

GLOUCESTERSHIRE HOSPITALS NHS FOUNDATION TRUST

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| Title | Procurement Shared Services Strategy 2014 to 2017 |
| Report date | September 2014 |
| Indicative discussion time required | 15 Minutes |
| Please classify the paper as: <ul style="list-style-type: none"> To note To endorse To approve | To approve |
| Executive Summary | <p>The procurement shared services strategy will provide a framework for the delivery of effective procurement services over the next three years, recognising the challenges we face while ensuring we are equipped to position ourselves as a clinically led provider of consistently high quality specialist care.</p> <p>The new procurement strategy has been developed to:</p> <ul style="list-style-type: none"> Address the issues raised in previous reviews of the procurement service Reflect the future requirements of our key stakeholders Align the direction of travel with our Trust's strategic goals Reflect wider national public procurement initiatives (DoH Better Procurement, Better Value, Better Care, P4CR Flexible Framework, NHS Standards of Procurement) |
| Please describe as appropriate the link to: <ul style="list-style-type: none"> The Trust Strategic Objectives The Trust In-Year Objectives The Trust Mission The Trust Values | The links to the Trust's strategic objectives and values are detailed in Section 4 of the strategy. The strategy supports the Trust's goals of Our Business and Our Staff. |
| Please describe how this affects patients/staff/carers etc. | No direct impact but the strategy will ensure the Trust's contractual arrangements and materials management service for bought-in goods and service support the enhancement of the overall patient experience through security of supply and quality of goods and services. |
| Please describe what stakeholders think about this. | <p>The draft strategy was issued for consultation to the following key stakeholders in June 2014:</p> <ul style="list-style-type: none"> Director of Finance Deputy Director of Finance Chiefs of Service Non-Executive Directors Divisional Directors General Managers Staff-side Chairs PWC (Internal Auditors) <p>The closing date for responses was 18 July</p> |

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| | 2015. The responses received were positive with support for the direction |
| <p>Please describe how this affects our:</p> <ul style="list-style-type: none"> • performance • quality and safety • cost • activity | <p>The strategy aims to:</p> <ul style="list-style-type: none"> • Achieve and exceed CIP/QIPP procurement targets • Improve the sustainability of bought-in goods and services • Ensure contractual arrangements continue to deliver value and innovation over the contract period • Improve clinical engagement and governance |
| Is what is described in the paper affordable? | Yes. The restructure and development of the team has been achieved with no impact on costs. |
| Please explain when you will be able to report progress about this issue. | Annual report to the Board in April 2015 on achievement of strategic objectives for 2014/15 and approval of objectives for 2015/16 |
| Please identify the risks associated with this issue and describe how they will be dealt with. Please set out in the report in risk register format the risks associated with the issue. | In 2013, PWC identified that Trust's procurement strategy was outdated and did not reflect current best practice and national direction. The lack of a current strategy may result in ineffective and/or inappropriate procurement activity being undertaken |
| Please describe the aspects of this paper that might require wider stakeholder engagement or public consultation, and early engagement with Governors. | We have sought external stakeholder engagement by consulting with the Trust's external auditors, PWC. |
| Please identify any other significant impact or outcomes (where applicable) in relation to Financial issues, Equality and Diversity, the NHS Constitution, Legal issues or Sustainable Development. | None. |
| Recommendation | It is recommended that the Board approve the Procurement Shared Services Strategy. |
| Author Presenting Director | Alex Gent, Head of Procurement Helen Simpson, Director of Finance |

PROCUREMENT SHARED SERVICES STRATEGY 2014 – 2017



LISTENING

HELPING

EXCELLING

IMPROVING

UNITING

CARING

BETTER FOR YOU

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1 Introduction

1.1 Executive Summary

Effective and efficient procurement is vital to our Trust's success. The scale of the challenge facing NHS Trusts under the reforms of the Health and Social Care Act 2012, against the backdrop of current financial constraints, is unprecedented. Locally there are challenging times ahead for the NHS and our Trust is not immune to the national requirement to reduce costs and become more efficient in the way we provide our services. Establishing innovative and cost effective ways of procuring non-pay spend is essential if we are to succeed in this challenging environment, and is pivotal to realising our vision for the future and achieving our strategic goals.

The procurement shared services strategy will provide a framework for the delivery of effective procurement services over the next three years, recognising the challenges we face while ensuring we are equipped to position ourselves as a clinically led provider of consistently high quality specialist care.

In developing this strategy we have taken into account the procurement requirements of other key Trust documents:

- The Annual Plan
- The Trust Strategic Framework
- The Mission, Vision and Values

1.2 Why procurement matters

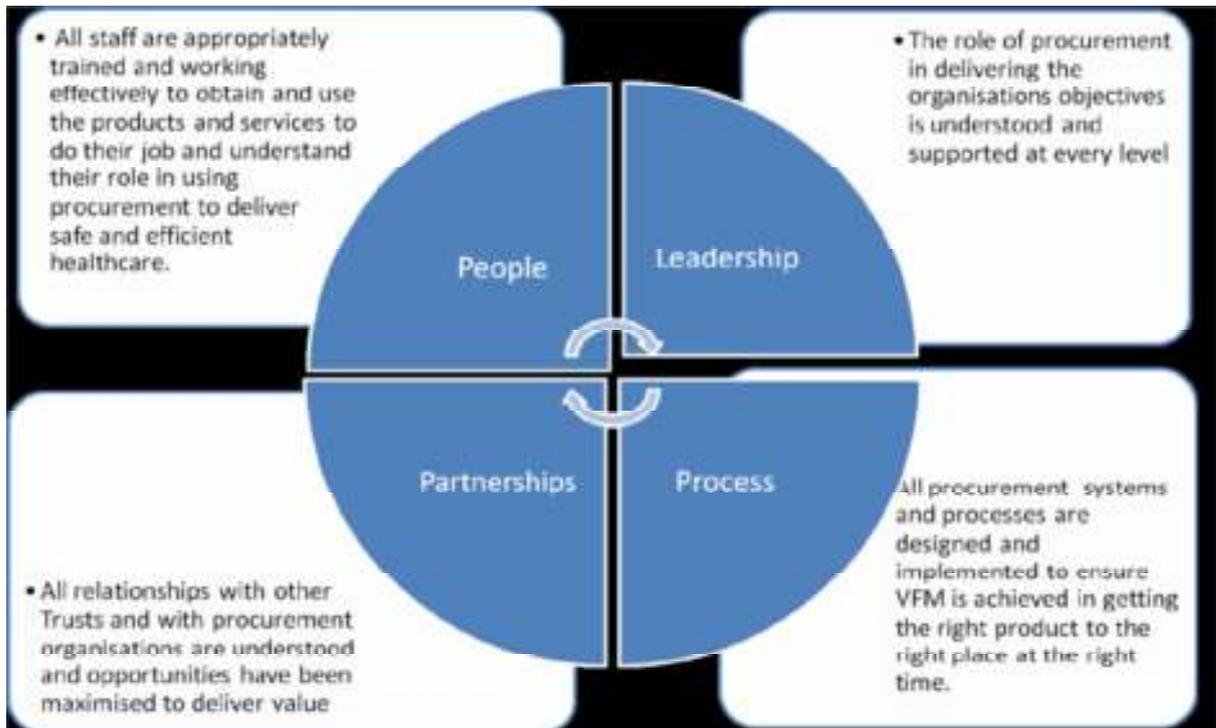
Procurement should be central to driving quality and value in the NHS, but for many years it has simply not been a priority. It is vital that we have a procurement function that is not only better, but is world class. It should be focused on outcomes, not just cost, and must be responsive to creative ideas from suppliers, procurement specialists, clinicians and managers. (Source: NHS Procurement – NAO Raising Our Game May 2012).

Procurement has a key role to play in supporting the delivery of high quality patient care whilst ensuring value for money is achieved. The demands on procurement and expectations of the efficiencies required are increasing, and organisations need to be able to respond to these challenges. (Source: DoH Standards of Procurement June 2013).

It is long overdue for the NHS to apply the same standard of excellence to procurement as we do to our clinical services. Procurement must become a priority for all NHS boards. (Source: DoH Better Procurement, Better Value, Better Care August 2013).

1.3 What good procurement looks like

The NHS Standards of Procurement were launched in May 2012 to support the recommendations from the Public Accounts Committee (April 2011) by providing a clear vision of good procurement.



There are three maturity levels of performance:

- Level 1 – Building - awareness and building blocks in place
- Level 2 – Achieving - making good, strong progress
- Level 3 – Excelling – outstanding procurement performance

We will aim to achieve level 2 by 2017 but aspire to achieving level 3.

2 External procurement influences

2.1 Public Contracts Regulations

The Trust is a 'Contracting Authority' under the Public Contracts Regulations 2006 (as amended). In March 2014 a new Procurement Directive 2014/24/EC was published that governs how public bodies in the EU can award public works, service and supply contracts. Member states have up to 2 years to implement the Directive through national regulations. The UK has stated it intends to do so as soon as possible with an ambitious target of replacing the Public Contracts Regulations 2006 by autumn 2014.

The new regulations will impact all public sector contracting authorities (including NHS Trusts) and we will need to ensure our Trust is prepared to apply the changes to any contracts that are subject to the regulations.

2.2 Department of Health Procurement Strategy

In August 2013, the Health Minister Dan Poulter launched a radical new procurement strategy for the NHS called Better Procurement, Better Value, Better Care. The strategy shows how the NHS can save much more, and support economic growth, by changing the way it buys supplies and does business.

The strategy is build a modern, effective and efficient procurement capability that is among the best in the world – one that delivers taxpayer value, supports innovation, stimulates growth, and most importantly, delivers the highest quality patient care.

The strategy sets out 4 major actions:

- achieving immediate efficiencies and productivity gains
- improving data, information and transparency
- improving outcomes at a reduced cost through clinical procurement review partnerships
- improving leadership and capability of procurement in the NHS

2.3 Transparency

In March 2014, the Department of Health issued guidance on the transparency of procurement information. From April 2014, the guidance and requirements contained within is applicable to all NHS foundation and non-foundation Trusts. The wider Government agenda on transparency aims to enable the public to hold public bodies and politicians to account. The requirement, in relation to procurement transparency, is to ensure that:

- expenditure data is shared to identify savings opportunities.
- small enterprises are sighted on public sector business opportunities, both future procurement plans and current opportunities to tender for new contracts;
- there is transparency about how public money is being spent.

Taken together, these measures aim to increase competition, encouraging growth and greater innovation, leading to better value for money from the public purse.

3 Where we are now

- 3.1 Procurement Shared Services (PSS) provide procurement services to the following partners:
- Gloucestershire Hospitals NHS Foundation Trust,
 - Gloucestershire Care Services NHS Trust, and
 - 2Gether NHS Foundation Trust
- 3.2 A number of independent reviews of the service during 2012 and 2013 identified weaknesses in the procurement function. Key findings were:
- Our Trust's procurement policy and strategy were outdated and do not reflect current best practice and national direction.
 - Roles and responsibilities unclear and not aligned to the needs of the business
 - The degree of communication and engagement with Clinicians and the wider Trust needs to be improved to ensure that the procurement function is fully supportive of the needs of our Trust.
 - Improvements required in:
 - Business/CIP planning
 - Metrics to monitor performance
 - Contract and vendor management arrangements
 - E-Procurement and P2P
- 3.3 A new Head of Procurement was appointed in October 2013. A new procurement structure was implemented from 1 April 2014 to provide clarity on roles and responsibilities and to align the procurement service to the clients and Divisions it supports (See Appendix 1).
- 3.4 A non-executive Director has been nominated by our Trust as the sponsor of Procurement in accordance with the Better Procurement, Better Value, Better Care strategy.
- 3.5 The new procurement strategy has been developed to:
- Address the issues raised in the previous reviews
 - Reflect the future requirements of our key stakeholders
 - Align the direction of travel with our Trust's strategic goals
 - Reflect wider national public procurement initiatives (DoH Better Procurement, Better Value, Better Care, P4CR Flexible Framework, NHS Standards of Procurement)
- 3.6 The strategy has been issued for consultation to the following key stakeholders:
- Director of Finance
Deputy Director of Finance
Chiefs of Service
Non-Executive Director Sponsor for Procurement
Divisional Directors
General Managers
Staff-side Chairs

4 Where we want to be

4.1 Mission Statement

To deliver cost effective and commercial procurement shared services through innovation, customer-focus and collaboration, to ensure the best outcomes for our Trust, clients, staff and patients.

4.2 Vision Statement

To be the procurement service provider of choice for our partners through the excellence of our staff, reputation, services and approach.



4.3 Values

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| <p>Listening and Learning: Constantly improve the quality, efficiency and effectiveness of what we do through respect, responsiveness, tolerance, understanding and patience.</p> | <p>Working together: With clients, colleagues and suppliers to encourage loyalty, trust, empowerment, diversity, co-operation and openness.</p> |
| <p>Taking Responsibility: For decisions and making things happen through leadership, integrity, professionalism, dependability and commitment.</p> | <p>Innovating: To encourage continuous improvement through challenge, risk awareness, creativity and support.</p> |

4.4 Strategic Goals

| PROCUREMENT GOALS | TRUST GOALS | DOH GOALS |
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| Support the Trust to deliver and exceed CIP/QIPP targets whilst ensuring goods, works and services are fit for purpose and clinical | Our Business: To deliver the financial plan and maintain the financial risk rating. Our Services: Reduce | Better Procurement, Better Value, Better Care: Delivering immediate efficiency and |

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| engagement/acceptance and security of supply is achieved. | variation in clinical care | productivity gains. |
| To be recognised by stakeholders and peers as leaders in Sustainability and Corporate Social Responsibility in Procurement. | Our Business: To make progress towards our Carbon Utilisation Targets. | Procurement for Carbon Reduction (P4CR). |
| Drive innovation and best value through the commercial management of contracts | Our Business: To develop capacity and capability to identify new markets and technologies and promote commercialisation. | Better Procurement, Better Value, Better Care: Improving outcomes at reduced cost through clinical procurement review partnerships. |
| Protect the reputation of our Trust through robust but proportionate procurement governance arrangements. | Our Business: To improve the reputation of our business. | Better Procurement, Better Value, Better Care: Improve data, information and transparency. |
| Develop and maintain a highly skilled, motivated, professional and innovative procurement team. | Our Staff: Develop a highly skilled, motivated and engaged workforce which continually strives to improve patient care and Trust performance | Better Procurement, Better Value, Better Care: Improve Leadership and Capability. |
| Develop an e-procurement strategy to improve the management of data and information and streamline processes. | Our Business: To develop capacity and capability to identify new markets and technologies and promote commercialisation | Better Procurement, Better Value, Better Care: Improve data, information and transparency. |

4.5 Key objectives 2014/15

| OBJECTIVE | HOW | WHEN |
|--|---|--|
| Achieve and exceed CIP/QIPP procurement targets | Identify and deliver Contract Renewals through Annual Work plans | Annual Work plans developed and agreed with Divisions by April each year |
| | Deliver strategic CIP Projects (Smart Care, Agency staff, Orthopaedic Implants) | Delivered in accordance with the Project Plan |
| | Supplier Re-engagement Programme – renegotiation of current contracts | Rolling programme |
| | Zero Inflation Policy | Suppliers informed each March |
| | Aggregation of demand and rationalisation of Supply Base | Rolling programme |
| | Standardisation of consumables through Supply Chain | Rolling programme |

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| | Benchmarking against other Trusts to provide assurance that value for money has been achieved. | Rolling programme |
| | Identify collaborative opportunities | Rolling programme |
| Sustainability & CSR | Adoption of the P4CR Flexible Framework to support Trust's Carbon Target of -1.5% | Level 2 by March 2015 Level 3 by March 2016 Level 5 by March 2017 |
| | Training for staff through the NSPPP | By March 2015 |
| | Sustainability and CSR Procurement Champion appointed | Q2 2014 |
| | Apply Government Procurement Buying Standards to specifications for applicable product areas | Q2 2014 |
| Develop and Implement a Commercial Management Framework | Design and implement a commercial framework proportionate to our Trust's needs Training for all Trust staff involved in contract management (driving licence). | From Q3 2014 then rolling. |
| E-Procurement | Implement new contracts database Implement new collaborative E-tendering/sourcing system Enhance P2P system Develop E-Procurement Strategy Implement GS1 Coding | Q1 2014 – Phase 1 2015 Rolling programme Q3 2014 2016 |
| Improve Governance | Annual Review of Procurement Policy and Procedures Reporting Transparency | June each year Quarterly and Annual Review to Audit Committee. In line with DoH requirements |
| Developing Staff | NVQ CIPS qualification for all staff Band 4 and above CPD Annual Appraisal and Development Plans Establish Skills and Competency Framework | Q1 2014 On-going for all staff In line with Trust Policy Q1 |
| Engagement | Procurement Managers/Senior Procurement Managers/Head of Procurement to attend all Divisional Board Meetings. Procurement Road shows Induction | Rolling |

Key objectives will be reviewed and agreed in March each year to ensure they remain relevant and aligned to our Trust's strategic goals.

4.6 Principles

The delivery of the procurement strategy will be underpinned by the following principles:

Transparency:

We will ensure tender opportunities are sufficiently and appropriately advertised.
We will ensure that any conflicts of interest are declared and appropriate action taken.
We will involve patients in procurement processes where it is appropriate so to do.
We will publish our procurement decisions where appropriate.

Proportionality :

We will ensure that our procurement processes are proportionate to the value, complexity and risks associated with each particular requirement.
We will ensure that potential suppliers are not excluded through overly burdensome or bureaucratic processes.
We will ensure that our approach to sustainability and CSR is proportionate to the value and nature of the particular requirement.

Equality:

We will ensure that all suppliers have equal opportunity to compete for our business where appropriate.
We will ensure that we treat all suppliers equally and that all financial and due diligence checks apply equally and are proportionate to the value of the particular requirement.

Non-Discrimination and Consistency:

We will apply local and national procurement policies and procedures consistently and fairly.

Efficiency:

We will standardise and simplify our procurement processes wherever possible.

Continuity:

We will work with our stakeholders to monitor the performance of service contracts to ensure that they continue to deliver best value for money.

Development:

We will provide support to all suppliers to encourage continual improvement in the quality of goods and services that are provided and, where it is in the public interest will target new service areas to encourage new entrants to the market.

Innovation:

We will encourage innovation from current and potential suppliers to ensure that our Trust can adopt existing innovation and stimulate new innovation to deliver quality and value both for Trust patients and for taxpayers.

4.7 Monitoring and Measuring Success

We will use the Department of Health (DoH) Procurement Dashboard to measure the performance of Procurement Shared Services. It provides a balanced scorecard of core metrics focussed on three key areas of procurement performance:

- Doing it Well: Enabling business continuity

- Doing it Efficiently: Procurement efficiency
- Doing it Right: Mitigating risk.

It will support internal governance and continual improvement in procurement performance, external reporting, transparency and the identification of good and best practice.



5 Conclusion

- 5.1 This updated Procurement Strategy re-states the importance of effective supply management to the overall performance of our 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.
- 5.2 It reflects the latest Department of Health thinking and policy in the need for improvements to NHS procurement activity and is designed to ensure that the procurement function becomes a champion of innovation and is responsive to creative ideas from both existing and potential suppliers. Procurement will endeavour to evaluate and support the adoption of innovative solutions at scale and pace across our Trust.
- 5.3 The strategy recognises the importance of Clinical and Divisional and Client Engagement within our Trust.
- 5.4 The 3 year strategy will be reviewed on an annual basis to ensure its relevance to overall Trust objectives.

Gloucestershire NHS Procurement Shared Service –Procurement Structure

