

PROCUREMENT STRATEGY

Author:	Laura Ace & Terry Dunthorne
Responsible Lead Executive Director:	Laura Ace
Endorsing Body:	Lanarkshire NHS Board meeting (28/7/10)
Governance or Assurance Committee	Audit Committee
Implementation Date:	1 August 2010
Version Number:	1
Review Date:	July 2010
Responsible Person	Terry Dunthorne

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NHS Lanarkshire Procurement Strategy

1. Introduction and Strategic Intent

The provision of high quality local health services relies to a great extent upon NHS Lanarkshire's ability to procure its goods and services economically, effectively and efficiently. As a public sector body it is also important that NHSL 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 NHSL's purchasing activity, including construction, IT and pharmacy as well as other consumables, equipment, and services.

2. Context

This strategy sits against a backdrop of a concerted effort to improve procurement within the Scottish public sector.

The Public Procurement Reform Programme was initiated in response to a review of public procurement in Scotland carried out by John F McClelland CBE. The Programme's Vision is the implementation of structures, capability and processes to provide continuous improvement in procurement across the Scottish Public Sector in order to deliver Value for Money improvements and support increased efficiency.

The objectives of the programme are to:

- facilitate public bodies in improving their procurement capabilities in order to support delivery of better public services;
- increase the cost-effectiveness of procurement, thereby releasing cash for use in other priority areas;
- establish and embed appropriate procurement policy and best practice in order to ensure fair and efficient procurement practices and reduce commercial risk;
- facilitate cross sector collaboration to avoid duplication of effort, maximise potential gains from collaboration, enable the sharing of experience and information and to ensure that common suppliers and markets are managed effectively; and
- encourage suppliers to build effective and mutually beneficial relationships with the Scottish Public Sector.

The Scottish Procurement Policy Handbook was produced in response to the recommendations. It sets out the fundamental rules, behaviours and standards applicable to public procurement activity in Scotland <http://www.scotland.gov.uk/Publications/2008/12/23151017/0>

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Centres of expertise have also been established throughout the public sector and commodities grouped to get the maximum benefits of collaborative procurement. Commodities and services which should be most logically procured by one centre for the country's public sector have been termed "Category A". Contracts for these are established by a Centre of Expertise positioned within the Scottish Executive's Procurement Directorate.

Commodities and services that tend to be unique to a specific sector yet common within that sector are termed "Category B". Within the NHS, a central body NHS National Procurement has been set up as a Centre of Expertise to establish contracts centrally to prevent individual organisations in that sector performing the same function multiple times and without any advantage of procurement volumes or value consolidation. NHS Bodies should have a strong commitment to using these contracts.

Where commodities and services are neither categorised as A (National Contracts) nor B (Sector Specific Contracts) then they will automatically be classified as C where the negotiation of the contracts is a direct Health Board responsibility.

As well as strategic sourcing for category B commodities the NHS centre of expertise, NHS National Procurement, has a role in logistics, running a managed distribution system for a range of commonly used products from its purpose built National Distribution Centre at Canderside Larkhall. It is also supporting the roll out of the e Procurement Scotland (ePS) service (PECOS). NHS National Procurement also runs an annual programme of assessing public sector bodies against the attributes of good procurement identified in the McLelland report.

Attribute	Features	Section of NHSL Strategy	Assessment Toolkit
Accountability and governance	All procurement activity should take place with a framework controlled by a professional procurement lead with clear reporting lines to a Board Director. Delegated authorities should be clearly documented. There should be a well documented code of conduct associated with business with outside bodies. Procurement systems should feature in annual audit plans.	4. Review and Strengthen Governance Arrangements	Procurement Leadership and Governance Procurement Strategy and Objectives

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Resources and Skills	<p>The organisation should assess the resources and skills needed required to bring standards up to the minimum required for accountability and governance and consider the payback on moving to higher levels of performance.</p> <p>Training programmes should be devised and consideration given to overcoming staff shortages by redeploying from other functions and training.</p>	4.	People
Practices and Processes	User groups should be established for key products and services to coordinate specification of products, matching user intelligence with good procurement practice	5. Improve Practices and Processes to support cost effective purchasing	Specification of Goods and Services
	Innovative ways to streamline processes such as purchasing cards should be introduced.	5.	Key Purchasing Processes and Systems
EU Guidelines	There should be regular refresher training on EU procurement requirements, with practical compliance subject to audit	4.	People
Reporting and KPIs	Information on spend, key performance indicators and reports tracking savings achieved should be routinely available. Public sector benchmarking should take place.	7. Enhance Information to Support Continuous Improvement	Performance measurement
Benchmarking			
Information Systems			
Supplier Policy and Strategy	Sourcing strategies should be in place for each commodity group	5.	Sourcing Strategies and Collaborative procurement
	Effective contract management process, terms and conditions, assessing supplier performance	5.	Contract and Supplier management

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Collaborative Purchasing	Collaborative purchasing should be advanced through Centres of Expertise	5.	Sourcing Strategies and Collaborative procurement
Corporate and social responsibilities	The organisation's adopted corporate and social responsibilities should be translated into guidelines and a specific practices document for tendering	6. Incorporate corporate and social responsibility	Sourcing Strategies and Collaborative procurement

3. Strategic Aims

Against this context NHS Lanarkshire has the following strategic aims:

Review and strengthen Governance arrangements (Section 4)

Improve Practices and Processes to support cost effective purchasing (Section 5)

Incorporate corporate and social responsibilities (Section 7)

Enhance Information to support Continuous Improvement (Section 6)

Sections 4 to 7 expand on these strategic aims setting out the key actions that will be taken to implement them.

4 Review and strengthen Governance arrangements

Strategic Aim: Ensure that there is a clear chain of accountability and an appropriately resourced structure, in order to develop, improve, deliver and manage procurement performance at all levels.

Actions

4.1 The Board shall agree a procurement strategy which it shall refresh biennially

4.2 The audit committee shall be responsible for ensuring the Boards 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 (including the national procurement capability assessment) that risks are being managed and the best value attributes pursued.

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- 4.3 The Director of Finance 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
- 4.4 The General Manager - Procurement shall be responsible for developing procurement guidelines, principles, policies and handbooks which all staff with purchasing authority must comply with. To do this it is important that the General Manager - Procurement keeps abreast of European procurement law and Scottish Procurement policy notes.
- 4.5 For expenditure in excess of £50,000 the Procurement Portal will be utilised to advertising in full compliance with the requirements of the Scottish Government.
- 4.6 For expenditure in excess of £100,000 the Procurement Portal will be utilised to ensure advertising in the Official Journal of the European Union is carried out and that there is full compliance with European Legislation.
- 4.7 The General Manager - Procurement shall develop the Procurement element of the Board's standing orders and standing financial instructions to ensure a compliant and efficient working environment.
- 4.8 The General Manager - 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.
- 4.9 The General Manager - Procurement shall be 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
- 4.10 A schedule of delegated responsibilities will be maintained showing where other heads of function have significant delegated procurement responsibilities for a defined specialised areas. They will continue to operate within general guidelines and seek at an early stage in the involvement of the General Manager - Procurement at key moments of change.
- 4.11 The General Manager - Procurement shall be responsible for designing appropriate staffing structures and recruiting and retaining suitably trained staff to be able to deliver an effective strategic sourcing, ordering and logistics service.

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- 4.12 The General Manager - Procurement shall develop a system of performance management to enable the Board to assess and monitor the implementation of this strategy and the resultant outcomes.
- 4.13 The General Manager - Procurement shall develop and equip procurement staff and others involved in the procurement process with the requisite commercial skills appropriate to their role.
- 4.14 All Directors are responsible for providing the General Manager - Procurement with a list of managers with delegated purchasing authority and ensuring this is updated through systems established by the General Manager - Procurement.
- 4.15 Guidelines, policies and procedures will be widely available on the organisations intranet and will for part of a pack for all managers with budgetary responsibility.
- 4.16 All managers will be governed by the Code of Business Conduct which will apply to dealing with any potential suppliers. The Board shall maintain a register of members interests and a register of gifts and hospitality.

5 Improve Practices and Processes to support cost effective purchasing

Strategic Aim: Streamline the order to pay process to reduce the time and cost overhead associated with ensuring timely supply, to controlled locations, of the right products and services. Seek the optimal integrated use of efinancials, eProcurement and PowerGate and creatively look at process redesign. Support and educate users.

Actions

- 5.1 Roll out the eProcurement system to the maximum extent feasible.
- 5.2 Maximise the use of electronic product catalogues and reduce free format requisitions.
- 5.3 Keep abreast of all developments in e ordering, e-invoicing, and automatic matching and seek to be an early implementer.
- 5.4 Have clear guidelines and an education process on the timely receipting of goods ordered through the official order process and escalation processes for regular defaulters.

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- 5.5 Have clear and proportionate authorisation processes for products or services outwith the official order processes, maximising use of electronic transmission of documents (DB Capture) to speed and track process
- 5.6 Use LEAN methodology to involve staff from procurement, ordering departments, accounts payable and management accounting to redesign processes to best meet everyone's needs.
- 5.7 Supplement guidelines and policies with education workshops with user departments.
- 5.8 Make wider use of purchasing cards for low value spend.

Strategic Aim: Increase the visibility and understanding of the organisations spend. Establish and implement a workplan for reviewing procurement of each commodity group, improving systems for the standardisation and rationalisation of products and equipment and purchased services, seeking to achieve a reduction in the supplier base. Improve the specification of goods and services to take account of whole cycle costs and sustainability issues.

Actions

- 5.9 Enhance reporting to provide a routine overview of the organisations non pay spend broken into meaningful commodity groupings.
- 5.10 Establish a contracts register, documenting the arrangements in place and renewal dates.
- 5.11 From the above identify gaps and establish a prioritised workplan for improving procurement of each commodity group, targeting first those areas where there is greatest risk of legal challenge or greatest chance of benefit.
- 5.12 Establish commodity groups with user involvement for the items prioritised in the workplan.
- 5.13 Ensure control of infection advice is incorporated into the specification of relevant products and services.
- 5.14 Through general guidance and specific advice, the strategic sourcing function will support the user groups analyse the service need for the commodity, properly specify its key attributes and consider the best procurement route. This process will be supported by standard electronic templates.

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- 5.15 Standardisation and rationalisation of products will be sought wherever possible. This aids patient safety by reducing the number of different products staff have to be familiar with, makes it more likely the product is available at the time of need and allows for better prices through committing to higher volumes.
- 5.16 Every time a new department is added to PECOS use that as an opportunity to review their product catalogue.

Strategic Aim: Reduce prices through competition, commitment, improved planning and prompt payment and maximising benefits from collaboration and use of national contracts whilst recognising the importance of product quality and delivery programme. Develop and optimise relationships with Users, Suppliers, other NHS bodies and associated organisations

Actions

In addition to the actions under strategic aim and this will be achieved by:

- 5.17 Establishing a tracking tool that identifies available national contracts, NHS Lanarkshire's potential gain under them, planned date of adoption and benefits delivered.
- 5.18 Where national contracts do not exist for commodities within the workplan, use national networks to establish if other Boards would wish to collaborate in procurement.
- 5.19 Work with the National distribution centre and other boards to standardise certain products and reduce holdings of slow moving items.
- 5.20 Use of the public sector portal for all procurement with a lifetime value of over £50k in all but very exceptional circumstances.
- 5.21 Develop use of framework contracts and appointing preferred principal supply chain relationships for major estates programmes.
- 5.22 Participate in national eAuctions where relevant.
- 5.23 Identify key suppliers and implement a defined supplier management programme with them to develop partnership working aimed at improving all aspects of the customer/supplier relationship. Key suppliers will be defined by a minimum value level and/or their importance to the continued operation of NHS Lanarkshire.

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5.24 Publish on website advice on how to do business with NHS Lanarkshire including policy on receiving visits from sales representatives.

Strategic Aim: Optimise Theatre and ward stock levels by the wider use of the current ward management systems and the development of a Theatre Stock Management System. Review all consignment stocks.

5.25 Introduce theatre stock management system to enable procedure based costing to be introduced and to minimise the financial outlay on stocks held in theatre stores.

5.26 Increase equipment utilisation through effective pooling/equipment libraries, where possible e.g. syringe pumps and pressure relieving mattresses.

5.27 Continue to support the National Logistics Strategy that allows the National Distribution Centre to be the main “Stock Supplier” to NHSL. The benefits or increased costs incurred are to be established and reported.

5.28 Review existing ward stocks, utilising Ward Management systems, and re-set optimum stock levels, taking account of the development of the NDC, the delivery capability of suppliers, criticality of supply, price and handling costs. Engage with the Divisional Director of Nursing (Acute) to develop a standard ward profile of products to support product rationalisation and standardisation.

5.29 Continually monitor stock levels and review the security of stocks.

5.30 Review contingency stocking policy and make recommendations.

5.31 Work with NHSiS NDC to minimise stockholdings.

6 Incorporate corporate and social responsibilities

Strategic Aim: Ensure procurement guidance and practices support organisations value and objectives with regards to equality, social and environmental issues

The adoption on the Scottish Government Sustainable Procurement Action Plan and preparing a local delivery plan is key to achieving this.

6.1 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 should be defined to minimise resource consumption - reduce, reuse and recycle

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- 6.2 Full life cycle costs should be taken into account when making purchasing decisions and procedures such as standard business cases for equipment purchases should reinforce this
- 6.3 Contracts will be advertised adequately and appropriately to reach suppliers who have an interest and the selection process should assist the target audience to be aware of the requirements and how to respond to them
- 6.4 Equal opportunities clauses should be built into the terms and conditions for service contracts.

7 Enhance Information to support Continuous Improvement

- 7.1 Strategic Aim: Establish key performance indicators, benchmarking and benefits tracking information developed to ensure continuous improvement.
- 7.2 Improve and develop relationship with National Procurement Strategic Sourcing, Logistics and eProcurement to enable any benefits that flow from their activities are implemented. Arrange feedback of information to National Procurement relating to our compliance of National Initiatives. Highlight where we are non-compliant, particularly when initiatives are detrimental to NHSL.
- 7.3 Participate in professional networks to facilitate sharing of best or better practice and benchmarking. Utilise information from PASA and OGC.

8 Core Values

- 8.1 The values that those involved in the making of procurement decisions (either directly or indirectly) should be expected to hold are as follows: -
- 8.2 A recognition that the overriding Procurement objective is to satisfy the needs and exceed the expectations of internal customers, so that NHSL can deliver the most effective clinical outcomes.
- 8.3 The encouragement of innovation and constant improvement through the development of Procurement staff, so that their maximum potential and contribution can be realised in fulfilling corporate and personal goals.
- 8.4 In all dealings with suppliers and potential suppliers, seek to preserve the highest standards of integrity, objectivity, fairness and efficiency in compliance with NHSL's Standing Orders.

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8.5 A commitment to good business conduct and adherence to the professional standards of the Chartered Institute of Purchasing and Supply.

9 Review and follow up

9.1 The General Manager - Procurement shall establish a system of performance management to enable the Board to assess and monitor the implementation of the strategy.

9.2 The strategy shall be reviewed biennially.

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