IMPROVING PROCUREMENT 2015
‘THE NEXT PHASE OF PROCUREMENT REFORM’

28 JANUARY 2015
Welcome & Housekeeping

- Welcome to the Improving Procurement Event 2015
- Builds on previous year’s successes
- A sharing of Challenges, Strategies, Solutions, Innovations
- A series of top speakers throughout the day
- An opportunity for questions and answers
- A fantastic networking opportunity throughout the day
- Full delegate presentation pack will be issued next week
- No Fire Drills planned
- Main presentations in Arcoona, workshops in Clyde and Cameronia
- Lunch in the Waterhouse Restaurant 12.15

@nhsscotproc  #nhsscotproc
<table>
<thead>
<tr>
<th>Start</th>
<th>End</th>
<th>Speaker/Activity</th>
<th>Theme</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:00</td>
<td>10:00</td>
<td>Registration / Refreshments</td>
<td></td>
<td>Lobby</td>
</tr>
<tr>
<td>10:00</td>
<td>10:25</td>
<td>Colin Sinclair - Director Procurement, Commissioning and Facilities</td>
<td>Welcome/ State of the Nation</td>
<td>Arcoona Room</td>
</tr>
<tr>
<td>10:25</td>
<td>10:50</td>
<td>Jim Miller - Strategic Sourcing Director Procurement, Commissioning &amp; Facilities</td>
<td>Strategic Procurement Update</td>
<td></td>
</tr>
<tr>
<td>10:50</td>
<td>11:15</td>
<td>Steve Uphill</td>
<td>Procurement Review</td>
<td></td>
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<tr>
<td>12:15</td>
<td>13:15</td>
<td>Lunch</td>
<td></td>
<td>Waterhouse Restaurant</td>
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NHSScotland Procurement Performance & Legacy

Colin Sinclair
Director of Procurement, Commissioning & Facilities

28 January 2015
2014 - A Big Year For Scotland!
Improving Procurement

2014 - A Big Year For NHSS

BED BLOCKING

- £640m
  Cost to UK taxpayer

- Two million
  bed days lost in the four years to June 2014

- 28.5 days
  Average waiting time to discharge a patient

Source: Age UK

UK public sector debt - % of GDP

There's no ward like home

National Services Scotland
2014 - A Big Year For Procurement

• Delivering service and savings to NHSS and the wider Health and Social Care community
• Delivering sustainability
• Having an effective and efficient Procurement service
• Understanding and influencing the wider landscape
• Having a strong supply base including the 3rd Sector and Supported Businesses.
• Utilising Procurement spend to support economic growth
### So how have we done?

<table>
<thead>
<tr>
<th>2014/15 Achievements</th>
<th>2013/14</th>
<th>2014/15</th>
<th>✔️</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of Spend through contracts</td>
<td>£1.6bn</td>
<td>£1.6bn</td>
<td>✔️</td>
</tr>
<tr>
<td>Spend through Pecos</td>
<td>£1.3bn</td>
<td>£1.6bn</td>
<td>✔️</td>
</tr>
<tr>
<td>Average Procurement Capability</td>
<td>71%</td>
<td>71%</td>
<td>=</td>
</tr>
<tr>
<td>Logistics Revenue Throughput</td>
<td>£134m</td>
<td>£145m</td>
<td>✔️</td>
</tr>
<tr>
<td>Delivered Savings</td>
<td>£44m</td>
<td>£36m</td>
<td>✔️</td>
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</tbody>
</table>

### Areas of Increase

- Healthcare 7%
- Construction 8%
- HR (Agency) 42%
- 20% Overall in 3 years

### Year on Year comparison of Spend

<table>
<thead>
<tr>
<th>Procurement Level</th>
<th>2009/10 Spend</th>
<th>2010/11 Spend</th>
<th>2011/12 Spend</th>
<th>2012/13 Spend</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>£750,664,332</td>
<td>£722,303,112</td>
<td>£687,143,876</td>
<td>£783,246,032</td>
<td>£840,662,379</td>
</tr>
<tr>
<td>Information</td>
<td>£235,655,669</td>
<td>£234,117,004</td>
<td>£190,016,644</td>
<td>£225,080,505</td>
<td>£223,066,777</td>
</tr>
<tr>
<td>Social Community</td>
<td>£149,947,161</td>
<td>£153,379,271</td>
<td>£167,607,351</td>
<td>£179,458,360</td>
<td>£197,281,100</td>
</tr>
<tr>
<td>Facilities</td>
<td>£77,731,308</td>
<td>£128,281,716</td>
<td>£246,754,383</td>
<td>£283,026,247</td>
<td>£264,305,611</td>
</tr>
<tr>
<td>Utilities</td>
<td>£89,982,799</td>
<td>£90,616,426</td>
<td>£93,320,866</td>
<td>£103,142,235</td>
<td>£101,412,088</td>
</tr>
<tr>
<td>Financial Services</td>
<td>£120,346,207</td>
<td>£89,732,006</td>
<td>£77,004,533</td>
<td>£77,132,793</td>
<td>£80,845,502</td>
</tr>
<tr>
<td>Human Resources</td>
<td>£85,817,497</td>
<td>£64,944,537</td>
<td>£51,100,575</td>
<td>£63,502,328</td>
<td>£90,119,415</td>
</tr>
<tr>
<td>Other</td>
<td>£288,336,608</td>
<td>£270,071,043</td>
<td>£249,456,859</td>
<td>£285,082,075</td>
<td>£313,927,848</td>
</tr>
<tr>
<td>Total</td>
<td>£2,083,322,698</td>
<td>£2,043,746,706</td>
<td>£2,061,333,925</td>
<td>£2,277,327,671</td>
<td>£2,441,353,058</td>
</tr>
</tbody>
</table>

### Number of Suppliers

<table>
<thead>
<tr>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,633</td>
<td>9,827</td>
<td>9,115</td>
<td>9,010</td>
<td>9,606</td>
</tr>
</tbody>
</table>
2014 Highlights

• 12 Modern Apprentices recruited
  – A £200k investment in the next generation of procurement professionals.
• Contracting Activity
  – Multi Modality Framework II
  – Minor Works Framework
• Approach to uniforms contract secures jobs in Supported Business
• West Of Scotland Regional development
  – 56 Technical User Groups (TUGs) are now in place for all 14/15 projects
  – A single approach to use of the new Catalogue Content Management system
• East Of Scotland Regional Development
  – Regional Supplier Management and Partnership Programme, £100k additional Saving
  – Virtual team ethos through VC and digital hub - hundreds of downloads of "Do it once" documents
Open for Business

- £36m additional with large companies
- £122m additional with SME’s
- 37% of suppliers in Scotland
The Commonwealth Games Legacy

Flourish

Active

Connected

Sustainable
Our legacy

Flourish
• Integrated workforce planning
• Training & career development
• Review of staffing levels/grades/sharing

Active
• Influence across HSCI
• Increased patient impact
• Focus on community benefits
• Open approach to innovation

Connected
• Single system's approach
• Buy once/trial once, local/regional or nationally
• Close to stakeholders
• Total system value

Sustainable
• Shared service development
• Strong, consistent service delivery
• Data, information and intelligence as the norm
2015 A Year of Change

- Procurement Review
- Procurement Steering Group – new leadership
- Procurement Reform
- Health and Social Care Integration
- Supported Business Development
- Minimum Wage
- Ethical and Sustainable Procurement
Summary

- Another year of positive progress and excellent delivery
- Strong foundations in place - collaborative working both inside NHSS and with wider stakeholders remains the key to success
- Procurement has significant role to play in a changing public sector
- 2014/15 legacy key to supporting NHSS through challenging times
Procurement Landscape Overview - Changes & Opportunities

Jim Miller
Strategic Sourcing Director
Procurement Commissioning & Facilities
“Yesterday I was clever, so I wanted to change the world. Today I am wise, so I am changing myself.” - Rumi
Update

• Directive Changes
• Construction Review
• NHS Strategy
• Innovation & Economic Development
Directive Changes and the Reform Bill

• ‘Standard’ but significant changes to EU Directives, however the Reform Bill adds additional obligations, in particular to below threshold contracts
• Increased role for procurement in support, training, process, recording and compliance..
• Formal consultation due imminently
Some other considerations

- MEAT becomes BPQR
- Automatic lotting considerations
- The distinction between part A and part B services will be abolished replaced in some cases with the ‘light regime’ <€750,000
- Increased mandatory use of eTendering
- New Innovation Partnership procedure
- Exclusions on performance – but careful application (‘significant or persistent’ deficiencies)
- Principle of self declaration
Directive Changes and the Reform Bill

• Any public body that spends £5 million or more in any financial year to have a Corporate Procurement Strategy that sets out how it intends to carry out procurements regulated by the Act.

• In addition, the public body must prepare an annual report on how its procurement activity has complied with its procurement strategy and expected future regulated procurements.
The Strategy

Must:

Explain how it intends its approach to regulated procurements involving the provision of food to:

(i) improve the health, wellbeing and education of communities in the authority's area, and

(ii) promote the highest standards of animal welfare

And describe how the authority intends to achieve prompt payment in the supply chain.

It must also describe the contracting authority's general policy on:

- the use of community benefit requirements
- consulting and engaging with those affected by its procurements
- the payment of a living wage to persons involved in producing, providing or constructing the subject matter of regulated procurements
- the procurement of fairly and ethically traded goods and services
Construction Procurement Review
Construction Procurement Review

• **Governance, accountability and leadership**
  – Maximising Collaborative opportunities
  – Appointment of Chief Construction Adviser

• **Prioritisation and co-ordination of spending**
  – Identify best practice for prioritisation co-ordination of capital spend
  – Establish visible pipeline of projects across public Sector
Construction Procurement Review

• **Approach to market and importance of design**
  — Procurement involvement from project conception to contract award.
  — Ensure that SMEs are given opportunity
  — Variations to Standard forms to be kept to a minimum
  — Ensure prompt payment through the supply chain

• **Capability and capacity - people and skills**
  — Appropriate trained and experienced professional staff
  — Procurement Capability Assessments (PCAs) to be extended to include Construction
  — Establish baseline of current and required skills
Construction Procurement Review

- **Capability and capacity - tools, systems and guidance**
  - Establish a "Procurement Journey" for Construction

- **Access to contracting opportunities**
  - PCS to be used for all contracts over £2m
  - Major projects should be encouraged to advertise sub-contracts on PCS
  - Use of Standard SPQQ
  - PCS Tender mandatory for issuing Invitation to Tender
  - Use of Quick quotes for Contracts under £2m
Construction Procurement Review

• Sustainable procurement, innovation and emerging technologies
• Appropriate priority in construction procurement decisions for:
  – Social, community and environmental benefits
  – Innovation and Design
• Resource implications and potential savings
  – Identifiable annual construction spend £3.2b, savings of £120m annually targeted
  – Contracting authorities to report their spending and savings in a consistent manner
NHS Strategy Development

“NHS Scotland is a tenth of the size but 10 times easier to do business with..!”
<table>
<thead>
<tr>
<th>Ministerial announcement</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
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</thead>
<tbody>
<tr>
<td>Delivering immediate efficiency and productivity gains</td>
<td>Combating InflationKey supplier engagement: Non-permanent staff; Clinical supplies; Premises; Establishment</td>
<td>Implementation of quick wins</td>
<td></td>
</tr>
<tr>
<td>Data, information and transparency</td>
<td>Launch NHS Procurement DashboardLaunch eProcurement strategyDevelop the specification for single NHS spend analysis and price</td>
<td>Trusts publish performance against NHS Procurement dashboardMandate GS1 codingLaunch NHS Spend Analysis and price benchmarking</td>
<td>Trusts certified to GS1 standardsTrusts publish price comparison resultsLaunch NHS Procurement Messaging platform</td>
</tr>
<tr>
<td>Improving outcomes at reduced cost through clinical procurement review partnerships</td>
<td>Commission orthopaedics initiative in a minimum of one region</td>
<td>Publish orthopaedics benefits caseDevelop further initiatives in other clinical categories and regions</td>
<td>Implement initiatives in other categories of spend</td>
</tr>
<tr>
<td>Improve Leadership and Capability</td>
<td>NHS CPD portals for NHS and suppliers launchedNHS CPD benefits tracker launchedAPEX launched</td>
<td>NHS CPD fully establishedSingle NHS category management process launchedEstablish national SRM programme</td>
<td>Category management methodology establishedCPD operating as steady state entity</td>
</tr>
<tr>
<td>Contribution to economic growth</td>
<td>Develop package of support measures for SMEsDevelop package of transparency measures</td>
<td>Launch package of SME support measuresLaunch package of transparency measures</td>
<td>Track benefits and review packageTrack benefits and review package</td>
</tr>
<tr>
<td>Expected efficiency savings (£ million)</td>
<td>£150</td>
<td>£550</td>
<td>£800</td>
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</table>
Innovation and Economic Development
• Rebranding of portal under the new title, Health Innovation Assessment Portal (www.hiap-scotland.org)
• Progression towards greater connectivity with the other activity in this area for example the Innovative Medical Technology Overview (IMTO) process developed by Healthcare Improvement Scotland
• Development of a “Single Assessment Process”
“If opportunity doesn't knock, build a door!”
— Milton Berle
NHSS Procurement Review

Steve Uphill
Scottish Government
Identify options for a professional procurement and supply chain operating model, with a wide scope of influence across buying organisations, which meets the increasing needs of NHSScotland and reflects changes in wider Scottish public sector.
The Scottish Model of Procurement

- the value triangle
Launch
- Stakeholder mapping
- Head of Procurement 1:1
- DoFs presentation
- Newsletter
- QIHub presence

Data Gathering & Validation
- Standard Template
- All Boards
- National Procurement
- Devolved Procurement

Data Analysis
- Single view of procurement activity
- Comparing boards and devolved functions
- Overview of Skills and capacity

Options Development
- Workshops:
  - Developing the People
  - The Procurement Journey
  - Systems
  - Logistics
- Executive Stakeholder
- SWOT workshop

Report & Recommendations
Total of 963 WTE in Procurement

WTEs in % by Main Work Category for each Department

- National Procurement: 72 Information & Systems, 140 Procurement, 23 Management & Governance, 23 Logistics & Supply Chain, 23 Total
- Devolved Procurement: 11 Information & Systems, 34 Procurement, 9 Management & Governance, 9 Logistics & Supply Chain, 9 Total
- Board Procurement: 6 Information & Systems, 60 Procurement, 6 Management & Governance, 6 Logistics & Supply Chain, 6 Total
- Total: 51 Information & Systems, 335 Procurement, 111 Management & Governance, 111 Logistics & Supply Chain, 111 Total
Spend less time on catalogue management
Need for additional resource to make changes/improvements
Health and Social Care Integration as a catalyst for change
Increase visibility of procurement processes
Consistency of systems implementation is strategically desirable e.g. PECOS
Reduction of duplication in systems
Single interface for Public Sector
Procurement systems preferably owned by Scottish Government
Workshops 11:15 – 12:15

eContract Register - Cameronia - Group B

PCA AR15 - Clyde - Group A
LUNCH
12:15 – 13:15
WATERHOUSE RESTAURANT
<table>
<thead>
<tr>
<th>Time</th>
<th>Speaker(s)</th>
<th>Topic</th>
<th>Room</th>
</tr>
</thead>
<tbody>
<tr>
<td>12:15 - 13:15</td>
<td>Lunch</td>
<td>Waterhouse Restaurant</td>
<td></td>
</tr>
<tr>
<td>13:15 - 13:30</td>
<td>Alison Brown - Associate Director of Business Development Procurement, Commissioning &amp; Facilities</td>
<td>Health and Social Care Update</td>
<td>Arcoona Room</td>
</tr>
<tr>
<td>13:30 - 13:45</td>
<td>Gordon James - Logistics Director Procurement, Commissioning &amp; Facilities</td>
<td>Fleet Management System Programme</td>
<td></td>
</tr>
<tr>
<td>13:45 - 14:45</td>
<td>David Beattie /John Loughlin Stephen McWilliam / Jenny Neville</td>
<td>Workshops eContract Register PCA (AR15)</td>
<td>Clyde/Cameronia</td>
</tr>
<tr>
<td>14:45 - 15:15</td>
<td>Refreshment Break</td>
<td>Lobby</td>
<td></td>
</tr>
<tr>
<td>15:15 - 15:30</td>
<td>David Beattie Stephen McWilliam</td>
<td>Workshop Feedback</td>
<td></td>
</tr>
<tr>
<td>15:30 - 16:00</td>
<td>Colin Sinclair - Chair James Miller Gordon James Steve Uphill</td>
<td>Panel Discussion Q&amp;A</td>
<td>Arcoona Room</td>
</tr>
<tr>
<td>16:00 - 16:30</td>
<td>Colin Sinclair</td>
<td>Close Speech and Thank you</td>
<td></td>
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</tbody>
</table>
Health & Social Care Integration

Alison Brown
Associate Director of Business Development
NSS Procurement, Commissioning and Facilities
Current Health & Social Care Focus

- Integrated Joint boards (IJBs) in place in shadow form - operational April 15
- Strategic Commissioning Plans
- 3 elements:
  - Planning
  - Service delivery
  - Governance
- Advanced thinking on planning and governance elements
Implications for procurement?

- **Local Government**: £12bn
- **Health Boards**: £10bn (£5bn)
- **Integration Authorities**: £8bn

£3bn

50-70% assumption based on analysis of confirmed delegated services
Expectations and Implications for procurement?

- IJBs will commission services from third parties
- No expectation of significant infrastructure or additional layers
- Watching brief - progress in England
- Local becomes really local
Procurement Response

• Nationally
  – Continue working jointly with Scotland Excel
  – Planning a Procurement/Health & Social Care Integration event – Spring 2015
  – Pro-active and Responsive approach to IJBs
  – NSS position exploited – e.g. data/IT (ISD/others)
  – View is that IJBs so busy that procurement still isn’t on the priority list
• Locally
  – More collaboration and joint working (HB/LA)
  – Responsive to emerging needs
  – Can you tell us more?
What Next?

- Heightened political profile
- More joint working locally between health boards and local authorities
- Sharing scarce procurement resources
- Training and Awareness for finance and procurement staff (NES)

“RCN Scotland calls for a health and social care review in response to a fall in the number of hospital beds – Dec 14”

“THE Scottish Government has announced a £12.55million funding boost ... the integration of health and social care services across Scotland.” Shona Robison tells...Jan 15
In Summary

- Slower Pace than anticipated
- Poised to respond when the time is right
- Implications to the public sector and public purse if procurement not engaged
- Planned joint event – NHS Procurement/LA & Excel/JIT
- Increasing need to get and share feedback/information as a community:
  - Alison Brown
  - Stephen McWilliam
FSSP - Fleet Management

Gordon James
Director of Logistics
NHSS requires a resilient, flexible, adaptive Fleet & Transport Structure

Limited sharing of free capacity with no overview

Multiple fleet types, SOP’s & systems in use

Operating Value c£41m (c£62m inc lease cars)

Acquisition & Operational costs rising

20+ Commercial Fleets

Replacement Value c£113m (c£220m inc lease cars)
Fleet Review Objective

“To investigate and identify the potential synergies to be gained from greater collaboration between the 22 NHS Boards in Scotland, with regards to the provision and management of the Fleet”
Story so far……

• Options appraisal presented to the FSSPB in Mar-14
• Savings identified relating to; Accidental Damage; Fuel/Mileage Reduction; Increased MPG; Reduction in loss ratio; Future fleet requirements
• Agreement reached on requirement for a “once for Scotland” approach to:
  – Single Fleet Management System
  – Single Telemetric System to be installed in c4,500 commercial + pool car vehicles
  – Potential for integrating Car Leasing user quote system
  – National Fleet Mgmt Structure
Organisational Structure

- Agreement of “Hub Model”
  - National Team for coordination
  - Delivery on Regional / local level
  - Pathfinders to be created
Improving Procurement

Systems Solution

Payroll Systems – Future Potential ??

Lease Company 1
Lease Company 2
Lease Company 3
Lease Company 4

Quote Module
Fleet Management System
Reporting

Telematic System
Reporting

Real-time GPS
Units fitted to Engine Mgmt Systems

Data Observatory Reporting & Visualisation

3rd Party
NSS Hosted
Supplier Hosted
Interface
Next Steps

- Funding now approved by Cab Sec for £2.45m for systems and national team
- JD’s being evaluated and recruitment process to commence
- Systems specifications being created for:
  - Fleet Mgmt (Inc Car Quoting if possible)
  - Telematics
- Further engagement and agree rollout with HB’s
- Pathfinders – East Central (FV, Tayside, Fife)
Workshops 13:45 – 14:45

eContract Register - Cameronia - Group A

PCA AR15 - Clyde - Group B
WORKSHOP FEEDBACK
15:15 – 15:30
PANEL DISCUSSION
Q&A
15:30 - 16:00
THANK YOU & CLOSE
‘Safe home’