

Reporting to:	Trust Board – 29th September 2016
Title	Procurement Transformation Plan
Sponsoring Director	Neil Nisbet, Director of Finance and Deputy Finance Director
Author(s)	Paula Davies, Head of Procurement
Previously considered by	
Executive Summary	<p>Lord Cater of Coles was asked by the health secretary to assess what efficiency improvements could be generated in hospitals across England. A report published in Feb 2016 “Operational productivity in English NHS acute hospitals: Unwarranted variations”, made several recommendations. One of the areas identified was Procurement in the NHS, and recommendation 5 covered the requirements.</p> <p>A key requirement of Lord Carter’s report was that every Trust should have a local Procurement Transformation Plan (PTP) in place by September 2016. The PTP is intended to be a short document which highlights the key changes required to deliver the targets.</p> <p>Each PTP needs to explain how the Trust will meet the Model Hospital benchmarks set out under recommendation 5 of the Carter report, within the agreed timescales. It also needs to outline how the trusts will collaborate with other trusts and the national solutions such as NHS Supply Chain.</p> <p>Final PTPs should be agreed by NHS Improvement and fully in place by October 2016.</p>
Strategic Priorities	
1. Quality and Safety	<input type="checkbox"/> Reduce harm, deliver best clinical outcomes and improve patient experience. <input checked="" type="checkbox"/> Address the existing capacity shortfall and process issues to consistently deliver national healthcare standards <input type="checkbox"/> Develop a clinical strategy that ensures the safety and short term sustainability of our clinical services pending the outcome of the Future Fit Programme <input type="checkbox"/> To undertake a review of all current services at specialty level to inform future service and business decisions <input type="checkbox"/> Develop a sustainable long term clinical services strategy for the Trust to deliver our vision of future healthcare services through our Future Fit Programme
2. People	<input type="checkbox"/> Through our People Strategy develop, support and engage with our workforce to make our organisation a great place to work
3. Innovation	<input checked="" type="checkbox"/> Support service transformation and increased productivity through technology and continuous improvement strategies
4. Community and Partnership	<input type="checkbox"/> Develop the principle of ‘agency’ in our community to support a prevention agenda and improve the health and well-being of the population <input type="checkbox"/> Embed a customer focussed approach and improve relationships through our stakeholder engagement strategies
5. Financial Strength: Sustainable Future	<input type="checkbox"/> Develop a transition plan that ensures financial sustainability and addresses liquidity issues pending the outcome of the Future Fit Programme
Board Assurance Framework (BAF) Risks	<input type="checkbox"/> If we do not deliver safe care then patients may suffer avoidable harm and poor clinical outcomes and experience <input type="checkbox"/> If we do not work with our partners to reduce the number of patients on the Delayed Transfer of Care (DTOC) lists, and streamline our internal processes we will not improve our ‘simple’ discharges. <input type="checkbox"/> Risk to sustainability of clinical services due to potential shortages of key clinical staff

	<input type="checkbox"/> If we do not achieve safe and efficient patient flow and improve our processes and capacity and demand planning then we will fail the national quality and performance standards <input type="checkbox"/> If we do not get good levels of staff engagement to get a culture of continuous improvement then staff morale and patient outcomes may not improve <input type="checkbox"/> If we do not have a clear clinical service vision then we may not deliver the best services to patients <input type="checkbox"/> If we are unable to resolve our (historic) shortfall in liquidity and the structural imbalance in the Trust's Income & Expenditure position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment
Care Quality Commission (CQC) Domains	<input type="checkbox"/> Safe X Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive X Well led
X Receive <input type="checkbox"/> Review <input type="checkbox"/> Note X Approve	Recommendation The Board are asked to approve the PTP so this can be presented as the final version, to NHS Improvement, within the required timescales (October 2016).

Procurement Transformation Plan (PTP) for Shrewsbury & Telford Hospital NHS Trust

1. Executive Summary

The Procurement department are working towards achieving all Carter recommendations and are within timeframe to do so. The targets below include agency expenditure and, although covered by a procurement contract, purchase orders are not raised via the oracle system and this is affecting the KPI and performance against target. Procurement plans are to review how agency expenditure can be captured on purchase orders, and this will ensure targets are met.

2. Trust Procurement Performance (RAG rating against Carter targets¹)

MEASURES		PERFORMANCE			COMMENTARY
		CURRENT SEPT 16	TARGET SEPT 17	TARGET SEPT 18	
1	Monthly cost of clinical and general supplier per 'WAU'	£	£	£	The 15/16 figure is due to be available from Nov from the Model Hospital portal.
2	Total % purchase order lines through a catalogue (target 80%)	87.4%	80%	80%	
3a	Total % of expenditure through an electronic purchase order (target 80%)	70%	75%	80%	Agency spend to go through PO and target will be met
3b	Total % of transactions through an electronic purchase order (target 80%)	73%	75%	80%	Agency spend to go through PO and target will be met
4	% of spend on a contract (target 90%)	96%	90%	90%	
5	Inventory Stock Turns	47.2	47.2	30	Internal Stores stock only. Currently no target set by NHSI
6	NHS Standards Self-Assessment Score (average total score out of max 3)	1.52	1.76	2.1	Requirement is to be at level 1 by Oct 17, however if you are already at level 1 (as we are, then the target is level 2 by October 18).
7	Purchase Price Benchmarking Tool Performance	Submitted	Submitted	Submitted	Information submitted to NHSI, awaiting PPIB launch
8	Other Trust Specific e.g. CIP	£2m	£2m	£2m	

¹ 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

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3. Procurement Transformation Plan - Summary

The Procurement function are currently working close to the required metrics under recommendation 5, in most areas.

The key objectives under the Carter report can be summarised into:

- Metrics – covering performance of procurement and stores depts..
- Systems – requirement to use inventory management, GS1 & PEPOL systems
- NHS Standards of Procurement – self assessment and peer assessment of procurement function/standards to ensure effectiveness.
- Collaboration – explain National and local collaboration undertaken
- Benchmarking – requirement to submit monthly data to NHSI and the introduction of PPIB (Purchase Price Index Benchmarking tool).

The metrics are set against the Trust total non-pay expenditure that can be influenced by the procurement department, (example is the exclusion of depreciation, rates etc). Currently agency expenditure is not recorded through the Trust purchase order system, although the Trust do purchase against Procurement contracts, and due to the large expenditure against agency this has meant that we are currently not hitting the proposed targets, which we must achieve by September 2017. However, having identified this as an area to review, if all agency expenditure is ordered via the Trust Purchase order system then the Trust will easily hit the required targets under section 3 of the metrics. The Trust will be required to support this proposed change to ensure targets are met.

Additional funding will be required to introduce new systems as required in the Carter report. The two key areas requiring system funding are Stock Inventory Management System and an electronic P2P system including catalogue management and GS1 and PEPOL transactions. Business cases for these are currently being drawn up.

A key area for improvement within the Carter report is around stock within the hospital. Currently we are only recording stock that is managed by Procurement, in the internal stores, however the Carter report requires that all Trust stock is to be managed through an inventory management system, Ward, theatre, pathology etc. The Trust do not currently have an inventory management system, but options are being reviewed and Procurement propose to build a business case (by end November 2016) to support a proposed purchase. Currently although we are required to provide details of our stock turnover, NHS Improvement have not set a turnover target, we are expecting clarification shortly.

The Procurement function includes the management of the Procurement department and the management of the stores. Stores includes receipts and distribution at RSH and PRH, theatre stores at RSH & PRH, Pathology stores at PRH and RSH and CSSD stores at PRH and RSH, EDC ward stock ordering and the internal stores that holds stock for the Trust. A proposed review of the structure and skill mix is underway, as the procurement function have in the last 3-18 months taken over the management of pathology stores and theatre stores, with a proposal to be reviewed for implementation next financial year.

NHS standards of Procurement include 29 metrics within Strategy & Organisation, People & Skills, Strategic procurement, Supply Chain, Data, Systems, Performance management and policies and procedures. Key criteria need to be met to be able to obtain scores between 1 and 3 in each area. However, Trust cannot achieve a score at all if they do not meet the criteria. An initial self-assessment identifies is followed up with a peer assessment by another Trust's Head of

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Procurement. Current requirement is for all Trusts to obtain level 1 by October 2017. Having undertaken our self-assessment over 12 months ago, and a peer review over 9 months ago, we are currently averaging a level of 1.52. All Trusts currently achieving level 1 are required to obtain level 2 by October 2018.

Partnerships and Collaboration. Procurement are already working collaboratively with a number of organisations at national, regional and local level. As a shared service within the Shropshire Health Economy, we are already working on behalf of Shrewsbury & Telford Hospital NHS Trust, Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Trust and Shropshire Community Trust.

The report strongly encourages Trusts to share their performance scores with colleagues in the NHS. Trust are required to work together and support each other in identifying improvement activities.

In supporting collaboration we currently work with a number of Trusts on a collaborative contracting basis via Health Trust Europe, a regional HUB. This model combines like-minded Trust to go out to market and commit expenditure and agree to procure the same product, thus obtaining collectively better pricing.

We are also working closely with other regional Trusts, example Black Country consortium, to look at collaborative procurement of systems that will provide the GS1 & PEPPOL requirements under Carter, again looking for standardisation and best price.

As a member of a benchmarking Cohort using Bravo solutions, we are working Nationally with a number of Trusts on a Standardisation, aggregation and commitment programme (SAC). A paper will shortly be presented that identifies the partnership (cohort) working with NHSBSA and NHSSC. NHSI and DOH are contributing to the paper and its recommendations.

Nationally BSA are working with NHSSC to deliver £300m savings to the NHS. SATH are working closely with NHSSC to ensure savings are identified and achieved. Due to this close working relationship NHSSC have “implanted resource” into the Trust via a Trust specific account lead, who works with Procurement to identify savings, product switches, and implementation of the National Core product range.

Benchmarking – NHS Improvement are introducing a NHS Purchasing Price Index Benchmarking tool (PPIB) which will rank Trusts performance for its Top 100 items. The PPIB data contains in excess of £5.5bn of spend covering over 22 million order lines. The first extract of information is due in September 2016, and thereafter monthly data loads and extracts will assist with the identification of savings and performance.

Procurement already proactively use existing benchmarking tools, Bravo and PI, to benchmark our prices with other Trusts, but will also use the PPIB when information is available.

4. Risks and issues predominately lie within the following areas:

- The availability of additional funding for required Systems.
- The agreement and implementation of Agency expenditure to go through the Purchase order system.
- The restructure of stores and the materials management process right people doing the right jobs with the right skills, supported by wards and departments to deliver a cost effective service, whilst reducing excessive stock holding.