

Buying better

A strategy that focuses on people, processes and partnerships has reinvigorated procurement at University Hospitals of Leicester NHS Trust and made a significant contribution to savings. Seamus Ward reports

In 18 months, University Hospitals of Leicester NHS Trust has turned around its procurement function, producing significant savings, better-trained staff and streamlined processes. It was highly commended in the Health Care Supplies Association national awards in 2016 and is now involved in shaping the national procurement agenda.

Financial pressures at the trust prompted the initiative. In 2015/16, the trust reported a £34m deficit – £2m better than its initial control total thanks to delivering a cost improvement plan of £43m. Procurement played a role in this – non-pay procurement savings that year were £3.8m. But with a significant underlying deficit, chief financial officer Paul Traynor believed more could be saved from the £400m it spends each year on goods and services.

He asked Ben Shaw, the head of procurement and supplies who was appointed in January 2015, to develop a procurement and supplies strategy to deliver these savings. A listening exercise with colleagues inside and outside the trust followed, identifying three factors critical to transforming procurement at the trust:

- Developing the people and team
- Creating and embedding efficient processes
- Building strong partnerships with



stakeholders inside and outside the trust.

The initial focus was on getting the procurement team right. 'I think we have done really well. We went from saving less than £4m a year to this year [2016/17], when it will be close to £8m. To do that you have to start with the people and get the right team. You must focus on the team and then the processes – looking at partnerships and asking everyone what needs to improve. If you focus on these things the performance will start to sort itself out,' Mr Shaw says.

'I was fortunate in that I had a good and experienced team and my predecessor had laid good foundations, but I found some key processes were not in place to drive better performance. Historically, perhaps the profile of the

team was not as high as it could be.'

When vacancies came up following several retirements, rather than replace them like-for-like, Mr Shaw recruited more junior staff into specialist procurement roles. Others were recruited to focus on improving the trust catalogue and order processing. The team was restructured gradually, with staff assigned to manage categories of goods and also aligned to departments as account managers.

It would have been difficult to recruit staff with a purchasing background from the private sector, he says, so the trust made the decision to grow its own. The team has focused on developing these individuals, committing to their training and also to the skills of existing staff.

Sharpening skills

As a result, four staff have started their Chartered Institute of Purchasing and Supply qualification, while three others are taking the Institute of Leadership Management course.

Not only has this led to the trust keeping these staff, but they are also gaining the skills to move to more responsible positions, which in turn will help with succession planning.

Training has been introduced for non-procurement colleagues, including an e-learning tool, *Buy the right way*,

which all new requisitioners must take before being able to place or approve requisitions. A series of guides has been produced to help colleagues make more complex orders, while the team also offers one-to-one training.

Processes – particularly the trust's supplies catalogue – became a major element of their work. Ideally, orders should be raised via an Amazon-style catalogue, but Mr Shaw did not find this when he joined the trust.

'We want to save every penny we can to help clear the deficit or reinvest in the trust,' he says. 'We weren't saving as much as we could have and the processes were costing the trust. For example, our catalogue was not in the greatest condition. When people raised an order, if they couldn't find it on the catalogue, they would use free text.'

Free text ordering is problematic for a number of reasons – for example, people will call the same item by different names, making it difficult for the procurement team to aggregate orders, get an overview of what's being ordered or ensure existing contracts with suppliers are used.

'We had lots of free text orders because the catalogue wasn't up to date,' says Mr Shaw. 'We found the prices we were paying were not what we'd agreed with suppliers. It takes

people a lot of time to process these orders and we weren't getting visibility on what they were buying. We've done really well pushing back on this.'

Mr Shaw says the team needed to take the ordering and delivery of day-to-day supplies – such as syringes, gloves, dressings and stationery – away from individuals on the wards. Not only did this free up clinical time but it also gives the procurement team greater control over the buying and restocking process.

The work on the catalogue and training requires the procurement team to work in partnerships. It is also working closely with suppliers and local trusts, including collaborating with Nottingham University Hospitals NHS Trust and Northampton General Hospital NHS Trust. The latter saved £150,000 on pacemakers and implanted cardioverter defibrillators using one of Leicester's framework agreements.

The Leicester procurement team has adopted ideas from industry. When he joined the trust in January 2015, Mr Shaw was completely new to the NHS, having spent 15 years in the private sector, including the automotive industry and, latterly, Severn Trent Water, as well as Leicestershire County Council.

At the water company he worked on a continuous improvement programme, which had been developed by Unipart and Egremont using Japanese principles including Lean.

He was able to bring some of that programme to the trust procurement strategy. 'It was all about how to manage strategies and how to drive change in a team,' he says. 'It was developed by Toyota and one idea is

to give teams time out each day to fix problems themselves. We take them out for 20-30 minutes a week to look at our performance and we ask the team to identify problems holding us back, agree who is going to fix each one and when they can do it.'

The process work on its catalogues is a good example of the continuous improvement programme. There were 40,000 items in the catalogue when work started and about 25,000 were priced incorrectly. Mr Shaw says this caused a lot of problems – mismatches in prices between orders and invoices, for example. The procurement team had been trying to tackle this for some time but hadn't managed to resolve it.

'We did a lot of listening and issued stakeholder questionnaires. It was quite clear that the issue with the catalogues was having a big impact on stakeholders and the team. We weren't working as a team – the people who looked after the catalogue were not getting the information they needed from the procurement team.

'The team is a good one, but they identified they could be a lot better.'

Team effort

Continuous improvement allowed them to identify the issue and agree how to tackle it. They bundled incorrect items by supplier – finding, in one case, a buyer had not renegotiated a contract with a supplier for 1,000 different items, which meant prices were out of date.

'The buyer should be negotiating new, hopefully lower, prices and then uploading them to the catalogue, but where they haven't, the supplier will



charge a different price than the one in the catalogue,' says Mr Shaw.

The prices would often be higher but once identified, the buyer responsible for that supplier renegotiated the contract. Some buyers had more to renegotiate than others, so the team rallied around to share the workload.

There was also an issue with the time taken to upload new prices to the trust's online catalogue. 'Sometimes it would take two to three weeks, so the prices went out of date,' he says.

To address this, support has been given to the staff member responsible for uploading changes. And to smoothe the process, the team is aiming to begin renegotiation ahead of the contract expiry. 'These are small things that didn't really cost any money but make a big difference,' he adds.

By April 2016, the team had reduced the number of incorrect prices in the catalogue down to 2,000.

'I thought we'd gone as far as we could. But someone on the team said, "Why settle at 2,000?". So we looked to get it down to 500, and recently it was down to just 53 lines in the catalogue.'

Mr Shaw and the team now support the trust-wide continuous improvement programme, *The UHL way*, and their work has won them the 2016 HFMA East Midlands Branch innovation award.

The next step is for buyers to become more proactive and engage with suppliers six to 12 months ahead of contract expiry. 'We want to be progressively more strategic, think about how to negotiate the bigger contracts, rationalise what we buy and reduce demand. But we have to get the basics right to do some of this bigger stuff.'

Efforts are already being made to slim down the catalogue – weeding out higher cost items in favour of lower cost alternatives, where appropriate. A nurse works in the team and runs the clinical engagement group to identify contract savings and rationalise the number of items in the catalogue.

'We're in a relatively good position – of the 40,000 items in our catalogue, we use 8,000-12,000 a year. That's a lot better than many other trusts, but there's always more we can do.'

Mr Shaw would be the first to admit that Leicester's procurement work is far from complete – and continuous improvement should ensure it does not rest on its laurels. But with its focus on people, processes and partnerships it has made a good start. ◉

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