

Board of Directors' Meeting Report – 5 September 2017

Agenda item 70/17

Title	Procurement Transformation Plan
Sponsoring Director	James O'Sullivan
Author(s)	Tracey Leforte
Purpose	To seek board approval
Executive Summary	
The purpose of this paper is to seek board approval of this plan as per NHS Improvement instruction. The document details what level the Trust is currently with procurement standards and Carter metrics and how it plans to deliver the next level by October 2018.	
Date Reviewed by SLT & JEG	24 August 2017
Related Trust Objective	Excellent Patient Outcomes Excellent Patient Experience Engaged and Valued Staff Financial and Operational Sustainability – Financial, Operational, Estate
Related Risk	All BAF Risks
Essex Success Regime	Does this proposal have any implications for the other Trusts within the Essex Success Regime (BTUH and MEHT) or for the Mid and South Essex health economy as a whole? This plan is linked to the procurement of the Essex Success Regime to mitigate longer term risk regarding areas of resources and systems.
Legal implications / regulatory requirements	None
Quality impact assessment	None
Equality impact assessment	As far as can be ascertained this paper has no detrimental impact for the 9 protected characteristics under the Equality Act 2010.
Recommendations: The Board is asked to approve this plan for submission to NHSI as per their request.	

1. Executive Summary

1.0 Under the Lord Carter implementation plan, NHS improvement requires acute NHS providers to comply with the NHS procurement Standards. This includes a scoring system for obtaining levels 1 to 3. Acute Trusts are required to achieve level 1 by October 2017 and level 2 by October 2018.

1.1 Acute NHS providers were required to submit a Procurement Transformation plan by the end of October 2016 (this has been extended), which details how the standards will be met by the Trust and when. From the self-assessment Southend achieved a score of 1.66 out of 3 (this score is subject to a peer review confirmation)

1.2 Following the self- assessment, there are a series of key activities which the Trust was originally required to address and undertake to achieve level 2 by October 2018, namely:

- Scope of procurement
- Improve category management
- Introduce a single purchase to pay system
- Invest in a dynamic stock management system
- Develop and invest in materials management service

2. Trust Procurement Performance

Metrics

Table below

MEASURES		PERFORMANCE				COMMENTARY
		SEPT 2016	MARCH ACTUAL 2017	TARGET SEPT 17	TARGET SEPT 18	
Metric 1	Monthly cost of clinical and general supplier per 'WAU' (weighted activity unit)	£3,512k	£3,224 k	TBD	TBD	Metric 1 – Clinical Supplies per WAU. General supplies spend per (WAU), when added together can generate relevant non pay spend per WAU. (lower quartile is £3,226k)
Metric 2	Total % purchase order lines through a catalogue (trajectory target 80%)	93%	93%	100%	100%	Metric 2 - % of transactions on e-catalogue.
Metric 3a	Total % of expenditure through an electronic purchase order (trajectory target 80%)	66%	90%	80%	%	Metric 3 - % of transaction on electronic purchase order.
Metric 3b	Total % of transactions through an electronic purchase order (trajectory target 80%)	53%	64%	80%	%	Introduction of the no order no pay will address this
Metric 4	% of spend on a contract (trajectory target 90%)	55%	66%	90%	%	Metric 4 - % spend on electronic purchase order.
Metric 5	Inventory Stock Turns	17 Days	13.5 Days	10 Days	10 Days	Metric 5 – Inventory.
Metric 6	NHS Standards Self-Assessment Score (average total score out of max 3)	1.66	1.66	1.76	3	Metric 6 – Standards of Procurement assessment score. Target date for level 1 completion – Oct 2017 met. Subject to peer review.
Metric 7	Purchase Price Benchmarking Tool Performance	TBC	N/A	TBC	TBC	Awaiting metrics
Metric 8	Other Trust Specific e.g. CIP	TBC	N/A	TBC	TBC	Awaiting metrics
Metric 9	Other Trust Specific e.g. CIP	TBC	N/A	TBC	TBC	Awaiting metrics

RAG rating is against Carter Targets.

RAG Rating Definitions: Green = better than the Lord Carter or Trust target ; Amber = Up to 10% less than Carter target; Red = More than 10% below Carter target

3. Procurement Transformation Plan - Summary

The table attached in Appendix 1 provides the self-assessment current position and indicates the areas that need to be improved over the next 14 months to October 2018 to obtain the level 2 target.

Please note that external factors need to be considered in the assurances to deliver level 2 in particular the work of the Essex Success Regime,

Below are the issues and matters to be considered to address the transformation.

3.1 People & Organisation

- Procurement team:
 - Procurement & Supplies team structure and resourcing will be undergoing further training and development to deliver category managed procurement.
 - The senior procurement team will need to be closely aligned to Directorates to install a business partner way of working to ensure greater focus.
 - Executive oversight and leadership is required to attain level 3 in particular a procurement representative at Board level.
 - The Trust has an agreed procurement strategy in place.

3.2 Processes, Policies & Systems

- Standing financial instructions will require review especially with the collaborative working of the Essex Success Regime.
- Procurement policies and procedures are under review and will be available on the Trust intranet.
- The Trust needs to consider a finance system review that facilitates an end to end purchase to pay transition in one solution.
- Changes to the materials management processes in the trust requires leadership to develop and train the team to ensure maximum delivery of the benefits of materials management.
- This should also include a review and possible investment of an inventory stock management system.
- The Trust has also adopted the MIA (Medical Industry Accredited) scheme to control the volume of supplier representatives that seek to introduce product and services to our colleagues.

3.3 Partnerships

- The Essex Success Regime is the overarching focus for the team.
 - Collaborations – working with wider Essex to optimise and aggregate purchasing power.
 - Supporting the National Agenda – Trust is an active member of a variety of national groups to ensure Southend and the Essex Success Regime are represented and participating.

4. Risks and issues

4.1 Skills gap in the team to be addressed – training and mentoring required

4.2 Scope of procurement- to ensure we capture all areas of non pay spend the profile of procurement must change to support all of the business, and to have no procurement undertaken outside of the central team.

4.3 The Trust needs to invest in a complete purchase to pay solution, in order to reach level 2.

4.4 Recruitment of a supply chain manager to develop the materials management team has been difficult to recruit to.

4.5 GS1 (Global Language for business) Strategy to be developed for the Trust.

4.6 Mitigation:

Some of these areas will be addressed via the work being undertaken by the Success Regime as these are common risks across the three Trusts.

5. Future

- The keys actions for 2017/18 are;
 - Work on implementation and training of staff commenced and staff are being invited to attend National Procurement Skills Development training (Tracey Leforte is a trainer)
 - Continue to work in partnership with 3rd party providers and other NHS Trusts to achieve CIP target of £1,700,000 – April 17 onwards
 - Work with the focus of the success regime to align procurement across the hospitals- April onwards
 - Review purchasing system with a view to changing or upgrading November 2017

5.1 Trust now submits data on a monthly basis (please see attached Appendix 2 that provides our Carter metrics for the Model Hospital)

5.2 Trust Peer review to confirm our assessment to be undertaken

5.3 Submit our Procurement transformation plan to NHSi upon board approval.

Appendix:

NHS Improvement tool – Results
NHSi Monthly data submission

NHS Procurement & Commercial Diagnostic & Improvement Tool - Results

Trust Summary	Current	Target (16/17)	Target (17/18)
1. Strategy & Organisation	2.00	2.60	3.00
2. People & Skills	2.00	2.00	3.00
3. Strategic Procurement	1.71	2.17	3.00
4. Supply Chain	1.50	2.00	3.00
5. Data, Systems and Performance Management	1.43	2.00	3.00
6. Policies & Procedures	1.40	2.20	3.00

Area	Breakdown of results			
	Standard	Current (16/17)	Target (16/17)	Target (17/18)
1. Strategy & Organisation	1.1 - Strategy	2	2	3
	1.2 - Executive Commercial Leadership	2	3	3
	1.3 - Procurement & Commercial Leadership	2	3	3
	1.4 - Internal Engagement	2	3	3
	1.5 - External Engagement	2	2	3
2. People & Skills	2.1 - People Development & Skills	2	2	3
	2.2 - Scope & Influence	2	2	3
	2.3 - Resourcing	2	2	3
3. Strategic Procurement	3.1 - Category Expertise	1	2	3
	3.2 - Contract & Supplier Management	2	3	3
	3.3 - Supplier Relationship Management	2	2	3
	3.4 - Risk Management	1	3	3
	3.5 - Sourcing Process	2	2	3
	3.6 - Benchmarking	2	2	3
	3.7 - Specifications	2	2	3
4. Supply Chain	4.1 - Inventory Management & Stock Control	1	2	3
	4.2 - Logistics	2	2	3
5. Data, Systems and Performance Management	5.1 - Performance Measurement	2	2	3
	5.2 - Savings Measurement & Credibility	2	2	3
	5.3 - Catalogue Management	2	2	3
	5.4 - Procure to Pay (P2P)	1	2	3
	5.5 - Cost Assurance	1	2	3
	5.6 - Spend Analysis	1	2	3
	5.7 - GS1 & Patient Level Costing	1	2	3
6. Policies & Procedures	6.1 - Procurement Policy & Guidance	2	3	3
	6.2 - Process Compliance	2	2	3
	6.3 - Asset Management	1	2	3
	6.4 - Corporate Social Responsibility (CSR)	1	2	3
	6.5 - SMEs	1	2	3
Overall Average Score		1.66	2.18	3.00
Minimum Score		1	2	3

