



PROCUREMENT STRATEGY
2018/19 – 2020/21

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DOCUMENT CONTROL			
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Glossary of terms used

Trade Spend	Spend with third party 'trade' suppliers. This excludes non-pay spend with other public sector organisations e.g. other NHS organisations, local authorities, HMRC, Scottish Public Pensions Authority
KPIs	Key Performance Indicators
PCS	Public Contracts Scotland. This is the Scottish Government mandated contracts advertising portal for all 'regulated procurements' i.e. OJEU and Sub-OJEU. It also contains the 'Quick Quote' tool which is used for competitive quotations exercises and running mini-competitions from framework contracts
OJEU	The Official Journal of the European Union. These procurements are regulated by the Public Contracts (Scotland) Regulations 2015. Although tender documentation is uploaded to, and advertised on the Public Contracts Scotland advertising portal, this contract notice (advert) is also passed onto OJEU for advertisement EU-wide. Similarly, contract award notices are also published on PCS and then passed for publication to OJEU.
Sub-OJEU	A procurement regulated by the Procurement Reform (Scotland) Act 2014 in the range £50k-£118k over the lifetime of the contract. These procurements are advertised in the member state (UK) only and not passed to the OJEU. Similarly, contract award notices are also published on PCS but not published to OJEU.
NP	National Procurement – the sectoral 'centre of expertise' for NHS Procurement in Scotland who put in place national framework contracts. Also known as the 'Common Services Agency'.

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Executive Summary

The provision of high quality local health services relies to a great extent upon NHS Dumfries & Dumfries's ability to procure its goods and services economically, effectively and efficiently. As a public sector body it is also important that NHS Dumfries & Galloway 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 Dumfries & Galloway'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 Dumfries & Galloway's procurement activities outlining what will be done, how and when it will be achieved over the period November 2017 to March 2020.

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 the NHS Dumfries & Galloway and its patients are met.

Strategy Context

This Procurement Strategy is set against NHS Dumfries & Galloway's Corporate Objectives which are as follows:

1. To reduce health inequalities across NHS Dumfries and Galloway.
2. To promote and embed continuous quality improvement by connecting the range of quality and safety activities which underpin delivery of the three ambitions of the Healthcare Quality Strategy, to deliver a high quality service across NHS Dumfries and Galloway.
3. To review the model of service delivery across Dumfries and Galloway to deliver person-centred services as close to home as clinically appropriate.
4. To ensure that NHS Dumfries and Galloway has an engaged and motivated workforce that is supported and valued in order to deliver high quality service and achieve excellence for the population of Dumfries and Galloway.
5. To maximise the benefit of the financial allocation by delivering clinically and cost effective services efficiently.
6. Continue to support and develop partnership working to improve outcomes for the people of Dumfries and Galloway.
7. To meet and where possible, exceed goals and targets set by the Scottish Government Health Directorate for NHSScotland, whilst delivering the measurable targets in the Local Outcome Agreement.

Key Priorities

Linking to our Corporate Objectives, NHS Dumfries & Galloway'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) have been developed to target improvement against the Key Priorities:

Target	Corporate Objectives	Key Priority	Baseline Performance (2016-17)	Target Performance (2020-21)
Percentage of trade spend covered by contract**	5	C	81%	90%
Proportion of Trade Spend with suppliers based in NHS Dumfries & Galloway area	6	D	8%	10%
Closure of 'gap' between NP Forecast savings and actual (exc Pharmacy)	5	B	£864k	£0
Annual Procurement Savings and Cost Avoidance Target	5	B	£300,000	£300,000p/a
Payment Performance				
- 30 Day Target (volume / value)	5/7	C, D	96%/92%	95%
- 10 Day Target (volume / value)	5/7	C, D	85%/79%	90%
Percentage of trade spend captured electronically through purchase-to-pay systems (by value)*	7	C	30%	100%
Percentage of trade spend captured electronically through purchase-to-pay systems (by volume)*	7	C	82%	100%
Percentage of catalogued Pecos orders	5	C	94%	95%

* In developing the No Purchase Order, No Payment strategy, a number of areas have been made exempt for operational reasons. The 100% target therefore only applies to non-exempt areas.

** Spend captured through Pecos only

As it would very difficult to measure Key Priority A with a single KPI, performance in terms of continuity and security of supply is largely dependent on the supply of critical medical / surgical consumable products from the NHS Scotland National Distribution Centre (NDC). The Service Level Agreement between each Board and the NDC is governed by a suite of KPIs which is monitored closely between NDC Management and the Procurement Department and any supply issues are dealt with through this mechanism and escalated as appropriate.

Trade Spend Analysis

In the last full financial year (2016-17), NHS Dumfries & Galloway had a total core* trade spend with third party suppliers of approximately £49.6m as follows:

Category	Total
Clinical & Medical	£17,130,933
Professional Services Temporary Staff	£7,481,038
Social Care	£5,494,849
ICT	£3,308,756
Energy & Utilities	£2,955,743
Professional Services Consultancy	£2,798,667
Professional Services - Technical Services	£2,053,194
Construction	£1,871,313
Facilities	£1,608,163
Professional Services Other	£1,057,017
Office Solutions	£912,283
Engineering Goods	£588,219
Professional Services - Financial	£582,036
Waste Management	£572,284
Vehicles	£358,447
Fuels Lubricants & Gases	£281,639
Operational Goods & Services	£215,425
Logistics	£146,280
Travel & Events	£101,595
Professional Services - Learning & Development	£40,862
Uncategorised	£17,046
Marketing & Media	£15,610
Personnel Related	£11,187
Grand Total	£49,602,584

Source: Scottish Procurement Information Hub

*Core-Trade: Suppliers with whom over £1000 has been spent in a 12 month period, that have also been classed as a trading organisation.

In addition to direct spend with third party suppliers, the health board spends an additional £3.8m per annum on goods supplied by 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.

Financial Savings

NHS Dumfries & Galloway has a statutory obligation to break even. Due to current and forecast budget allocation, this will require over 3% 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 spend from non-contracted to contracted suppliers

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 to generate £300,000 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

Of the £49.6m trade spend, the breakdown of spend by location and supplier size was as follows:

Region	Company Size	Aggregate Spend 2016-17
Dumfries & Galloway	Large Company	£35,670
	Medium Company	£1,717,315
	Small Company	£1,870,515
	unknown	£114,633
Total		£3,738,133
Scotland excluding Dumfries & Galloway	Large Company	£1,836,250
	Medium Company	£1,777,768
	Small Company	£1,411,558
	unknown	£62,392
Total		£5,087,968
Rest of the UK	Large Company	£23,158,738
	Medium Company	£11,319,126
	Small Company	£5,696,221
	unknown	£98,259
Total		£40,272,344
Unknown Region	Large Company	£152,777
	Medium Company	£336,649
	Small Company	£10,551
	unknown	£4,163
Total		£504,139
Grand Total		£49,602,584

Region	Aggregate Spend 2016-17	Percentage
Dumfries & Galloway	£3,738,133	8%
Scotland excl. D&G	£5,087,968	10%
Rest of UK	£40,272,344	81%
Unknown	£504,139	1%
Grand Total	£49,602,584	

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 Dumfries & Galloway to 10% by the end of 2019.

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 VAT rules to non-department staff. These will be developed and maintained and be published on the Procurement Department intranet page.

Procurement Staff

- We will develop and maintain a succession planning for existing staff development via secondments and acting up during the period of this strategy.
- We will provide opportunity for staff to enhance their knowledge and skills via Procurement related educational opportunities.

Organisational Improvements

Organisational Improvement Plan

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

- Improvement in contract coverage and sourcing activity within our Estates & Property Directorate and our eHealth / IM&T Department to support our Key Priorities B (provide value to the bottom line) and C (maintaining effective governance).
- 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).
- 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.

Accountability and Auditability

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 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

Procurement Board Leads

Specific responsibility for the delivery of the strategic objectives set out herein is vested in Board Leads - senior managers who are professionally accountable in relation to procurement activity. The Board Leads manage specific procurement remits and are accountable for the delivery of the strategic objectives. The Board Leads areas of delegated responsibility are:

Board Lead	Delegated Area of Responsibility
Chief Pharmacist	All medicines and some medical devices as agreed locally
Head of Estates & Property	All major, minor building projects and repair projects
Catering Manager	All food supplies and catering associated equipment
General Manager ICT	All IT projects, software, hardware and desktop.
Procurement Manager	All other 'in-scope' non-pay expenditure

All Procurement Board Leads are responsible for ensuring compliant to 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. In certain circumstances the threshold will be reduced to below £10,000 to ensure best value is achieved. 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 a 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 - £589,000. The process will be carried out 100% electronically.
- For expenditure in excess of c£118,000 (the current OJEU threshold) 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 £589,000. The process will be carried out 100% electronically.

The Board has developed standing financial instructions to ensure a compliant and efficient working environment and will review these annually.

A schedule of delegated responsibilities is 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 Procurement Department as appropriate.

All managers will be governed by the Code of Corporate Governance 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 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.

The same governance arrangements will also apply to the mandatory Annual Report requirement.

Equality and Diversity

The general equality duty requires NHS Dumfries and Galloway, in the exercise of its functions (including procurement), to have due regard to the need to (in relation to the 9 protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, sexual orientation):

- Eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Equality Act 2010
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not

The general equality duty is non-delegable. This means that the duty will always remain the responsibility of NHS Dumfries and Galloway. In practice, this may mean that NHS Dumfries and Galloway will have to ask their suppliers to take certain steps in order to enable the board to meet its continuing legal obligation to comply with the duty.

To support organisations to meet the general equality duty, the Specific Duties Scotland Regulations came into force in May 2012. One of these is the *'duty to consider award criteria and conditions in relation to public procurement'*.

Duty to consider award criteria and conditions in relation to public procurement

When NHS Dumfries and Galloway is the contracting authority and proposes to enter into a relevant agreement on the basis of an offer which is the most economically advantageous, it must have due regard to whether the award criteria should include considerations to enable it to better perform the equality duty.

Where NHS Dumfries and Galloway is the contracting authority and proposes to stipulate conditions relating to the performance of a relevant agreement, it must have due regard to whether the conditions should include considerations to enable it to better perform the equality duty.

Nothing in the legislation imposes any requirement on NHS Dumfries and Galloway where it would not be proportionate to the subject matter of the proposed agreement.

Useful Links

- [NHS Dumfries & Galloway Procurement Web Page](#)
- [NHS Dumfries & Galloway Buyer Profile \(on Public Contracts Scotland\)](#)
- [NHS Dumfries & Galloway Public Facing Contracts Register](#)
- [Scottish Model of Procurement](#)
- [Changes to European Directives](#)
- [Public Procurement Reform Programme](#)
- [EU Procurement Thresholds](#)
- [Procurement Journey](#)
- [Public Contracts Scotland](#)
- [Information Hub](#)

DOCUMENT CONTROL SHEET

1. Document Status

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2. Document Amendment History

Version	Section(s)	Reason for update
1.0	All	To refresh, update and replace the previous policy.
2.0	Equality and Diversity	Updated following with discussion with Equality and Diversity lead

3. Distribution

Name	Responsibility	Version number
Performance Committee	For noting	1.0
NHS Board	For approval	2.0

4. Associated documents

- Equality and Diversity Impact Assessment (to be completed)

5. Action Plan for Implementation

Action	Lead Officer	Timeframe
Dissemination to senior staff through line management	Management Team	30 April 2018
Raise awareness and inform staff	All line managers	30 April 2018
Use strategy	All staff	30 April 2018