



Department  
of Health

Appendix B

**NHS**  
*England*

# Better Procurement Better Value Better Care:

A Procurement Development  
Programme for the NHS

August 2013

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## Foreword – Dr Dan Poulter MP



The NHS spends over £20 billion every year on goods and services which typically accounts for around 30 per cent of the operating costs of each hospital. Effective management of this resource is vital, no other business or industry could survive without constant and detailed scrutiny of such a large proportion of its costs. It is long overdue for the NHS to apply the same standard of excellence to procurement as we do to our clinical services. Procurement must become a priority for all NHS boards.

The government's NHS reforms are already making £1.5 billion of annual back office savings for the NHS by reducing unnecessary bureaucracy, but our NHS can save much more by radically changing the way it buys supplies.

The NHS's purchasing power is greater than any other UK organisation, but for too long our NHS has failed to harness this. There is a perception that anyone in any NHS organisation can buy anything at any time at any price. There is too much variation across the NHS – far too many examples of different solutions to the same problem and wildly different prices being paid for the same product. This is simply not good business sense, and is not acceptable if we are to improve and maintain quality of care while maximising value for money.

We need to radically improve our procurement capability, raising and maintaining it to world-class standards.

Doing so will reduce our costs, improve patient outcomes and, at the same time, make the NHS a better place in which to do business. In 2011, the National Audit Office identified the potential for £500 million savings by embracing better procurement – we believe we can go much further by embedding world-class procurement and making it an urgent priority. NHS trusts must do more and take greater responsibility for improving procurement. It is disappointing that non-pay expenditure in trusts increased by more than the rate of NHS activity and general inflation in 2011-12 compared to the previous year. Early indications are that this trend has continued in 2012-13. This cannot continue, we need to apply more pressure to reduce these inflationary pressures if we are to maintain a balanced budget and continue to provide a better service for patients by protecting the front-line.

It is therefore our intention to stabilise non-pay spending for the next 3 years. We want to help trusts so they spend no more than they currently do by the end of 2015-16. In real terms this means trusts need to find over £1.5 billion of procurement efficiencies over the next three years. This is a significant challenge for the NHS, and one in which we recognise trusts need guidance and support in order to raise their game.

Our strategy should be to build a modern, effective and efficient procurement capability that is among the best in the world – one that truly delivers taxpayer value, supports

innovation, stimulates growth, and most importantly, delivers the highest quality patient care. Sir Ian Carruthers started a review last year, which told us that it will take concerted effort to change our approach to procurement, and will require strong leadership across the service, from boards to clinicians, procurement professionals and every employee who influences purchasing decisions or spends money with suppliers.

There will be four key initiatives:

- a series of interventions to deliver immediate efficiency and productivity gains
- actions to improve data, information and transparency
- an initiative to fundamentally re-think clinical engagement in the procurement of high-value medical devices and the subsequent relationship with the device industry, initially focussing on orthopaedic implants by improving outcomes at reduced cost through clinical procurement review partnerships
- creation of a new national ‘enabling function’ to support leadership and build better capability throughout the system, but primarily focused on trusts capability and how they work with procurement partners.

For too long, there has been a failure to properly understand the nature and scope of the opportunity procurement represents. Non-executive directors and trust boards must play a stronger role in both championing improved procurement and holding their executives to account, and we are determined to find ways in which we can help them do this, including looking at their recruitment, skills and remuneration to ensure trusts attract the right people.

The relationship between trusts and their procurement partners such as NHS Supply Chain, the Government Procurement Service (GPS) and other collaborative procurement organisations, which has existed for years, is sometimes unfocused and lacks commitment. This has resulted in unnecessary costs and bureaucracy because of duplication. We need to make the NHS procurement system more efficient.

The challenges we face equally apply to our suppliers. We cannot deliver the efficiencies we need without a relentless focus on costs – and this applies to every company that supplies the NHS. The NHS cannot afford inflationary pressures on its non-pay expenditure if we are to protect the front-line, so we will expect our suppliers to work with us to reduce their costs and prices, whilst encouraging innovation and growth. This is no easy task, but industry must play its part in supporting the NHS in the current economic climate.

Greater transparency is vital. The more transparent we can make procurement performance, the more it will drive behaviours to improve. More procurement information needs to be in the public domain. Take spending on non-permanent staff for example, if all NHS trusts adjusted their HR policies to ensure the percentage of non-permanent staff was within the national average of 4 per cent of the workforce, the NHS could reduce £230 million of non-permanent staff expenditure. We need to ensure all trusts are alerted to these types of opportunities by producing transparent data, and identifying and sharing the best practices found in high performing trusts.

Transparency is important in ensuring our NHS contributes to economic growth. Lord Young’s recent report *Growing Your Business* highlighted the importance that public procurement could play in stimulating

the economy, and ensuring there are opportunities for Small and Medium-sized Enterprises (SMEs). We know we can do more to support this agenda, and transparency is an essential enabler in this regard. Transparency will also assist our NHS to deal with bribery, corruption, fraud and unlawful activity. We are reviewing NHS anti-fraud plans and will report further in the winter.

This document sets out the actions we intend to take through a new **Procurement Development Programme**, to deliver a capability that is aligned to world-class standards. System-wide problems demand system-wide solutions. Implementing these with urgency and vigour will help deliver the productivity and efficiency savings we need to meet the growing demand for services while at the same time bringing substantial improvements to the quality of care and services for patients.

Transforming our approach to procurement is a major priority for me, and should be for every NHS Board. Every NHS organisation needs to work collectively and collaboratively to deliver this ambition. It will enable us to drive improvements in quality of care and reinvest the savings in front-line services.

To support this process we will establish a new **NHS Procurement Development Oversight Board** and appoint a leading private sector figurehead to act as a 'procurement champion' and support delivery of the programme. A new **NHS Procurement Development Delivery Board** will be the engine room to ensure all NHS organisations, including NHS England, the NHS Trust Development Authority, Monitor and the Foundation Trust Network, are working to a common strategy for NHS procurement, drawing in private sector expertise and best practice. This will be the

first time we have united NHS organisations in this way.

I would like to thank Sir Ian Carruthers for undertaking the review that has led to this document, and the many hundreds of people who sent in comments and suggestions, all of which helped shape our thinking.

I would also like to thank David Bennett from Monitor, David Flory from the NHS Trust Development Authority and Chris Pilling, Non-Executive Director at the Department of Health for their support and guidance in helping me shape this document.



**Dr Dan Poulter MP**

Parliamentary Under-Secretary of State for Health

August 2013

## Foreword – Sir David Nicholson



The NHS purchasing power is massive, greater than any other UK organisation, but there is a wealth of evidence that it is failing to harness this fully. Across the NHS there are far too many examples of different solutions to the same problem, far too many instances when organisations do not act collectively and fail to secure the best possible deal. This is simply not good business sense and needs to change if the NHS is to improve quality of care and maximise value for money.

The potential to achieve economies of scale is enormous. Where there is a clear and compelling case, NHS England will encourage every part of the NHS to consider how they can realise efficiencies through centralised procurement and greater aggregation.

The National Audit Office has already identified the potential for £500 million savings in the NHS alone. I believe the real potential may be even greater.

Our collective ambition should be for a modern, effective and efficient procurement function in the NHS that is among the best in the world – one that truly delivers taxpayer value, supports innovation, stimulates growth, and most importantly, delivers the highest quality patient care.

I welcome the actions set out in this Procurement Development Programme. They provide a real opportunity to create a world class procurement function that is professional, transparent and delivered by a highly skilled and capable procurement workforce, delivering high quality care for all, now and for future generations.

Transforming procurement should be a priority for every NHS Board.

A handwritten signature in black ink, appearing to read 'D Nicholson', with a long horizontal stroke at the end.

**Sir David Nicholson**  
Chief Executive  
NHS England

August 2013

# Introduction

## 2013 Spending Round

On 26 June the Chancellor announced that the health budget will continue to be protected until 2015-16. However, even with this protection, these are challenging times for the health service. With demand continuing to grow, the pressure to contain costs is now critical – none more so than in managing non-pay expenditure.

We need to ensure we get maximum value out of every pound spent. Non-pay expenditure accounts for around 30 per cent of NHS trusts operating costs (£20.6 billion). In a tight economic climate we must not only examine every area of expenditure with vigour, but ensure every pound saved is invested in front-line services.

The NHS still pays too much for many of its supplies, does not make best use of the capabilities of its supplier base, and spends too little on developing procurement itself. Continuing in this way is no longer an option. Doing nothing will simply increase the pressure on the front-line. We have to change, and we have to change now.

Non-pay expenditure in trusts increased by more than the rate of NHS activity and general inflation in 2011-12 compared to the previous year. Early indications are that this trend has continued in 2012-13. In the current economic climate this is extraordinary and cannot be allowed to continue. Every

other sector, public and private, has felt the pressure to contain costs, but this does not seem to be the case with suppliers to the NHS. This has to change.

The Spending Round settlement has set the challenge. Our goal, as a minimum, is to ensure non-pay expenditure is inflation-free until at least the end of 2015-16. This effectively means the NHS needs to find over £1.5 billion in efficiencies from its procurement of goods and services to keep a balanced budget and to continue to provide a quality service for patients by protecting the front-line.

As non-pay expenditure continues to increase it is clear trusts are already struggling to contain costs. We need to raise our game to meet the challenges ahead, and we recognise trusts need guidance and support to help them build a modern, effective and efficient procurement capability that delivers. This document sets out how we will do this.



### 2013 Spending Round – what it means for the NHS and its suppliers

- Non-pay expenditure increased by more than the rate of NHS activity and general inflation in 2011-12 compared to previous year
- Early indications are that non-pay expenditure has continued to rise in 2012-13
- 2013 Spending Round commits the NHS to deliver £1.5 billion of savings by the end of 2015-16
- As a minimum this means that the NHS will have a zero-inflation policy on its non-pay expenditure for the next 3 years

### Contribution to economic growth

Whilst the NHS must deliver these efficiencies from its procurement of goods and services, we know that if we do this intelligently, then we can ensure the £20 billion we spend is also a major driver for growth in the economy. Those suppliers who respond innovatively and step up to the challenges faced by the NHS can be the spur for growth in local economies.

We know that for certain sectors, such as life sciences, the NHS is a major investor in the UK economy and with that comes responsibility to ensure we encourage a vibrant, innovative and healthy industry, and that we use our purchasing muscle to generate growth in the economy.

From a practical point of view, there are three ways in which the NHS can support the growth agenda. Firstly, we can ensure the way the NHS undertakes its procurement does not preclude SMEs from gaining business. Secondly, we can ensure the NHS is responsive to innovative solutions and ideas from industry. Thirdly, we can send strong and early signals to the market about strategic direction and future investments, so that suppliers can talk to us well before procurements are actually undertaken.

Transparency is key to all of this, which is why it features strongly throughout this document.

# Scope for improvement

Whilst there are many pockets of excellence within the NHS, the scope for improvement is enormous.

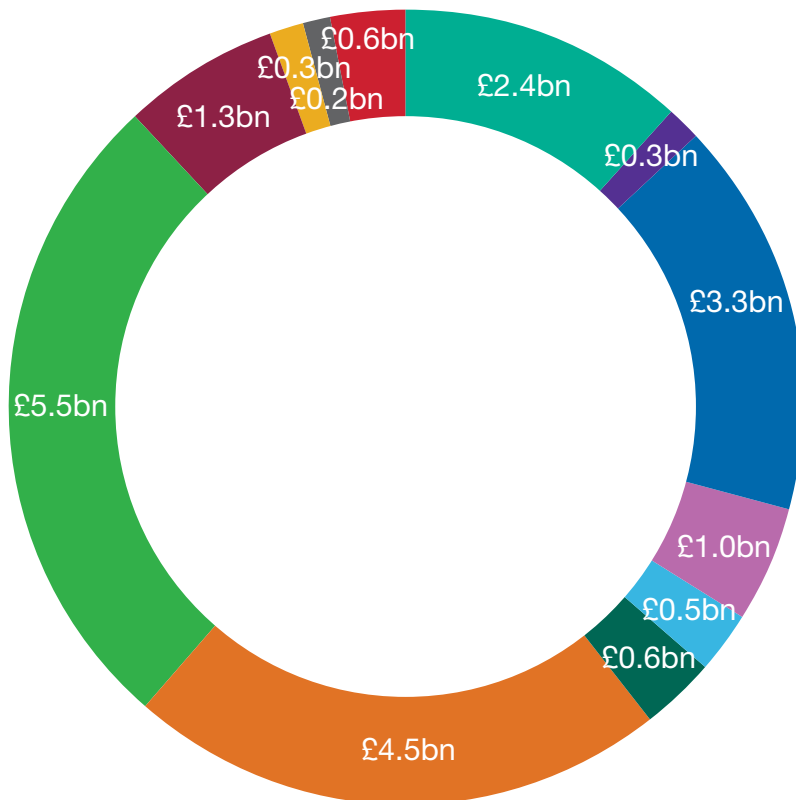
## Reducing expenditure

NHS trusts spent £20.6 billion in 2011-12 on goods and services. This is broken down into the broad categories summarised in Figure 1.

There are opportunities to reduce expenditure in all categories, but each has its own characteristics requiring different approaches, for example, spending in the clinical category is, quite rightly, heavily influenced by clinicians striving to choose the right products for their patients. To deliver efficiencies in this category requires very different approaches to delivering efficiencies in, for example, stationery or non-clinical supplies.



Figure 1: Breakdown of non-pay expenditure in NHS acute sector (£20.6bn)



- **Contract and agency staff**
- **Consultancy services**
- **Premises**  
*Includes: Rates, electricity, gas, oil, furnishings and fittings*
- **Establishment**  
*Administration expenses e.g., printing, stationery, advertising and telephones*
- **Transport**  
*Includes: Vehicle insurance, fuel, materials and external contracts*
- **Rentals under operating lease**
- **Clinical supplies and services**  
*Includes: Medical devices and consumables, dressings, x-ray materials, laboratory and occupational therapy materials*
- **Drugs and pharmacy**  
*Includes: Generic and branded drugs, medical gases and other pharmacy delivered supplies*
- **Non-clinical supplies and services**  
*Includes: Cleaning materials and external contract catering, hardware and crockery, uniforms and patient clothing, laundry and bedding linen*
- **Training**
- **Healthcare from non-NHS bodies**
- **Miscellaneous**

Examples of what could be achieved in the major spend categories are detailed below.

### *Clinical supplies and services*

The NHS spends £4.5 billion per annum on clinical supplies and services. This covers everything from consumable items such as examination gloves and sutures, to more specialised products such as orthopaedic implants and pace makers. We know there are variations not just in prices paid but in the products consumed by trusts – largely because of clinical preferences.



In 2011, the Foundation Trust Network (FTN) with support from the Department of Health undertook a simple benchmarking exercise on 11 products with 20 trusts. The results were eye-opening, and showed smaller trusts often secured better pricing than larger ones.

### *Medical gloves*

The NHS spends approximately £25 million on sterile surgeon's gloves, with one brand the dominant market leader. The opportunities of product substitution could generate savings of up to 38 per cent. Trusts such as Sheffield Teaching Hospitals NHS Foundation Trust have successfully encouraged their surgeons to trial alternative products and switch brands to realise these savings, without impacting upon patient outcomes, but the majority have not. We need to learn from those trusts that have switched, and share their experiences

around the NHS so these efficiencies are realised across the whole of the service. It is the same with latex examination gloves. Working with NHS Supply Chain, many trusts such as King's College Hospital NHS Foundation Trust, Nottingham University Hospitals NHS Trust, and East Kent Hospitals University NHS Foundation Trust have successfully switched brands saving nearly £900,000 between them. NHS Supply Chain estimate that if all trusts took up this opportunity, the NHS would save around **£5 million**.

- Brand leaders in examination gloves charge £2.93 per box of 100 gloves, whilst a like for like product is available for £2.67, a saving of 9%
- In sterile surgical gloves, the premium paid for brand leading products is £56.50 per box of 100 whilst a comparable glove is available for £34.90 per 100, saving 38%.

### *Sutures*

In sutures, three North-West trusts (Tameside Hospital NHS Foundation Trust, University Hospitals of Morecambe Bay NHS Foundation Trust, and Wrightington, Wigan and Leigh NHS Foundation Trust), working with NHS Supply Chain, recently saved over £100,000 by switching to a lower cost alternative to the brand leader. We estimate the NHS could save over **£3 million** if all trusts made similar switches.

The suture market leader costs £1.34 per suture, whilst other manufacturers offer a similar product for £0.78 per suture, saving 41%.

### *Orthopaedic Implants*

Even in the more complex categories such as orthopaedics we know there is significant

variation and opportunities to save money. Standardisation exercises in trusts such as Mid Yorkshire Hospitals NHS Trust, North Bristol NHS Trust and Wirral University Teaching Hospital NHS Foundation Trust generated over **£1 million** in cost savings for these trusts alone.

The NHS buys well-known brands such as KY jelly for £2.77 (per 82g) when comparable alternatives are available for a third of the price at £0.98.

A standard 10cm x 10cm polyurethane foam dressing is available for £11.74 per pack of ten, but some still prefer to purchase a brand that costs £19.87 per pack of ten, saving 41% per pack.

The NHS can no longer afford to ignore these opportunities in clinical supplies and services, so we need to find a way of sharing and comparing data, highlighting those trusts that have not taken up these savings. We need to find a way of presenting this information to trust non-executive directors (NEDs) so they can ask the right questions in their trusts.

### *Premises*

NHS trusts spend £3.3 billion on their estate, much of which is old and energy inefficient. There is significant scope to reduce costs in this area.

Through the GPS electricity framework agreement, free Automatic Meter Readers (AMRs) are being installed. During 2012-13 over 22,000 units were installed across Government, Health and the wider public sector and the plan for 2013-14 is for a further installation of 18,000 units. AMR on its own does not lead to energy reduction however it helps trusts to monitor consumption, cut down on wastage and address areas of high usage in order to

understand consumption patterns and where necessary take action to look at energy efficiency measures.

A £50 million Energy Efficiency Fund has also been made available to help trusts save energy, address climate change and reinvest savings back into front-line patient services. The Fund has attracted over 350 bids, totalling over £200 million in value. A shortlist of about 70 top ranking schemes is currently being considered for funding.

Successful spend to save schemes are committing to reinvest 100 per cent of the saving made back into patient care; for example, one trust is proposing to replace its fluorescent lights with high efficiency luminaires and fit sensors to automatically switch them off when not needed. The investment needed is £228,000, producing an annual saving of £45,500 projected over its economic life of 12 years. The scheme will also improve the quality of lighting experienced by patients and staff and save over 200 tonnes of carbon dioxide emissions annually.

Through the Department of Health's ProCure 21+ Capital Framework Agreement, cost efficiency savings for NHS trusts' building and refurbishment programmes are being driven out. Savings of £15 million have been delivered in 2012-13.

### **Medical Equipment**

In response to the recommendations from the Public Accounts Committee in 2011, which highlighted the need to find ways in which the NHS could offer collective commitment to suppliers of high value medical equipment in return for lower prices, the Department of Health created a "Capital Equipment Fund" of £300 million in NHS Supply Chain.

By the end of April 2013, the fund has committed £171 million to “bulk buy” equipment in 38 separate deals, covering all major diagnostic and cancer treatment modalities, CT scanners, MRI scanners and Linear Accelerators.

Between March 2012 and April 2013, 169 NHS trusts purchased £102 million of equipment against these deals covering 871 units. The fund has achieved directly attributable savings of £12.2 million, at an average incremental saving to the NHS of more than 12 per cent. Figure 2 identifies the top 10 users of the capital fund and the savings achieved.

**Figure 2**

Trust	NHS Saving	Saving %
Hull and East Yorkshire Hospitals NHS Trust	£711,441	19
The Newcastle upon Tyne Hospitals NHS Foundation Trust	£658,019	14
Royal Surrey County Hospital NHS Foundation Trust	£609,341	17
Brighton and Sussex University Hospitals NHS Trust	£566,805	31
Gloucestershire Hospitals NHS Foundation Trust	£441,289	18
University Hospitals Bristol NHS Foundation Trust	£433,657	11
Poole Hospital NHS Foundation Trust	£405,752	22
Sheffield Teaching Hospitals NHS Foundation Trust	£381,794	20
Clatterbridge Centre for Oncology NHS Foundation Trust	£377,215	21
Total	£4,585,314	18

Hull and East Yorkshire NHS Hospitals Trust was able to realise cash releasing savings of 19 per cent from standard national framework agreement prices, allowing for optimal deployment of funds. The Trust has been able to refresh more of its equipment with higher level technology and improve patient experience more cost effectively by using the commitment deals through the fund.

There is scope to expand the use of the capital equipment fund to secure more commitment deals in other areas.

### Non-Permanent Staff

In the non-permanent staffing category the NHS spends over £2.4 billion, but when you drill down into what each trust spends, you find there are enormous differences. There may be good reasons for these differences, for example high levels of sickness and absence, but many will be the result of varying HR and procurement policies and practices. By bringing procurement and HR to work together on this category, huge improvements can be made.

Figures 3 and 4 identify the top 5 low and high spenders on non-permanent staff as a percentage of the total workforce expenditure for foundation and non-foundation trusts. This includes both 2011-12 data as well as using a three year average (2009/10 to 2011/12).

The lowest employers of non-permanent staff as a percentage of the total workforce expenditure by foundation and non-foundation trusts are:

**Figure 3**

Foundation Trusts	Average 2009-10 to 2011-12 %	2011-12 %
South Tees Hospitals NHS Foundation Trust	0.0	0.0
Alder Hey Children's NHS Foundation Trust	0.6	0.8
Northumbria Healthcare NHS Foundation Trust	0.7	0.7
Norfolk and Norwich University Hospitals NHS Foundation Trust	1.0	0.9
Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust	1.3	0.9

Non-Foundation Trusts	Average 2009-10 to 2011-12 %	2011-12 %
Plymouth Hospitals NHS Trust	1.0	1.0
Royal United Hospital Bath NHS Trust	1.3	1.7
Hull and East Yorkshire Hospitals NHS Trust	1.6	1.2
Royal Cornwall Hospitals NHS Trust	1.7	1.9
Royal Liverpool and Broadgreen University Hospitals NHS Trust	1.8	1.9

The highest employers of non-permanent staff as a percentage of the total workforce expenditure by foundation and non-foundation trusts are:

**Figure 4**

Foundation Trusts	Average 2009-10 to 2011-12 %	2011-12 %
Homerton University Hospital NHS Foundation Trust	11.9	9.9
Royal Brompton and Harefield NHS Foundation Trust	10.4	9.9
Heatherwood and Wexham Park Hospitals NHS Foundation Trust	8.7	9.8
Chelsea and Westminster Hospital NHS Foundation Trust	8.4	9.6
Tameside Hospital NHS Foundation Trust	8.2	9.4

Non-Foundation Trusts	Average 2009-10 to 2011-12 %	2011-12 %
Ealing Hospital NHS Trust	8.4	8.3
George Eliot Hospital NHS Trust	8.3	6.9
Surrey And Sussex Healthcare NHS Trust	7.7	6.8
Mid Essex Hospital Services NHS Trust	7.7	6.8
Imperial College Healthcare NHS Trust	7.5	5.8

If the highest 10 employers of non-permanent staff, as a percentage of the total workforce expenditure were able to move to the national average of 4 per cent it would save the NHS up to £75 million per year (based on the 2011-12 data), and if all trusts that currently have non-permanent staff above 4 per cent were able to reduce their spend to this average a total of £230 million could be saved in non-permanent staff, although substantive staff may need to be recruited.

Many trusts are making headway in reducing their reliance on non-permanent staff. In other trusts we are aware the non-permanent staff bill is rising rapidly. In one trust it has increased five-fold in 12 months. We need to help trusts better manage this category and as a starting point, we will gather up-to-date expenditure data and enable trusts to identify their relative position and encourage them to learn from the best performers.

### Summary

All the examples above indicate there are significant opportunities for the NHS to deliver the efficiencies required. Based on current estimates of GDP deflator, price inflation is expected to increase by around 2 per cent each year, so over the three year period ending March 2016, we anticipate this will add around £1.5 billion to the NHS non-pay bill if left un-checked.

**This means NHS procurement needs to deliver £1.5 billion in savings by 2015-16 just to stand still and counter inflation.**

The NHS simply cannot afford non-pay expenditure continue to increase in the way it did in 2011-12. We must move at pace to redress the trend and deliver the efficiency and productivity gains trusts need.

## Making procurement more efficient and productive

Procurement in the NHS is inefficient, both in hospitals and across the procurement partners used by trusts.

- There is very little consistency across NHS Procurement. NHS organisations currently deploy a wide range of procurement processes, methodologies, techniques, tools and templates to identify, procure and manage many similar requirements across identical spend categories. Not surprisingly, suppliers to the NHS encounter a broad range of differing documents and approaches when bidding for (often) similar requirements
- There are wide variations in capability and capacity across NHS organisations – including procurement partners such as collaborative procurement hubs – reflecting significant differences in performance, structures, people (skills, knowledge, experience), data, systems, processes, and policies
- It is estimated a single trust is managing more than 80 complex categories and sub-categories of spend with an average of around 5-10 core procurement people. Logic tells you all categories cannot be given the continuous attention they need, which is why trusts need their procurement partners. But they should be seen as partners who can help trusts manage their categories of spend, rather than just sources of framework agreements
- We know that the relationships between trusts and the major national partners, NHS Supply Chain and the Government Procurement Service currently do not deliver to their full potential, more can be



- done and at greater pace if we can get the relationship right
- Very few senior stakeholders, executives, clinical and operational leaders know what best practice looks like and many often experience inconsistent performance and variable outcomes from their procurement teams
- Investing in an efficient, strategic procurement capability has not been a priority for many NHS boards, often due to the absence of functional leadership at a senior level and effective board representation
- The production, publication and sharing of procurement best practice and related case studies across the NHS is negligible. It is almost impossible to identify publications of relevant best practice
- Health was once recognised across government for driving thought-leadership in procurement and supply chain, particularly research into global and international healthcare markets in conjunction with academia and in engaging healthcare industries to encourage supplier innovation. These strategic, centre-led activities no longer exist
- There is no effective national procurement community that develops, owns, promotes and reinforces high, professional standards of best practice in procurement and supply chain management
- The NHS is failing to attract new procurement recruits (there are no recognised graduate or apprenticeship programmes) to increase much needed capacity, and the retention of high performers and talent is left to each NHS organisation

- Suppliers in key markets have nowhere to go to promote their relevant insights, products, services, innovations, interventions and client case studies which they have often developed with clinicians
- NHS Procurement itself is fast-becoming commoditised. There is a predominance of framework agreements and transactional procurements over the pursuit of more strategic ‘break-through’ procurements which, in high-performing world class organisations, regularly deliver significantly greater value, efficiencies, benefits and outcomes.

### Procurement partners

Procurement partners play an important role in helping trusts manage their non-pay expenditure. We estimate they influence around 30 per cent of the £20 billion as shown in Figure 5.

Figure 5

Procurement Partners	Expenditure Influenced (£ million)
Government Procurement Service	£2,200
NHS Supply Chain	£1,300
DH Commercial Medicines Unit	£1,500
Collaborative Procurement Hubs	£1,000
Total	£6,000

In addition to this, NHS Supply Chain influence around £600 million of capital expenditure.

The relationship between these organisations and their customer trusts has tended to be distant, unfocused and lacking commitment. Trusts tend to use these organisations as a source of ‘framework agreements’, cherry-picking the ones that suit their needs. This is

not world-class procurement. It merely forces all procurement partners to issue tenders to broaden their 'offerings' in the hope trusts will use them, inevitably leading to replication and unnecessary costs for suppliers.

Both NHS Supply Chain and GPS have NHS Customer Boards which have begun the journey of improving communications with the NHS and go some way to improving their offer to the NHS, but more needs to be done to deliver commitment and at a greater pace.

This duplication of effort is a waste of scarce procurement resource that the NHS can no longer afford. We need to find a way for the NHS to use these organisations more intelligently, with commitment and effectively de-clutter the landscape.

# Delivering improvement

The problems we face are system-wide and demand system-wide solutions, delivered with urgency and vigour. *Raising Our Game* set out our expectations for better procurement, but without the appropriate levers and incentives in place, it was always only going to help those trusts who recognised the need for change. We now need to take this further with interventions and support that form the backbone of change, and we need to ensure the leadership and incentives are in place to make them happen.

We will therefore launch a **NHS Procurement Development Programme** to guide, help and support the NHS in the changes needed.

## Our goal

Our aim is to help the NHS deliver £1.5 billion in cost savings by 2015-16. This will ensure trusts' non-pay expenditure, at a minimum, is inflation-free for the next 3 years, and contributes to improving NHS productivity. Our vision is for the NHS to have a modern, world-class procurement capability in place by 2017.

## The NHS procurement development programme

The programme will support the modernisation of procurement across the health system and help trusts deliver the efficiencies they need.

### NHS Procurement Development Oversight Board and Procurement Champion

To oversee the programme we will create a NHS Procurement Development Oversight Board, to be chaired by the Parliamentary Under-Secretary of State for Health.

We will immediately appoint a private-sector figurehead, **Procurement Champion** to drive the modernisation of procurement across the NHS and to drive greater accountability of NHS procurement. The individual will be of sufficient standing and credibility to command attention and respect from within the NHS and all sectors, and will be responsible for overseeing delivery of the actions in this report. He or she will also chair a new **NHS Procurement Delivery Board** to support the Oversight Board.

### NHS Procurement Development Delivery Board

The NHS Procurement Development Delivery Board will steer and deliver the programme. Chaired by the Procurement Champion, we will bring together relevant stakeholder groups into the Delivery Board to engage

their commitment and leadership in delivering the programme, including the *NHS Confederation*, the *Foundation Trust Network*, *Cabinet Office*, *Monitor*, the *NHS Trust Development Authority*, *Public Health England*, along with the *Department of Health* and *NHS England*.

The Board will ensure all organisations are working to a common strategy for NHS procurement, drawing in private sector expertise and best practice. This will be the first time we have united NHS organisations in this way.

## The Programme

The programme will contain four integrated initiatives:

1. Delivering immediate efficiency and productivity gains
2. Improve data, information and transparency including the adoption of GS1 coding standards
3. Action to demonstrate ways in which the NHS can improve outcomes for patients at lower costs through clinical procurement review partnerships
4. A longer term programme to improve leadership and capability through the creation of a new 'centre of procurement development' to support the delivery of world-class procurement throughout the NHS and develop improved trust level leadership, including the role of non-executive directors

In delivering these four initiatives the NHS will also make a significant contribution to economic growth.

The programme structure is detailed in Appendix A.

Each of the four initiatives are described in detail below.

## 1. Delivering immediate efficiency and productivity gains

This document sets out our plans for improving NHS procurement for the longer term and building capability that is amongst the best in the world. However building capability will take time, so we must supplement transformation with a relentless focus on costs in the shorter-term.

To do this we will deliver the following:

### 1.1 Combating Inflation

As outlined throughout this document, the NHS has been facing inflationary pressures well above the norm. In 2011-12 inflation in the NHS ran above general inflation and the early indications are that this has continued in 2012-13. As a minimum, trusts need to find ways of reversing this trend urgently. Every Procurement Leader in every NHS trust needs to play his or her part in combating inflation.

We know it can be done, for example in Central Manchester University Hospitals NHS Foundation Trust, the Head of Procurement with the Finance Director and support of the trust board, implemented a zero-inflation policy in 2011-12.

By challenging supplier price rises in a systematic and strategic manner, the trust has successfully negated over £5 million of inflationary increases. The trust engaged over 1,000 suppliers and worked with them to find ways in which cost increases could be resisted. This included options such as increased business and prompt payment. All trusts need to adopt the same mind-set, so we will implement an initiative to support trusts in this regard. Experience has shown

that not all suppliers are receptive to such an approach, so we will encourage trusts to collectively combat such suppliers and escalate concerns to the Procurement Development Delivery Board and the Procurement Development Oversight Board.

### 1.2 Key supplier engagement

We are currently working on plans for engaging the NHS' top suppliers (those that have the most business), to see what can be done to reduce costs to the NHS.

The central government Crown Supplier Representative (CSR) approach commenced in 2011 and focused on 30 of the largest suppliers who collectively received £16 billion of government business. The Crown Representatives claimed to have identified savings of £800 million in 2011-12 and £914 million in 2012-13, with a further £1.05 billion targeted for 2013-14. Key to the success of this scheme was the ability for government to act as a single customer.

We are keen to explore whether a similar scheme could work in the NHS, whilst recognising the complexity in getting the NHS to act as a single customer.

Our intention is to engage a number of Chief Executives from NHS trusts to act as the NHS representative and chair the dialogue, and where appropriate, we will also engage NHS clinical leaders.

We see this initiative as the start of a new approach to key supplier management by the NHS. Whilst the initial focus will be on finding ways to release cash quickly, we want this engagement to lead to new ways of working with our major suppliers to jointly take waste out of the system and smooth the pathway for innovation.

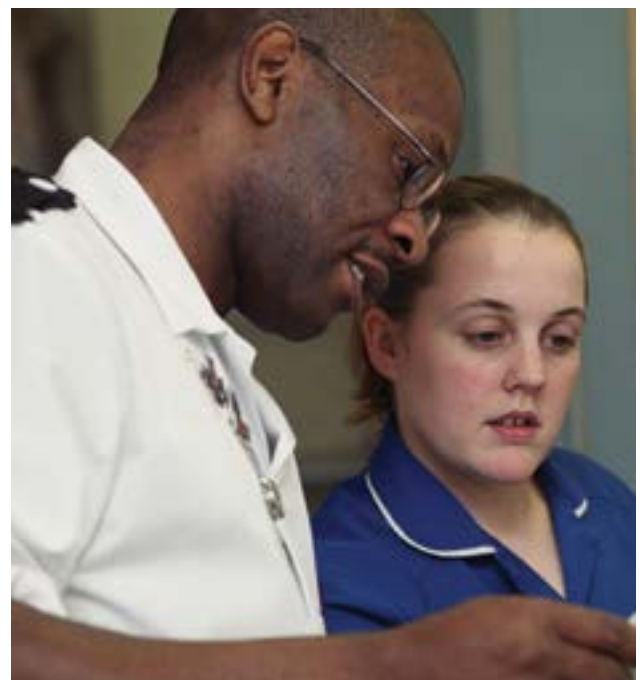
### 1.3 NHS Supply Chain quick wins

We will work with NHS Supply Chain to identify immediate savings opportunities available to the NHS in the categories of expenditure which they influence, including clinical supplies.

This will involve developing initiatives that:

- maximise the purchasing leverage of the NHS
- identify how providing commitment can deliver savings and work collaboratively to aggregate requirements
- identify opportunities of product substitution.

All of which can deliver immediate savings opportunities.



### 1.4 Non-Permanent Staff

We will seek to help the NHS reduce its non-permanent staff bill by 25 per cent, by the end of 2015-16. NHS Employers have already produced good practice and identified case studies where savings have

been delivered, for example through demand management practices, and making best use of bank staffing arrangements and e-rostering systems. In addition, we will seek to help the NHS use the most appropriate purchasing arrangements available, including framework agreements provided by Government Procurement Service.

### 1.5 Premises

We will ensure the £50 million Energy Efficiency Fund is delivered. Prioritising the fund at a four to five year return on investment means that the NHS will be able to reinvest energy savings of up to £12.5 million per annum on front-line care. Further announcements on the delivery of this fund are planned to be made in September 2013.

The NHS Trust Development Authority will actively work with NHS trusts in the pipeline to become NHS Foundation Trusts to ensure better and more efficient management of their estates and facilities and, as part of this process, ensure that where appropriate the non-clinical estate is rationalised to the benefit of local patients and local communities. Identification and disposal of surplus land is a win/win strategy for the NHS as it reduces running costs and provides income that can be re-invested in health, while providing new homes and employment in the construction industry. In addition, efficient management of its assets, including its estate, is important to ensuring that any organisation continues to provide secure, sustainable, high quality services for the patients and communities they serve in the long-term.

### 1.6 Establishment costs

NHS trusts spend over £1 billion on establishment costs such as printing, stationery, IT and telecoms. These are categories of spend where central government has made significant savings. For example, across government £126 million has been saved through the use of framework agreements for telecoms services. We need to learn from this and work with the Cabinet Office and Government Procurement Service to deliver similar savings in the NHS.

### 1.7 Price benchmarking

We will set up a **simple price comparison system** by which the Department of Health will ask Trust Chairs of Audit Committees (usually non-executive directors) to submit prices paid for a rolling basket of around fifteen products and services each quarter. Price benchmark reports will be produced for NEDs to challenge performance in their trusts where it lags behind their peers.

## 2. Improve data, information and transparency

High performing organisations have data covering over 90 per cent of expenditure, across geographies and different business categories. The majority of the NHS lags far behind this and is still not investing in systems and processes to improve the quality of their data. It is clear that we need to help trusts move faster.

Accurate master data used consistently across the supply chain provides the foundation for procurement efficiency. A common language, backed by a common messaging standard, enables trusts and their suppliers to capture and share procurement data using the same barcode driven technology that is used by retailers and industry to eliminate errors and waste in the supply chain.



Master data provides the key to analysing and sharing procurement expenditure. Visibility of spend is essential to understand buying patterns and to forecast supply requirements, enabling trusts to secure better deals from their suppliers. Benchmarking between trusts will drive lower prices, releasing savings to the front-line.

The essential building block for improving data for the longer term is the adoption of GS1 as the supply chain coding standard, by both the NHS and its supplier base. However, we are still not seeing a significant uptake, and it is clear that trusts need support and direction, with appropriate incentives to resolve these issues once and for all.

To guide and support the NHS **we will publish an 'eProcurement strategy'** for the NHS in September 2013, setting out actions for the development of national and local infrastructure that's supports the adoption of GS1. The McKinsey report *Strength in Unity* identified recurring savings of £3 million and £5 million for a 600 bed acute trust, based on full implementation of global GS1 standards.

As part of this strategy, we will:

- mandate through contracts the use of GS1 coding for the NHS
- create a single NHS GS1 data pool for the NHS to use in its systems
- centrally invest in enabling Product Information Management and Messaging technologies
- create a single 'data warehouse' for NHS procurement data
- define standards to ensure interoperability between e-Procurement systems
- establish standards for datasets and classification
- put implementation support arrangements in place for trusts to draw upon.

To ensure rapid adoption and realisation of efficiency and patient safety benefits, we will set out an ambitious timetable, mandating the use of GS1 through the NHS Standard Contract, starting with implantable devices and medicines. We will also explore opportunities to link adoption of GS1 to CQUIN payments.

Implementing the e-Procurement strategy, including the adoption of GS1, will enable trusts to share, compare and be transparent with their procurement information. This will not only help to hold public service to account, but will increase visibility of opportunities for SMEs, therefore supporting the economic recovery.

In the shorter term we recognise there is an urgent need to encourage transparency and benchmarking.

We will therefore explore opportunities to:

- **increase transparency** by requiring all providers of NHS healthcare – through the NHS Standard Contract – to **publish all procurement data, including opportunities, expenditure and contracts on their websites and Contracts Finder**
- develop, procure and implement a single, best-in-class **NHS Spend Analysis and Price Benchmarking Service** to streamline the data collection and benchmarking process, and enable trusts to frequently and cost effectively compare prices across a wide range of goods and services
- implement a **dashboard of procurement performance metrics** to support internal management and governance, enable public reporting and facilitate the identification and exchange of good and best practice. A set of 7

core metrics have been developed and piloted for this purpose (see Figure 6).

**Figure 6**

<b>Doing it Well</b>	
1.	Number of instances where patient outcome, experience or safety has been adversely affected by a lack of product or service availability
2.	Percentage of non-pay expenditure captured electronically through purchase to pay systems
<b>Doing it Efficiently</b>	
3.	Value of contribution to cost improvement as a percentage of non-pay expenditure
4.	Cost to procure as a percentage of non-pay expenditure
5.	Percentage of non-pay expenditure through national and/or collaborative purchasing arrangements
<b>Doing it Right</b>	
6.	Progress against the NHS Standards of Procurement
7.	Percentage of recognised procurement staff with an appropriate formal procurement qualification(s)

The NHS Procurement Dashboard provides a balanced scorecard of core metrics focused on three key areas of procurement performance, namely, enabling business continuity, procurement efficiency, and mitigating risk. It has been developed through an extensive process of engagement, dialogue and pilot testing with representatives from procurement, finance and senior management in NHS trusts, supplemented by input from professional associations and experts in the field of procurement.



### 3. Improving outcomes at reduced cost through clinical procurement review partnerships



Medical devices have a major impact on outcomes for patients. Quite rightly, clinicians must make the right choices to ensure patients receive the best treatment and outcomes. However, we know these decisions are often made with a lack of knowledge about costs and prices. We need to ensure clinicians and budget holders are fully equipped with the information to help them make the right choices, both in terms of outcomes and value for money.

We also know absence of knowledge about costs leads to a business relationship with suppliers that has become inefficient, costly and out-of-date. For example, in the case of

orthopaedic hip and knee joints it is estimated that as much as 40 per cent of the price of joints is associated with 'costs to serve' i.e. consignment stock, instrumentation and sales support staff. These costs are double that found in other sectors and are further compounded by the variation of choices made by surgeons even in the same hospital. We think the business model by which orthopaedic suppliers sell to the NHS is inefficient, outdated and not in the best interests of either party.

The starting point for addressing this is to gather data. We have already begun to combine clinical outcome data with commercial data to engage clinicians and identify ways to help the NHS reduce variation and costs, and consequently re-shape our relationship with the medical device industry. This data is already showing us that reducing variation not only reduces cost, but can deliver better outcomes for patients.

A steering group has already been established to take this work forward, involving clinicians, procurement staff and other key stakeholders. It is our intention to demonstrate how a clinically-led approach can deliver significant savings for the NHS, and at the same time, improve outcomes to patients.

We are currently planning to **implement the approach in one or two regions**, to show what can be achieved by clinically-led procurement at scale. We anticipate 10-15 per cent efficiency savings whilst improving health outcomes. The North West region will lead the way through its North West Procurement Development Network, building on the work they have already done as part of their Advancing Quality Programme.

We expect this work will also lead to a new relationship with industry that is built on partnership and value, rather than price and sales. It will become a template for working

with industry in other high-value medical technology areas.

We will establish new multi-disciplinary **Clinical Procurement Review Partnerships** (CPRPs) charged with:

- forensically examining all products considering effectiveness and fitness for purpose to establish a clear and compelling evidence base
- understanding the market dynamics, supplier capabilities, and cost profiles across the NHS
- weighing up the balance between medical benefit and value for money, including product rationalisation, to identify cost effective solution
- documenting and disseminating best practice across the NHS.

These groups will be closely tied to the Centre of Procurement Development and Academic Health Science Networks (AHSNs) to ensure they access world-class category management practices and are aligned to local decision-making and local accountability.

## 4. Improve leadership and capability

We will improve leadership and capability for procurement across the NHS.

### Leadership

We will engage and support leaders at three levels:

- At national level, we will:
  - have in place governance for the NHS Procurement Development programme
  - work with the Royal Colleges to provide a package of support for clinical leaders across the NHS, so that they develop greater awareness of procurement and its benefits
  - work with the Chartered Institute of Purchasing and Supply (CIPS) and the Health Care Supply Association (HCSA), ensuring that all levels of NHS procurement professionals are engaged.
- At regional or trust group level, building on existing networks, Procurement Development Networks will be established to encourage trusts to come together to assess their collective capacity and capability and to build stronger partnerships with their chosen procurement partners such as NHS Supply Chain, Government Procurement Service and others
- At local level, we will provide a package of support for NEDs and Finance Directors to equip them with the tools to champion procurement and hold the board to account. We will also explore the relevant levers and incentives we can put into place to ensure this becomes the norm for all trusts.

We already recommended trusts should appoint a board executive director to be accountable for procurement and non-executive director to sponsor the procurement function. Some trusts already have these arrangements in place but it is clear we need to do more to encourage more trusts to prioritise procurement at board level.

Nominated NEDs can play an important role in improving NHS procurement, but we need to ensure they are recruited and remunerated to attract the right people with the right background and skills to fulfil this role. We will provide guidance to trusts to help them with this.

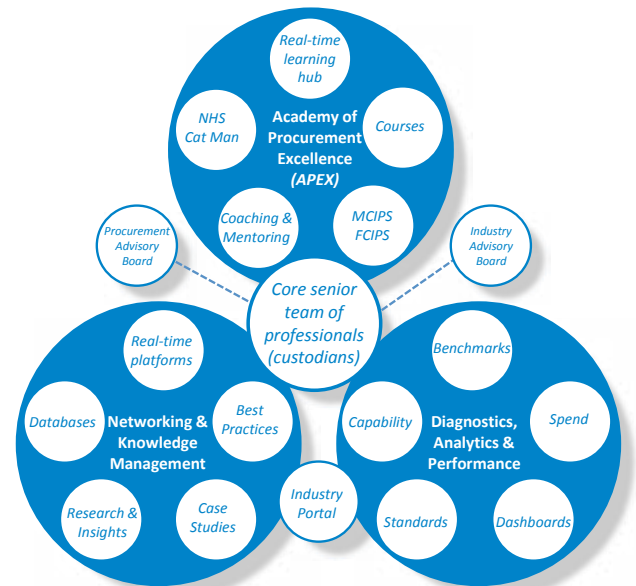
From 2014/15 the NHS Planning Guidance will make modernisation of procurement in the NHS a priority.

### Capability

NHS organisations will need to invest resources to develop their procurement capability, but we recognise they need support to help them deliver to world-class standards. We have researched many of the leading organisations in both the private and public sectors to determine which of the key, relevant characteristics will need to be developed and embedded across the NHS, these include:

- senior executive ownership
- talent management and development
- process excellence in strategic sourcing, category management and supply chain management
- key supplier management including the management of supply risks
- accurate and timely procurement information
- mechanisms for sharing knowledge

- meaningful and relevant performance measures.



Our research has shown us that world-class organisations persistently strive to develop, embed and demonstrate these characteristics.

Therefore, DH will create a new **Centre of Procurement Development (CPD)** to support the procurement development programme and ensure best practice is embedded throughout the NHS. The CPD will incorporate an **Academy of Procurement Excellence (APEX)**, which will enable professional development and leadership. The CPD will act as a one-stop shop for all NHS procurement professionals, housing a range of effective and much needed capability accelerators.

The CPD will be the independent home for learning, networking and knowledge management including a national source of all key documents, templates, case studies and best practices, designed to improve consistency in procurement across the NHS. It will house diagnostics, analytics and performance systems to support benchmarking and capability assessment.

The CPD will also enable us to understand the current state of the NHS procurement workforce so that we can improve it. To start this process, we will undertake an independent workforce review so that we can be clear about optimum numbers, remuneration and span of responsibility for NHS procurement staff. CPD will then work with Procurement Development Networks to diagnose existing capability and help to create improvement plans.

Within CPD, we will have a highly skilled core team of senior NHS procurement professionals that will drive and sustain the delivery of the CPD's key activities and interventions, acting as the custodians of best practice and ambassadors for change across the NHS. We will not be starting from scratch. We have already developed a range of interventions, for example the NHS Standards of Procurement.

## Contribution to economic growth

There is considerable scope to improve the NHS' contribution to economic growth. Industry has told us that the NHS is not an easy customer to do business with. Furthermore, it tends to focus on price rather than whole life costs and value, and is slow to adopt new and innovative products and technologies. Industry asked us for:

- better written and consistent tenders, with specifications focused more on outcomes
- less burdensome pre-qualification processes, standardised procurement processes and systems including more paper-free systems
- procurement more aligned with trust objectives
- more professionalism in trust procurement
- less focus on year-on-year savings, and more focus on long term 'value'
- improved 'trust' between the NHS and its industry partners
- standard terms and conditions of contract
- committed volume contracts rather than framework agreements
- speedier payments and greater support for SMEs
- more risk-sharing initiatives
- greater opportunity for industry to present solutions
- greater ownership by trust boards

- reduced duplication of framework contracts

So what can we do to ensure the NHS improves its contribution to economic growth? We think there are three ways in which the NHS can do this. Firstly, we can ensure the way the NHS undertakes its procurement does not preclude SMEs from gaining business. Secondly, we can ensure the NHS is responsive to innovative solutions and ideas from industry. Thirdly, we can send strong and early signals to the market about strategic direction and future investments, so that suppliers can talk to us well before procurements are actually undertaken.



### Making sure we support SMEs

The Government is shortly to announce a consultation on a package of reforms to make public procurement more accessible to SMEs, this is in response to Lord Young's

recent report *Growing Your Business*.

These include:

- the abolition of Pre-Qualification Questionnaires (PQQs) below the EU procurement threshold for goods and services
- mandation of a simplified, core PQQ with a standard set of questions, where PQQs are used
- allowing suppliers to provide PQQ data on a 'once for the public sector' basis
- publishing all contract opportunities on Contracts Finder and the associated contract award notices
- requiring all contracting authorities to publish data on their procurement spend with SMEs in one place
- requiring authorities to publish data on their use of centrally negotiated deals together with pricing information
- requiring all public bodies to adopt standard payment terms and prime contractors to adopt the same standard payment terms for their sub-contractors on public contracts
- requiring the publication of public bodies' payment performance centrally.

We are keen to ensure the NHS pays its suppliers in accordance with the prompt payment code, particularly SMEs where cash-flow can be critical to their survival. We will therefore explore the levers and incentives we can put into place to ensure trusts comply with the code.

We need to ensure these recommendations are embedded across the NHS and increase the amount spent with SMEs.

## Being responsive to innovation from industry

We know that industry has traditionally found it hard to engage with the NHS as a customer, a knowledge centre or as a testing ground for new and innovative technologies. Whilst significant sums of innovation funding are available, the process for identifying and accessing such funding is not always straight-forward. We need a more strategic and enduring, fit-for-purpose technology evaluation and adoption process, with clear entry points for the NHS and industry, and rapid access to support and funding for the most beneficial technologies.

### Early engagement

The Government believes that delivering growth in the economy can start with earlier dialogue between the public sector and industry. Open dialogue about strategic direction, the challenges we face, the need for innovation, and transparency on future procurements, allow suppliers to develop their business models and products to meet our future needs.

There are no clear entry points for suppliers to have these conversations. NHS England is setting up an Industry Council to develop strategic dialogue with the life sciences industries, but we need to find more ways to do this.

The **Small Business Research Initiative** (SBRI) is a valuable incentive for encouraging suppliers to innovate for the NHS, but we need to do more and ensure there is a strong connection between the challenges, procurement and widespread adoption.

The new **Academic Health Science Networks** (AHSNs) can play a valuable role in helping the NHS be more responsive to innovation and in setting the challenges for industry to innovate, but we need to find practical actions to show how this can be done.

One practical initiative we will develop is the creation of reverse procurement fairs, with the intention of exhibiting high value/high volume products which are procured by the NHS, providing opportunities for SMEs to innovate and develop new solutions for the NHS.

## Summary

Procurement has a key role to play in protecting front-line care and in ensuring the NHS can live within the 2015-16 Spending Round commitments. Furthermore, it can support the NHS in its drive to innovate to improve the care we provide for patients for the longer term. The £20 billion we spend can also be a major driver in supporting economic growth.

To do all of this, we need a procurement function that is capable, modern, innovative, and amongst the best in the world. Too many attempts to improve NHS procurement in the past have overlooked the need to improve the capability of the function in NHS trusts themselves, and the understanding it can bring to both a trust's bottom-line and the quality of care provided to patients.

This is why the main focus of this document is our desire to help trusts build a function that is up with the best in the world. The proposed new Centre of Procurement Development and Academy of Procurement Excellence will be the key enabler to make this happen and address procurement capability once and for all.

We know this will take time, which is why we must also keep a relentless focus on costs as we develop better capability. The NHS Procurement Development Programme seeks to get this balance right – the need to make efficiencies now, with the need to build capability for the future.

Leadership is essential in making this happen, from the very top of the NHS to individual trusts. The NHS will not deliver the efficiencies it needs if this programme is not embraced by Chief Executives and their boards at all levels throughout the NHS. The best performing organisations in the world all have one thing in common – executive board level sponsorship and support. We need our NHS leaders to embrace better procurement in the same way.

This document sets out our plans for improving NHS procurement for the next three years. Building world class capability will take time, time we do not have, so we must supplement transformation with efficiencies in the shorter-term. Non-pay expenditure in trusts is increasing at a time when it needs to be reducing. We believe the actions in this document will help trusts reverse this trend and help them build a procurement capability that is fit for the future.



# Implementation and actions

Over the next 12 months, we will put in place the following actions to ensure the NHS is able to deliver and meet the challenge.

## The NHS Procurement Development Programme

- Establish the Procurement Development Oversight Board
- Appoint a private-sector Procurement Champion
- Set-up the Procurement Development Delivery Board

## Delivering immediate efficiency and productivity gains

- Implement initiatives to support the NHS in combating inflation
- Develop Key Supplier engagement with suppliers who do the most business with the NHS
- Identify immediate opportunities through NHS Supply Chain to leverage NHS purchasing power
- Focus on establishment costs and learn from central government initiatives
- Establish quarterly price comparison on a rolling basket of 15 products

## Improve Data, Information and Transparency

- Launch a NHS Procurement Dashboard

- Require all trusts to publish all procurement data, including opportunities, expenditure and contracts on their websites
- Develop the specification for a single NHS spend analysis and price benchmarking service
- Publish an E-Procurement strategy
- Launch NHS GS1 data pool

## Improving outcomes at reduced costs through Clinical Procurement Review Partnerships

- Establish new multi-disciplinary Clinical Procurement Review Partnerships (CPRPs)
- Combine commercial and clinical outcome data to engage Clinicians and inform change
- Implement the clinically led approach to procurement in one region.

## Improve Leadership and Capability

- Provide a package of support for non-executive directors and finance directors
- Work with Royal Colleges to develop clinical leaders' awareness of procurement
- Work with the Chartered Institute of Purchasing and Supply and the Health Care Supply Association

- Establish Procurement Development networks at regional/trust group level
- Launch NHS Centre for Procurement Development including the Academy of Procurement Excellence.

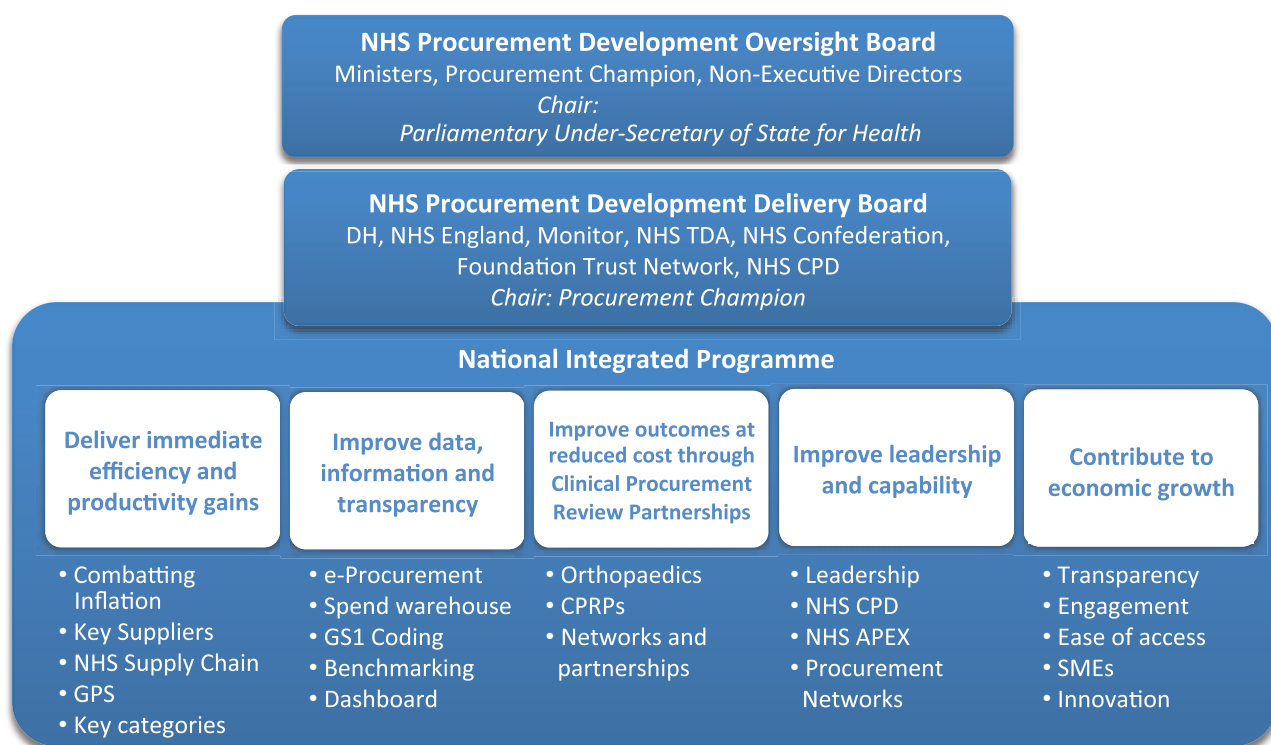
### Contribution to Economic Growth

- Implement recommendations from Lord Young to support SMEs win public sector business

- Launch a new set of NHS Standard terms and conditions for the supply of goods and services
- Work with AHSNs to develop practical actions to help the NHS adopt innovation
- Establish a series of reverse procurement fairs to stimulate innovation from SMEs

An overview of the full three year deliver programme is in Appendix B.

# Appendix A – NHS Procurement Development Programme Structure



## Appendix B – Three year delivery programme overview

Ministerial announcement	2013-14	2014-15	2015-16
Delivering immediate efficiency and productivity gains	Combating Inflation Key supplier engagement: Non-permanent staff; Clinical supplies; Premises; Establishment Implement simple price benchmarking service	Implementation of quick wins	
Data, information and transparency	Launch NHS Procurement Dashboard Launch eProcurement strategy Develop the specification for single NHS spend analysis and price benchmarking Launch NHS GS1 datapool	Trusts publish performance against NHS Procurement dashboard Mandate GS1 coding Launch NHS Spend Analysis and price benchmarking service Launch NHS Product Information Management system Award framework for Trust implementation support	Trusts certified to GS1 standards Trusts publish price comparison results Launch NHS Procurement Messaging platform
Improving outcomes at reduced cost through clinical procurement review partnerships	Commission orthopaedics initiative in a minimum of one region	Publish orthopaedics benefits case Develop further initiatives in other clinical categories and regions	Implement initiatives in other categories of spend
Improve Leadership and Capability	NHS CPD portals for NHS and suppliers launched NHS CPD benefits tracker launched APEX launched	NHS CPD fully established Single NHS category management process launched Establish national SRM programme	Category management methodology established CPD operating as steady state entity
Contribution to economic growth	Develop package of support measures for SMEs Develop package of transparency measures	Launch package of SME support measures Launch package of transparency measures	Track benefits and review package Track benefits and review package
Expected efficiency savings (£ million)	£150	£550	£800

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