



PROCUREMENT STRATEGY

2017/18 – 2019/20

Extended to cover 2020/21 & 2021/22

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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-£106k 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.
CIPS	The Chartered Institute of Procurement and Supply. The professional body for Procurement across public and private sector.
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 Lanarkshire's ability to procure its goods and services economically, effectively and efficiently. As a public sector body it is also important that NHS Lanarkshire 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 Lanarkshire'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 Lanarkshire'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 the NHS Lanarkshire and its patients are met.

Strategy Context

This Procurement Strategy is set against NHS Lanarkshire's Corporate Objectives which are as follows

1. To ensure that all resources are deployed to best effect, achieving desired outcomes and value for money
2. To ensure that there is sufficient focus on prevention, self-care, home support and care to reduce reliance upon hospitals and to support the desired shift in the balance of care
3. To deliver services that listen and respond to the needs of individuals, patients and carers to continuously improve experiences and outcomes
4. To deliver high quality services that are person-centred, safe, effective and sustainable
5. To promote excellence in NHS Lanarkshire's organisational values and behaviours that will support more effective partnership working with all of our stakeholders. NHS Lanarkshire aims to be an employer of choice through partnership working, staff development, and values-based leadership.

Key Priorities

Linking to our Corporate Objectives, NHS Lanarkshire'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 (2015-16)	Target Performance (2019-20)
Percentage of trade spend covered by contract	1	C	85%	90%
Proportion of Trade Spend with suppliers based in NHS Lanarkshire area	1, 5	D	21%	25%
Closure of 'gap' between NP Forecast savings and actual	1	B	TBC	£0
Annual Procurement Savings and Cost Avoidance Target	1	B	£1m p/a	£1m p/a
To hold at least one supplier development day per year	5	A, D	0	1
Payment Performance	1, 5	C, D	91.53% / 93.41%	95%
- 30 Day Target (volume / value)				
- 10 Day Target (volume / value)	1, 5	C, D	82.37% / 86.88%	90%
Percentage of trade spend captured electronically through purchase-to-pay systems (by value)*	1	C	19%	100%
Percentage of trade spend captured electronically through purchase-to-pay systems (by volume)*	1	C	79%	100%
Elimination of eFinancials (legacy system) Orders (by value)	1	C	£8,358,056	£0

* 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.

Trade Spend Analysis

In the last full financial year (2015-16), NHS Lanarkshire had a total trade spend with third party suppliers of approximately £230.5m as follows:

Category	Total
PFI Finance Providers	£52,245,138
Healthcare Consumables / Equipment	£39,354,876
Secondary Care Drugs	£49,336,628
Construction	£21,669,086
Social Care & Services	£15,125,729
Human Resources	£13,621,919
ICT	£10,108,873
Facilities Management	£6,127,073
Utilities & Energy	£4,456,014
Vehicles	£3,010,757
Healthcare Services	£2,354,797
Food, Beverage & Catering	£1,923,801
Waste & Environmental Services	£1,915,181
Financial Services	£1,425,316

Category	Total
Business Support Services	£1,353,559
Marketing & Media	£1,027,857
Professional Services	£1,009,460
Stationery & Office Products	£955,811
Laboratory	£675,489
Security Equipment & Services	£628,393
Industrial Goods	£591,660
Travel & Accommodation	£570,342
Other Goods & Services	£248,849
Personal Care	£237,757
Clothing	£188,256
Legal	£187,850
Education	£174,310
Grand Total	£230,524,782

Source: Scottish Procurement Information Hub

In addition to direct spend with third party suppliers, the health board spends an additional £13.8m 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.

Taking both elements together, approximately 85% 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 Lanarkshire 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 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 to £1m 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 £230.5m trade spend, the breakdown of spend by location and supplier size was as follows:

Location	Supplier Size	Spend	Proportion
Lanarkshire	Medium Company	£35,381,094	72.7%
	Large Company	£9,181,261	18.9%
	Small	£3,919,192	8.1%
	Unknown	£164,876	0.3%
Lanarkshire Total		£48,646,423	100.0%

Location	Supplier Size	Spend	Proportion
Scotland (ex. Lanarkshire)	Small Company	£17,691,492	62.4%
	Large Company	£5,020,533	17.7%
	Medium Company	£3,386,763	12.0%
	Unknown	£2,238,540	7.9%
Scotland (ex. Lanarkshire) Total		£28,337,328	100.0%

Location	Supplier Size	Spend	Proportion
Rest of UK	Large Company	£79,822,953	52.1%
	Medium Company	£37,188,483	24.3%
	Unknown	£24,266,557	15.8%
	Small Company	£11,893,865	7.8%
Rest of UK Total		£153,171,857	100.0%

Location	Supplier Size	Spend	Proportion
Unknown	Small Company	£206,116	55.8%
	Unknown	£108,908	29.5%
	Medium Company	£54,150	14.7%
Unknown Total		£369,174	100.0%

- Source: Scottish Procurement Information Hub
- Location data for £369,174 of spend was not available

In summary, trade spend by geographical location was as follows:

Location	Total	Proportion
Rest of UK	£153,171,857	66.4%
Lanarkshire	£48,646,423	21.1%
Scotland (exc. Lanarkshire)	£28,337,328	12.3%
Unknown	£369,174	0.2%
Grand Total	£230,524,782	100%

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 Lanarkshire to 25% by the end of 2019 which would equate to around an additional £9m of trade spend being spent with companies based in Lanarkshire as opposed to outwith.

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 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 Property and Support Services Division 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 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

The General Manager - Procurement shall be responsible for developing procurement guidelines, principles, policies and handbooks 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 £20,000 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 £20,000 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£106,000 (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 General Manager - Procurement has developed the Procurement element of the Board's standing orders and standing financial instructions to ensure a compliant and efficient working environment and will review these annually.

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.

The General Manager - 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 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.

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