



**PROCUREMENT
STRATEGY**

2013 – 2016

PROCUREMENT STRATEGY 2013 - 2016

DOCUMENT CONTROL		POLICY NO.	TBC
Policy Group	Procurement		
Author	C Sanderson	Version number	1.0
Reviewer	K Lewis	Implementation date	May 2014
Scope (Applicability)	Board wide		
Status	Final	Next review date:	Jan 2016
Approved by	NHS Board	Last review date:	

DISTRIBUTION LIST

Version	Date	Role	Distribution List
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1. INTRODUCTION

This Procurement Strategy document seeks to build on the Strategy which covered the period to the end of 2013, and outline a strategy covering the period 2013-2016.

D&G Health Board seeks to deliver excellent care that is person-centred, safe, effective, efficient and reliable and to reduce health inequalities across Dumfries and Galloway.

The professional management of procurement activity is a critical factor in contributing towards the efficient operation of NHS Dumfries & Galloway Health Board and the attainment of corporate aims and objectives as detailed within this document.

Astute procurement management can make a significant contribution in the support of patient care through the influence it has within the scope of the purchase and delivery of services and products.

The NHS Dumfries & Galloway Procurement Strategy positions procurement activity visibly within the organisation establishing Board level commitment to and involvement in the management of the NHS Dumfries & Galloway supply chain. It sets out clear, measurable objectives and priorities for improvement which will be closely monitored.

Progress against strategic objectives will be reported on a regular basis through the Procurement Steering group and quarterly to the Board's Audit Committee. The strategy addresses key procurement issues and is subject to regular review.

The strategy will be pursued through the NHS Dumfries & Galloway procurement programme with clear targets and timescales being established in relation to improvement in procurement activity undertaken at an operational level.

The strategy will additionally shape policies which set out the detailed operational controls governing procurement activities which meet the requirements of the NHS Dumfries & Galloway's Standing Financial Instructions and relevant legislation.

The strategy is aligned with our corporate aims and objectives, specifically:

- To deliver excellent care that is person-centred, safe, effective, efficient and reliable
- The delivery of continuous quality improvement and sustainability through services that are effective and efficient
- To maximise the benefit of the financial allocation by delivering clinically and cost effective services efficiently.

2. STRATEGIC CONTEXT

This strategy sits against a backdrop of a concerted effort to improve procurement within the Scottish public sector as driven by the Scottish Government and National Procurement Scotland. This direction has come from a number of reviews and outputs :

1. The Public Procurement Reform Programme

This was initiated in response to a review of public procurement in Scotland carried out by John F McClelland CBE. The Programme's Vision being 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.

2. The Scottish Procurement Policy Handbook

This was produced in response to the recommendations set out through the McClelland Report. It sets out the fundamental rules, behaviours and standards applicable to public procurement activity in Scotland. The Scottish Procurement Policy Handbook is shown in full at **Appendix 1**.

3. Procurement Principles

The Scottish Government have also published a set of key procurement principles which are required to be adopted by all Health and Special Boards in Scotland in order to support the aim of achieving best value from procurement activity.

These principles were developed through The Accelerated Procurement Initiative, which 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 NHSScotland, and to ensure that appropriate professional input from across the service is provided to assist in Best Value outcomes for procurement activity.

This work was developed further and is now controlled within the NHSScotland Procurement Steering Group. 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. They are as follows :

Key Principles

1. National, regional & local contracts: 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.

2. Engagement: Technical User Groups (TUGs) should be established by each Health Board for key projects with decision making powers from their Executive Board through a scheme of delegation. Each TUG will be responsible for supplier award and product selection decision making within their Board for local contracts and will provide representation to national CAP (Clinical/Commodity Advisory Group) panels for national contract activity. The decision of the TUG will be mandatory across the Board and will be made prior to development of national contract tendering activities.

3. CAP Panel Membership: CAP panels will have a membership consistent with the principle of decision making based on the consensus of the majority of informed users. Boards should ensure that appropriate representation, based upon the clinical or commodity area concerned is released to and provided with the appropriate authority to input on behalf of a Board and/or clinical specialism.

4. Commitment Contracts: The CAP and TUG groups will work to the principle of seeking to award Commitment based contracts. This means where possible a supplier(s) will be selected for an agreed volume of business by each Board and such volumes aggregated to provide a national commitment level. Where commitment cannot be provided, CAP and TUG groups will support the principles of reduced variation and increased consistency, commensurate with clinical and operational requirements.

5. eCommerce Systems: In support of governance and transparency each Board should adopt the Scottish Government national eCommerce solutions and associated business processes for all procurement activity. These solutions will include Public Contracts Scotland, Public Tenders Scotland, Collaborative Content Management and Pecos.

Use of alternative or local systems for procurement activity must be approved by the Board's lead Procurement Manager or the Director of Finance, based on existing schemes of delegation. Procurement leads will work with National Procurement and any other relevant bodies to ensure appropriate decisions are made.

6. Transparency: All awards whether from existing framework contracts or local tender processes will be established following the principles of openness and transparency. This requires clear specifications of need and award criteria against which competing offers can be assessed. All members of evaluation panels must confirm that they have no conflict of interest in relation to the specific procurement activity. Any individual wishing to challenge an award decision must also confirm likewise. Any member of staff who confirms a conflict of interest will not be able to be involved in such panels or challenges.

7. No Purchase Order / No Payment: Each Board must implement a policy where no payment shall be made to any supplier where there is no pre-let purchase order. Only if a separately agreed payment mechanism has been pre-arranged should direct payments be made. Each supplier should be formally notified of this and the limit of the Board's liability if they proceed with supply without such order cover.

3. BENEFITS OF IMPLEMENTING A PROCUREMENT STRATEGY

- A structured corporate approach to procurement activities.
- Aligns and contributes to NHS Dumfries and Galloway Corporate Objectives.
- Provides an oversight of non-pay spend and identifies opportunities for delivering savings through procurement activity.
- A mechanism to identify areas of priority to be focused on and activities to be resourced appropriately to achieve outcomes.
- Development of in-house skills.
- Improves the effectiveness of procurement activities that has an impact on the organisation and limits exposure to risk
- Supports and contributes to national objectives (Scottish Government, Efficient Government Reform, National Procurement, Procurement Capability Assessment, etc)

4. ROLES AND RESPONSIBILITIES

Board Nominated Lead Director

The CEO is accountable to the Board for the achievement of the objectives associated with the Procurement Strategy. The CEO nominates a Lead Director to take primary responsibility for procurement services across NHS D&G. The nominated Lead Director is the Director of Finance.

Procurement Board Leads (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
Pharmacy and Prescribing	All medicines and some medical devices as agreed locally
Capital & Operational Estates	All major, minor building projects and repair projects
Catering	All food supplies and catering associated equipment
IM&T	All IT projects, software, hardware and desktop.
Procurement	All other 'in-scope' non-pay expenditure

In some cases Procurement delegates purchase order responsibility to other 'expert' departments (Medical Physics, Catering and Laboratories), whilst maintaining overall responsibility for commercial arrangements.

5. GOVERNANCE AND STRUCTURE

A Procurement Strategy was approved by the Audit Committee for the period 2010-2013 in September 2008. A Procurement Steering group (PSG) has been established within the Health Board with a remit to develop and maintain an overall non-pay procurement strategy in terms of governance, legislation, process and reporting.

The PSG is chaired by the Chief Executive Officer (CEO)'s nominated Board Director lead, the Director of Finance. The Head of Procurement will be responsible for developing and maintaining governance best practice and processes in procurement across all five 'lead' departments.

The PSG will report into the Management Team and Audit Committee on a regular basis and offer updates on progress towards objectives and targets.

The specific purpose of the PSG is summarised below:

- To ensure that all five procurement 'lead' departments deliver consistent application of best procurement practice and Board Standing Financial Instructions.
- To develop and maintain a Board wide Procurement Strategy which takes account of the latest national and professional procurement developments and trends.
- The establishment of procurement standards based on published best practice and ensuring that the organisation has the capability of delivering compliance with these standards.
- The establishment of a supportive peer review process which will allow the continuous quality improvement of procurement in the organisation.

- To ensure that resources deployed to procurement are efficient and capable. This will include ensuring that appropriate skills and leadership is developed within the workforce.
- To ensure that technology is used effectively to improve efficiency and productivity across the procurement function and in its relationship with users and other stakeholders such as the finance department
- To develop and maintain a strategy for effective engagement with the procurement service users and the Board's supplier base and to ensure open and transparent processes are in place to encourage participation and competition.
- To ensure that appropriate capabilities and accreditations are maintained to provide a procurement service that delivers the long term goal of Procurement Capability Assessment (PCA) Superior rating.
- To develop and maintain a set of key performance indicators (KPI's) which will allow the overall procurement performance to be understood and monitored.
- To develop procurement strategy in line with requirements of current and future Scottish Government policy direction and any Regional or Local strategy developments. Examples being :
 - D&G Health Board membership of the West of Scotland Procurement Group.
 - The Bribery Act 2010.
 - Local Sustainability within Procurement.
 - Local Collaboration.
 - Use of Supported Businesses.
 - Development of SG guidance into local action plans and objectives.
 - Efficiencies obtained through outsourcing.
 - Community Benefits Clause within Procurement -eg new Acute development project.
 - New Service developments and the key involvement of Procurement.

6. AIMS OF THE PROCUREMENT STRATEGY

It is recognised that to deliver a high quality health service, heavy reliance is placed on the Board's capability to procure its goods and services effectively and efficiently.

The following strategic procurement aims and objectives are targeted to support and assist in achieving the Corporate Objectives of NHS Dumfries and Galloway, the National Procurement (NP) targets, Efficient Government Agenda (Reform) 3% savings, the Procurement Capability Assessment and the Best Practice Indicators.

The strategy aims to continuously improve quality and performance of service;

- Develop and improve processes and procedures to standardise and rationalise products and equipment.
- Improve internal arrangements to achieve a flexible, efficient and cost effective supply chain.
- Reduce prices and achieve best value through competition, commitment, improved planning and prompt payment.
- Continual optimisation of stock levels ensuring operational requirements are met.
- Ensure that there is a clear chain of accountability and an appropriate resourced structure, in order to develop, improve, deliver and manage performance at all levels.
- Develop and optimise relationships and collaborative working with other organisations.

Aim 1: Develop and improve processes and procedures to standardise and rationalise products and equipment

The Board accepts that employees who use consumables and equipment, have an important part to play in the selection process, however, that failure to balance individual preference with corporate needs, can incur unnecessary costs and quality issues when poor choices are made. Therefore the intention is to develop and implement procedures to improve product selection and standardisation.

- To raise awareness and communicate the importance of procurement across the organisation and how individuals can contribute to the overall Procurement Strategy. This will be achieved by consulting with service areas involved with purchasing and suppliers, establishing various action groups and utilising various communication methods (newsletters, intranet, corporate induction, presentations etc).
- To improve procurement planning and programming through analysing spend, trends and requirements by utilising reporting tools such as Datamart, Spikes Cavell and Business Objects to enable business opportunities to be recognised and optimised.
- Maintain, develop and improve procurement procedures, systems and guidance to assist in the continual review and rationalisation of products and services utilised by the Board, ensuring the involvement of appropriate users at all times.

Aim 2: To improve internal arrangements by achieving a flexible, efficient and cost effective supply chain

The aim is to ensure that the end to end process of procuring goods and services are ordered, received and paid for in the most cost effective and efficient way possible, aligning with both the boards and the national targets. It is recognised that this aim can be achieved through the benefits available from e-Procurement and Strategic Sourcing

- To reduce the cost of ordering and the number of low value orders by rationalising the supplier base, standardising product ranges and aggregating orders
- To consolidate electronic procuring systems to increase efficiencies, standardisation, improve transparency of trends and improve accuracy of reporting
- To continue participation within the West of Scotland Procurement Group.
- To analyse the potential to consolidate deliveries to reduce number of carriers and cost within the supply chain.

Aim 3: Reduce prices and achieve best value through competition, commitment, improved planning and prompt payment

Price is an important element, but is not the only element of total acquisition and supply costs, Best Value consideration is essential to all procurement decisions, it is fundamental to whether services can be provided in a more effective and economic way. It is identified within the European Union (EU) Procurement Directives that contracts can be awarded either on the basis of the 'lowest price' or 'most economically advantageous tender'.

- Use competition whenever appropriate in line with the Standing Financial Instructions (SFI) and the EU Directives.
- Aggregate demand through effective business planning and co-ordination.
- Develop price trend analysis and benchmarking.
- Support the development of collaborative procurement arrangements at a local, consortium and national level.
- Investigate potential areas of equipment utilisation through effective pooling, but ensuring any implementation would not be to the detriment of patient care.
- Encourage better procurement planning and management within directorates (wards and departments).

Aim 4: Continual optimisation of stock levels ensuring operational requirements are met

Holding stock is often seen as undesirable due to the value of the stock and the cost of maintaining it, there is however a need to have the right materials at point of use required. This will inevitably lead to some stock being held however the volumes and value need to be considered upon the individual service areas operational risk of being without the stock.

- Review existing stocks and set optimum stock levels, taking account of the delivery capability of suppliers and criticality of supply. This needs to be considered in line with the National Distribution Centre.
- Review the monitoring of stock levels and review security of stock.
- Ensure optimum use of inventory management systems.
- Ward Top-up system to be reviewed at regular intervals to continually improve and identify areas for opportunities.

Aim 5: Ensure that there is a clear chain of accountability and an appropriate resourced structure, in order to develop, improve, deliver and manage performance at all levels

- Progress on a work stream approach for bases of a procurement programme, allocating responsibility to the appropriately skilled officers within the procurement structure. This approach will also support the Procurement Competency Framework as set out by the Scottish Government and will serve to develop and support personal objectives within the NHS Knowledge and Skills Framework and will assist to increase the scoring on the McClelland attribute 'Resources & Skills'.
- Ensuring that the Procurement Department are pro-active and engage with all appropriate commodity groups e.g. Capital Investment group, Tissue Viability Group.
- Develop an effective network of communications with the Operational Directors and or General Managers to support and assist in the delivery of the Procurement Strategy

7. GOALS AND OUTCOMES OF THE PROCUREMENT STRATEGY

The primary goal of our strategy is to improve the Procurement Capability within the organisation. The outcome we seek to achieve is to improve upon our PCA scoring of 58% (Improved Performance) achieved in 2013 to that of 'Superior' over the lifetime of this strategy.

The PCA covers 55 questions split across 8 key sections :

- Procurement Leadership & Governance
- Procurement Strategy & Objectives
- Defining the Supply need
- Procurement commodity/project strategies & collaborative procurement
- Contract & Supplier Management
- Key Purchasing processes and systems
- People
- Performance management

A formal report outlining the annual PCA score and ensuing action plan is presented to the Audit Committee annually for approval. In order to achieve this we will need to:

- Fully analyse our 2013 performance, develop an action plan and drive improvement through the Procurement Steering group.
- Continue working to deliver across our procurement development plan with National Procurement guidance and help.
- Continue to participate and develop our approach within the West of Scotland Procurement Group as this supports a number of assessment areas within the PCA.
- Continue to provide strategic leadership, guidance and delivery across the Scottish Government key Procurement Principles.

8. IMPLEMENTATION

This strategy will be formally distributed to General Managers and Executive Directors via the appropriate Management Boards. It will also be published on the Procurement Portal on the Intranet (Hippo). The strategy will be subject to ongoing review by the Director of Finance and the Head of Procurement. This will take account of changes to NHS D&G, NHSS and Scottish Government policies and strategies.

The Procurement Steering group will take responsibility for implementation of the strategy. An Implementation Plan will be requested from the Procurement Department and Devolved Procurement Areas setting out what actions will be put in place to meet the requirements of the strategy and will be monitored through the group on an ongoing basis.

Additionally, a set of KPIs will be developed which reflect the aims and objectives of the strategy and will be reported and managed through the Procurement Steering Group.

9. KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs will be managed through the Procurement Steering Group:

KPI	Target
% Formal Quotations advertised on PCS Quick Quote	100%
% Formal Quotations awarded on PCS Quick Quote	100%
<i>% Formal Tenders advertised on PCS eTender (System not in use yet)</i>	<i>100%</i>
<i>% Formal Tenders awarded on PCS eTender (System not in use yet)</i>	<i>100%</i>
Board-Wide Standard Contract Register in place (Y/N)	Yes
Procurement Capability Assessment Score (Annual)	75%
Delivery of Category A/B (National) Contract Savings	TBC
Delivery of Category C (Local) Contract Savings	TBC
Achieve Quarterly NDC KPIs	100%
Achieve annual NDC Revenue Target	Annual Target
% Trade Spend covered by contract	90%
% PECOS Catalogue Orders	90%
% Trade Spend through PECOS	55%
% Payments made with prior purchase order	100%
% West of Scotland Group Technical User Group (TUG) nominations filled	100%
% West of Scotland Group Technical User Group (TUGs) attended v confirmed nomination	100%