

Trends in NHS Procurement and their impact

HFMA Procurement Forum
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NHS Shared Business Services

- Explore the concept of the Back, Mid and Front office for procurement
- Get your feedback
- Some of the trends and game changers we are seeing in NHS procurement with some ideas as we go on how you can maximise the opportunity or mitigate the risk
- Using the Standards of Practice as a basis – some tips on how you can strengthen your own team
- Tell you a bit about how NHS SBS procurement is changing in response to the shifts

NHS SBS Procurement Services – scope of services and clients



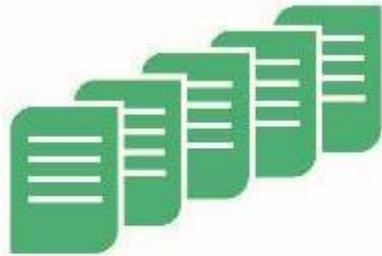
Shared Business Services

	Acute Trusts	MH Trusts	Community Trusts	CCGs	CSUs	NHSE	ALBs	Wider Public Sector	Description
Transactional Procurement	✓	✓	✓	✓	✓	✓			Requisition to Receipt outsourced service
Provision of Framework Agreements	✓	✓	✓	✓	✓	✓	✓	✓	Compliant routes to market in traditional and emerging markets
Integrated Procurement Partnering	✓	✓	✓						Outsource of all elements of procurement - modular
Strategic Sourcing Services	✓	✓	✓	✓	✓				Procurement Hub Services – Clinical and Commercial Advisors, Data Analysis, Implementation
Project Support and Delivery (commissioner and provider)	✓	✓	✓	✓	✓	✓	✓		Category, Commissioning and Procurement experts

NHS SBS Procurement Services – facts and figures

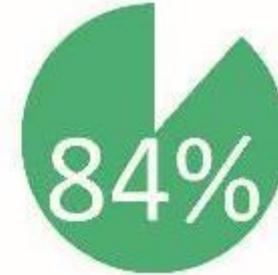
£3bn

via NHS SBS contracts on behalf of our clients



725

public sector organisations provided with access to frameworks

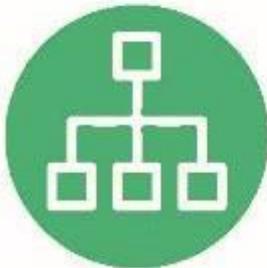


84%

spend placed via catalogues for client requisitions

70

approximately consolidated compliant framework agreements with 1200 suppliers on



£350m

savings opportunities delivered to the NHS



£18.5bn

managed through our Operational Procurement Service

300k

requisition lines processed annually on behalf of clients



97

clients supported across the NHS

Back – requisition to receipt processes, catalogue content management, materials management delivery, storage and logistics.

Mid – business partnering, sourcing, contract management, supplier management, risk management, category management, benchmarking, implementing changes in procurement/commercial legislation and regulation.

Front – Translating the organisational objectives into procurement and commercial strategies, horizon scanning for commercial risks and opportunities, setting and embedding the right commercial culture for the organisation.

- Does this resonate for you?
- Do you recognise any division of these functions within your organisation?
- Thinking about STPs and the drive to consolidate back-office functions, what areas do you think are a good fit for regional consolidation?

Why?

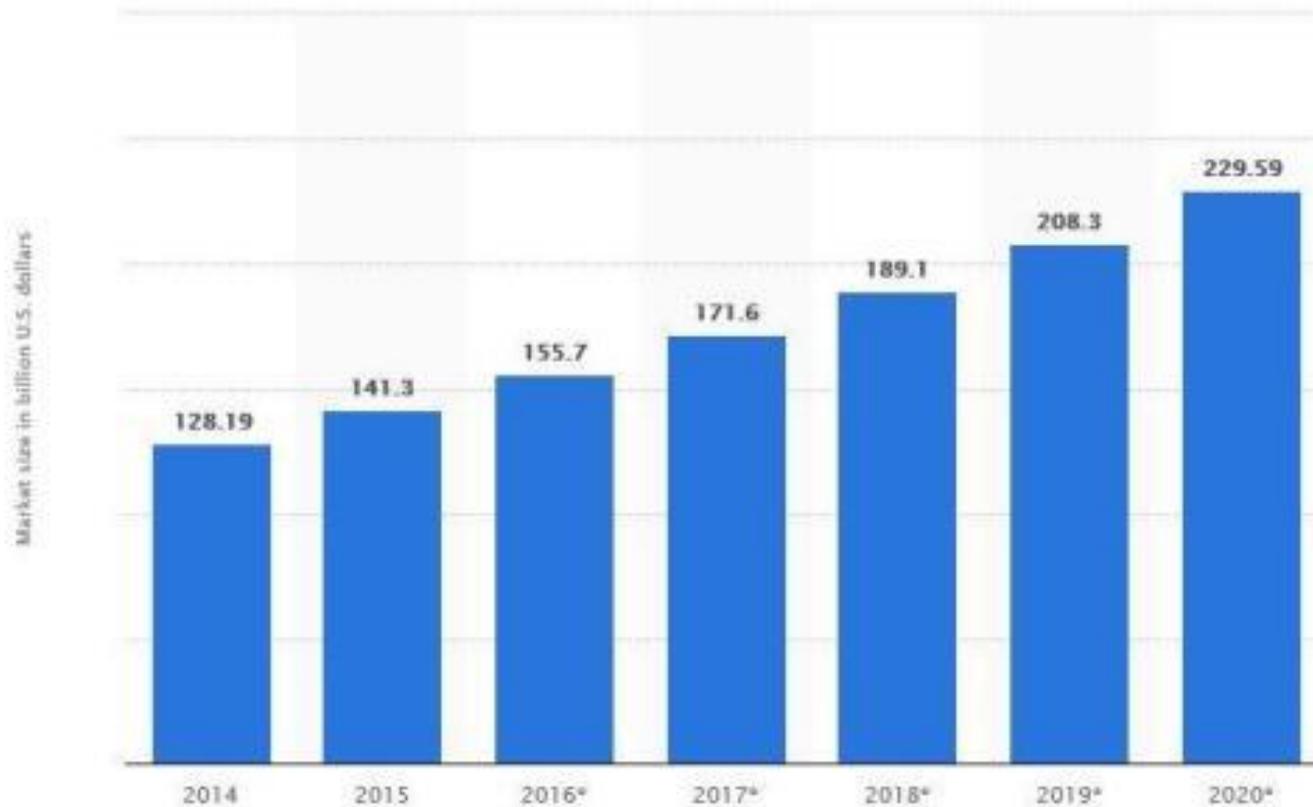
- Limited Capital Fund for equipment replacement
- Ageing equipment
- Increased demand in some areas e.g. endoscopy
- Innovations in markets – product, service and commercials
- VAT Recovery opportunity

Impact

- Growth in demand for Clinical Managed Equipment Services
- Increase in complex and innovative commercial models that are scalable
- Suppliers getting innovative with commercial models e.g. driving outcome based solutions
- Product spend getting 'lost' in the MES contracts

Focus has been on clinical but non-clinical growth is global across all sectors....

Size of the managed IT services market worldwide from 2014 to 2020 (in billion U.S. dollars) – growing by 11.5% annually



- How accurate is your Asset, Lease and MES Register?
- How will you engage the market to ensure you are capturing the right solutions?
- Have the got the capacity and capability in-house to run a procurement and award a contract in these complex areas?
- Neutral Vendor vs MES suppliers?
- Can you use a Framework Agreement which these procurements can be routed through? – renewals too
- Get VAT advice early in the process
- ISFR16? Are you going to need to consider changes in financial treatment for what you have in place or new schemes?

TREND 2: Need for Early Market Engagement is increasing

Why?

- Growth in innovative solutions.
- Predetermined specifications will not always get the best from the market
- Need to look at different commercial models i.e. risk share, revenue generating
- NHS trying to develop scalable models in line with the STP agenda

However

- Suppliers have more to lose and will challenge procurements
- Limited NHS experience of early market engagement

Guidance

- Regulation 40 of the [Public Contracts Regulations 2015](#) (PCR2015)
- PPN 04/12 and PPN 10/16

- ✓ There are risks with early engagement but the potential benefits far outweigh these
- ✓ Issue a PIN inviting expressions of interest
- ✓ Meet with a “proportionate number of suppliers in relation to market size”
- ✓ Separate the early engagement team from evaluation team
- ✓ Note on review clauses in contract – use with caution but may be appropriate for STP agenda as ‘foreseeable change’

TREND 3 – Legislation and Regulation

Changes are coming thick and fast

“Procurement Policy Note - Supply Chain Visibility” Action Note 01/18 10 April 2018

The Government wants to level the playing field and increase the visibility of supply chain opportunities to assist suppliers, including SMEs, in bidding for work in its supply chains. The Contracts Finder platform has been developed with new functionality that enables suppliers to Government to advertise subcontracting opportunities. In addition, the Government wants to have greater visibility of spend with SMEs in its supply chains.”



“Regulation 31 of the procurement regulations (SI 2015/102) (PCR 2015) introduced a new procurement procedure called “innovation partnership”

“The Concession Contracts Regulations 2016 (“CCR 2016”) are in force from 18 April 2016 in relation to all in-scope concessions advertised in the OJEU”



Why?

- Growth in digital/tech services and markets
- Development and growth of innovative solutions in response to NHS challenges
- Shift to service based contracts
- Innovation Acceleration

Impact

- Category expertise is often limited in these areas
 - No standard specification or contract template
 - NHS Standard Terms and Conditions are not always appropriate
 - Determining contract term is tricky – are there new entrants and evolving solutions?
-
- ✓ Check for any Framework Agreements in these areas
 - ✓ Undertake market engagement
 - ✓ Reach out to the procurement community
 - ✓ Talk to the suppliers – how are they contracting with other organisations?

System Perspectives on Innovation



TREND 5: Supplier Selection and Evaluation Scrutiny (post Carillion)

Why?

- High profile failure of some large outsourced contracts
- Increased and forensic review of processes post award
- Perception of systemic failure of financial evaluation models
 - Accounts are out of date when submitted, credit checks are a snapshot
 - Group structures make true worth hard to evaluate
 - Self declaration regime

Impact

- Selection increasingly high profile
- Not just a box ticking exercise
- CCS SQ aims to replicate European Single Procurement Document (ESPD)
- ✓ Review tender questions in line with risk of contract and ask for evidence
- ✓ Build in additional contractual reporting requirements to include updating financial assessment post award
- ✓ Consider your own contract management processes and resources

- Organised under 6 domains with each one containing between 2 and 7 standards
- 3 Levels of maturity for each standard
- Organisations can self assess and then undertake peer review
- An example

Dimension	Ref	Criteria	Level 1 – Procurement and Supplies Focus	Level 2 – Procurement & Commercial Activity Organisation-wide	Level 3 – Procurement & Commercial Activity – Internal & External Involvement
1. Strategy & Organisation The Board are fully accountable and committed to delivering best value across all areas of non pay expenditure to the tax payer, ensuring that goods and services are fit for purpose and support delivery of patient care. Appropriate commercial leadership is in place, engaging with stakeholders both internally and externally to reduce expenditure, increase efficiency, improve patient care, reduce risk and improve governance.	1.1	Strategy	<ul style="list-style-type: none"> • Clearly identified responsibility and accountability for all areas of non-pay spend. Clear understanding of spend which is addressable by the Procurement team. • Procurement strategy in place and developed in support of the organisation's strategy. • Procurement annual work plan agreed. 	<ul style="list-style-type: none"> • Procurement and Commercial strategy approved by the Board. • Clear evidence that the Procurement strategy is being implemented and that the Procurement team regularly updates the Board on progress. • Procurement strategy is backed by detailed short and medium-term plans for delivery (i.e. an annual work plan). • Procurement strategy references progress against the Procurement & Commercial Diagnostic Improvement Tool. 	<ul style="list-style-type: none"> • Procurement strategy is peer reviewed (by another NHS organisation). • Clear evidence that progress with the Procurement & Commercial Standards is reviewed on a regular basis by the Procurement team and at Board level. • Evidence that the performance of the Procurement team (e.g. progress against the annual workplan) is updated to the Board as appropriate.
	1.2	Executive Procurement and Commercial Leadership	<ul style="list-style-type: none"> • Clear accountability at Executive level for the Procurement strategy. • Identified Non Exec Director and/or Governor link to provide challenge/scrutiny for Procurement activity. 	<ul style="list-style-type: none"> • Executives are clear advocates for Procurement arrangements throughout the organisation. Budget holders have received procurement and commercial training as appropriate. • Clear accountability at Executive level for the all commercial decision making. 	<ul style="list-style-type: none"> • Executive and senior leadership teams demonstrate commitment to ensuring appropriate commercial arrangements are in place across the organisation (for example this may be included in job descriptions).

The Board are fully accountable and committed to delivering best value...commercial leadership in place.....internal and external engagement

Commercial Leadership

- ✓ Does your Board need a Commercial Director? Or is there another function that Commercial can sit within?

External Engagement – proactively engaged with other NHS organisations

- ✓ Use an NHS “Hub” to help with this and spread the load across the teams
- ✓ Join and encourage your teams to join the NHS Centre for Procurement Efficiency Procurement Members Forum
https://nhscpe.kahootz.com/connect.ti/system/text/workspace_list

The organisation has the appropriate commercial capability.....

Resourcing Strategy

- ✓ Consider outsource the back-office elements to allow scarce procurement expertise to focus on the mid and front office
- ✓ Managing peaks and troughs through interim and project resources

Focus on defining need....category management....contract management.... reduce risk....efficient use of clinical time

Category Expertise

- ✓ Tap into category expertise at the Collaborative Procurement Organisations/Hubs
- ✓ Use National Category guidance and understand initiatives – FOM, NHSI, GIRFT, NCP

Contract and Supplier Management & Sourcing Processes

- ✓ Use PPIB to benchmark and get support to build strategies from results

Efficient and effective use and planning resources, release space...improve patient safety

- ✓ Centralise receipting of orders – Number 1 reason why suppliers don't get paid and put a Trust on stop!
- ✓ Inventory Management - Pilot a system – tap into learnings from other organisations to decide what approach might work for your organisation
- ✓ Use the Scan4Safety evidence to build a business case

5 – Data Systems and Performance Management

...effective and automated processes....electronic invoice matching and payment...extensive catalogue coverage facilitates reporting and performance measurement

- ✓ Consider the business case to get help managing catalogue content
- ✓ Use 'model hospital' KPIs for reporting internally
- ✓ Use PPIB (The Purchase Price Index and Benchmark) –not just for acute Trust
- ✓ Consider invoice tolerances (£10 and/or 10%)

Procurement systems and processes ensure VFM....procurement policy considers the commercial impact on wider health economy...

Procurement Policy and Process Compliance

- ✓ Implement Supplier Credentialing policy e.g. Intellicentrics
- ✓ Develop the business case for external provision of catalogue and content management
- ✓ Engage Spend Recovery services – usually gain share fee structure – CCS framework agreement
- ✓ No PO No Pay initiatives

Asset Management

- ✓ Asset Register? Do you need an audit? Not just good practice – this will be essential in understanding ISFR16 for your organisation and for considering any Managed Services

- ✓ Changed Commercial Model – Free Access to all Framework Agreements
- ✓ Increase in implementation support – Recognising more support needed in more complex areas
- ✓ New Framework Agreements – emerging category areas
- ✓ Increased legal scrutiny on our procurements
- ✓ Increased Project Resources
- ✓ Creating AI solutions to access Framework Agreements
- ✓ New horizon scanning function – recruited a Procurement Innovation and Solutions Manager