provide continuity of supply

To provide goods and services where needed, when needed and are fit for purpose.

B. To provide value to the bottom line

Through effective procurement activity, to generate both cash and non-cash savings, which can be reinvested into patient care and service delivery

C. To maintain effective governance

To keep the service and accountable officers compliant in all relevant areas and maintain corporate and individual reputation by ensuring that all procurement activity complies with statutory and regulatory requirements.

D. To encourage and stimulate economic development

To support general health and wellbeing in relation to public money expended by ensuring where appropriate that relevant contracts include community benefits and sustainable procurement requirements and wherever practical, that we encourage local suppliers, micro, small and medium enterprises and the third sector

Key Performance Indicators

The following set of Key Performance Indicators (KPIs) has been developed to target improvement against the Key Priorities:

Target	Corporate Objectives	Key Priority	Baseline Performance 2016/17	Target Performance 2019/20
NDC Service On Time and In Full (OTIF)	5	D	98%	98%
NDC Service Urgent Order Lines	5	D	2%	2%
Health Board Urgent Order Lines	5	D	2%	2%
Percentage Of POs Using PECOS	5	C	98%	100%
Percentage Of Spend Using POs	5	C	54%	65%
Percentage Of POs Using Catalogues	5	C	93%	95%
Percentage Of Invoice Payments Made Within 30 Days	5	D	94%	95%
Percentage of Trade spend covered by contract	1, 5	C	81	90
Proportion of trade spend with Local Suppliers	2, 5	D	5%	7%
Contract With Supported Business	5	D	1	2
Annual procurement savings and cost avoidance*	5	B	500,000*	500,000
Participate in annual supplier development activities	1, 4, 5	A, D	1	2
Influenced spend with SMEs	5	A, D	44%	65%
Percentage Of Tenders Published On The Portal	5	C	80%	100%
Percentage Of Staff Engaged In Procurement With A Procurement Qualification	4, 5	B, C	10%	33%

* This is reset annually

Trade Spend Analysis

In the last full financial year (2016-17), NHS Ayrshire & Arran had a total high level non-pay expenditure trade spend of approximately £226.5m as follows:

High Level Category	Total	High Level Category	Total
Purchase Of Healthcare	£86,644,807	Hotel Services*	£6,950,800
Resource Transfer	£31,753,263	Heating Fuel And Power*	£5,977,080
Medical & Dental	£12,607,108	Other Therapeutic Supplies*	£5,467,235
Property	£12,420,938	Other Supplies*	£5,264,164
Other Admin Supplies*	£11,968,100	Cssd / Diagnostic Supplies*	£3,654,796
Equipment*	£10,715,271	Nursing & Midwifery	£3,026,421
Pfi	£10,372,257	Gms	£1,117,828
Surgical Sundries*	£8,806,005	Admin & Clerical	£572,898
Drugs	£8,323,624	Other	£840,011
		Grand Total	£226,485,605

*Direct Expenditure with third party providers equated to £58,803,451

In addition to direct spend with third party suppliers; the health board spends an additional £11m per annum on goods supplied through the National Distribution Centre, part of National Services Scotland.

These goods are predominantly for day to day medical consumables used in hospital wards and theatres and cleaning / janitorial items.

Taking both elements together, approximately 80% of this spend is either contractual or has been influenced by Procurement. Non-contract spend is a continual focus for the Procurement Department and the Health Board as a whole.

Financial Savings

NHS Ayrshire & Arran has a statutory obligation to break even. Due to current and forecast budget allocation, this will require cash releasing savings to be realised. Savings plans will be taken forward by influencing our trade spend in the following ways:

- Implementation of and adherence to national contracts in order to maximise the projected savings potential
- Local Strategic Sourcing activity within areas of spend not covered by National Contracts.
- Avoiding costs by challenging and directing spend from non-contracted to contracted suppliers
- Avoiding costs by leveraging buying power particularly in relation to capital purchasing of medical equipment

This is set against a backdrop of increasing demand within the health board and across NHS Scotland as a whole. This translates into an increase in activity and therefore medical / surgical consumable spend in particular.

Our targets in this area will be £500,000 (2016/17 but amended annually) savings / avoided cost per annum and to ensure that at least 90% of trade spend is covered by contract and has therefore been influenced.

Trade Spend by Geography and Supplier Size

The percentage direct expenditure with third party suppliers by location and supplier size was as follows:

Ayrshire	5%
Rest of Scotland	12%
Rest of United Kingdom	83%
Non-UK	<1%
Small Enterprise	13%
Medium Enterprise	31%
Large Enterprise	56%

There is a trade off between our key priorities of providing value to the bottom line and stimulation of economic development, however our target will be to increase the proportion of trade spend within the geographical boundary of NHS Ayrshire & Arran to 7% by the end of 2019 which would equate to around an additional £2m of trade spend being spent with companies based in Ayrshire as opposed to out with.

People and Skills

Our approach to training and development can be summarised as follows:

Service Users

- The strategic objective is to ensure that all staff using Procurement services are given relevant training and information relating to their role in delivering that service.
- Due to changes in practices, systems and procurement legislation, end users of procurement services will be given training either on specific applications (i.e. ePurchasing systems) or more general matters (i.e. EU tendering rules).
- The Procurement Department will continue to provide guidance on subjects such as OJEU and Procurement Regulations to non-department staff. These will be developed and maintained and be published on the Procurement Department intranet page.

Procurement Staff

- We will introduce the new Scottish Government Procurement Competency Matrix and embed this into the annual review (eKSF) process with procurement staff.
- The Chartered Institute of Purchasing and Supply (CIPS) is the professional body for Procurement and we are committed to improving the level of staff professionally qualified to CIPS Graduate Diploma level.
- We will develop and maintain a succession plan including Modern Apprentices and existing staff development via secondments and acting up during the period of this strategy.

Organisational Improvements

Over the lifetime of this strategy, organisational improvements we intend to pursue are:

- Enhanced focus on improved contract coverage and sourcing activity within our Corporate Support Services Estates Capital Planning, maintenance and Property sections and our eHealth / IM&T Department to support our Key Priorities B (provide value to the bottom line) and C (maintaining effective governance).
- Improved collaboration with other Health Boards across the West of Scotland and beyond in terms of any opportunity to combine buying power to support Key Priorities A and B: to provide continuity of supply and provide value to the bottom line.
- Implementation of a, 'No Purchase Order, No Payment', policy (with defined exclusions) with a target of 100% compliance to improve governance in this area to support our Key Priority C (maintaining effective governance).
- Improving procurement guidance communicated to the organisation through more innovative means to make this guidance more accessible and meaningful to support our Key Priority C (maintaining effective governance).
- Improved engagement with local suppliers through establishment of links with the Supplier Development Programme (<https://www.sdpscotland.co.uk/>) and taking part in more 'Meet the Buyer' events to support our Key Priority D (to encourage and stimulate economic development).
- Social and sustainability issues will be taken into account at the earliest stage in the procurement process when identifying needs and drawing up tender specifications. Essential requirements will be defined to minimise resource consumption - reduce, reuse and recycle.
- Equal opportunities clauses should be built into the terms and conditions for service contracts.
- We will continue to use 100% electronic methods of tendering and conducting competitive quotations and mini-competition exercises to ensure continued equal treatment of suppliers and full transparency. To support this we have also made our contracts register available to view via the Public Contracts Scotland portal and have gone further than the legal requirement by opening this out to under £50k procurements (the link is contained in the useful links' section below).

Accountability and Audit ability

The audit committee shall be responsible for ensuring procurement activities are appropriately included within the risk based internal audit plan. The committee shall seek assurance, through follow up of audit reports and best value assessments that risks are being managed and the best value attributes pursued.

The Director of Corporate Support Services shall be the Board level sponsor for procurement ensuring good procurement practice is followed in all business cases and

strategic decisions, ensuring good practice is in place throughout the organisation and escalating operational issues to director level as appropriate

The Head of Procurement shall be responsible for developing procurement guidelines, principles, operating procedures and work instructions which all staff with purchasing authority must comply with. In particular this includes the Scottish Government Department of Health and Finance CEL(2012) 05 Key Procurement Principles:

http://www.sehd.scot.nhs.uk/mels/CEL2012_05.pdf.

This CEL states that:-

“Where national, regional or local contracts exist (including framework arrangements) the overriding principle is that use of these contracts is mandatory. Only in exceptional circumstances and only with the authority of the Board's lead Procurement Manager or the Director of Finance, based on existing schemes of delegation, shall goods or services be ordered out-with such contracts. Procurement leads will work with National Procurement and other national contracting organisations to ensure best value decisions are made, and that a record of exceptions is maintained for review.”

In circumstances where there is no contract or framework coverage:

- For expenditure in excess of £10,000 but below £50,000 over the contract duration, competitive quotations will be sought using the Public Contracts Scotland Quick Quote system. The process will be carried out 100% electronically.
- For expenditure in excess of £50,000 up to the OJEU threshold over the contract duration, these requirements will be openly tendered as sub-OJEU procurement in accordance with the Procurement Reform (Scotland) Act 2014 via the Public Contracts Scotland advertising portal. For Health and Social Care contracts, the range is £50,000 - £615,278. The process will be carried out 100% electronically.
- For expenditure in excess of c£118,133 Goods and Services and £4,551,413 for works (the current OJEU thresholds) over the contract duration, these requirements will be openly tendered in accordance with the Public Contracts (Scotland) Regulations 2015 via the Public Contracts Scotland advertising portal. The threshold for Health and Social Care contracts is over £615,278. The process will be carried out 100% electronically.

The national procurement transformation programme has developed the Procurement element of the Board's standing financial instructions to ensure a compliant and efficient working environment and will review these annually.

The Head of Procurement is the recognised point of expertise on procurement matters within the Board and in case of doubt should be consulted. Their advice should be followed and in the event of a manager not feeling able to do so the issue should be referred to the Director of Finance.

The Head of Procurement is responsible for establishing the official ordering system and communicating schedules of commodities to which this system, or clearly specified alternatives applies. All staff with purchasing authority must comply with this system and Directors should establish within their area a clear escalation path for non compliance

A schedule of delegated responsibilities is maintained showing where other heads of function have significant delegated procurement responsibilities for a defined specialised area.

They will continue to operate within general guidelines and seek at an early stage in the involvement of the Head of Procurement at key moments of change.

All managers will be governed by the Code of Business Conduct which will apply to dealing with any potential suppliers.

The Board maintains a register of members interests and a register of gifts and hospitality and through its policies and actions ensure compliance with the Bribery Act 2010.

Monitoring, Review and Reporting

This strategy and its associated KPIs will be the subject of a bi-annual monitoring report to the Corporate Management Team in order to provide assurance that it is being effectively implemented and to track progress against established KPIs. This in turn will provide a mechanism to reassure the Board that the Procurement Strategy is being implemented effectively.

Useful Links

- [NHS Ayrshire & Arran Procurement Web Page](#)
- [NHS Ayrshire & Arran Buyer Profile \(on Public Contracts Scotland\)](#)
- [NHS Ayrshire & Arran Public Facing Contracts Register](#)
- [Supplier Development Programme](#)
- [Scottish Model of Procurement](#)
- [Changes to European Directives](#)
- [Public Procurement Reform Programme](#)
- [EU Procurement Thresholds](#)
- [Procurement Journey](#)
- [NHS Ayrshire & Arran Procurement Operating Procedures](#)