

# Procurement strategy 2020 to 2025.

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## Introduction

Procurement is a significant enabler underpinning the delivery of our corporate objectives and achieving our purpose and mission.

***“We provide national solutions to improve the health and wellbeing of the people of Scotland”***

The NSS Vision;

***“To be integral to a world-leading health and care service”***

NSS, working with others, will enable the transformation of health and care to help improve the health and wellbeing of the people of Scotland.

We will continue to underpin a sustainable and resilient NHS Scotland by providing excellent support services and expertise.

We will assist other public sector organisations where there is value in doing so.

NHS NSS will deliver its vision through 4 strategic objectives:

- Customers at the heart of everything we do
- Increasing our service value
- Improving the way we do things (and)
- Become a great place to work.

## Our Mission Statement

*“Through dedication to professional development we will demonstrate the value our activity brings to the delivery of quality healthcare services.*

*We will achieve this by working with respect, care and integrity.”*

## Our Spend Profile

NHS NSS supports customers to deliver their services more efficiently and effectively. Offering shared services on a national scale NHS NSS' aim is to help its customers save money and free up resources so they can be re-invested into essential services.

This document will show NHS NSS Procurement will support NHS NSS to provide its services to its customers.

In 2019-20 NHS NSS had a non-pay spend of around £350M

NHS NSS spends around £53M every year to run its business; with the remainder being spent on supporting National Programmes and services, funding which 'passes through' NHS NSS.

Our team work to achieve best value against the £53M spend.

## The Legal part

At the time of this refresh we are operating under the following regulations;

- European Treaties and Directives
- The Public Contracts (Scotland) Regulations 2015 (Procurement Regulations) and
- The Procurement Reform (Scotland) Act 2014 (the Reform Act).

The legislation is reflected within our internal financial rules or Standing Financial Instructions. We will review the regulatory position and its associated impact on NHS NSS after the negotiations with the European Union have completed.

Overall governance and strategic leadership for procurement is directed through the NHS NSS Cost and Commercial Steering Group (CCSG)

whose roles and responsibilities are presented in Appendix 4.

In common with NHS NSS strategy documents this Procurement strategy operates on a rolling 5-year period and is refreshed annually. This strategy covers the period from 2020-2025.

## Procurement priorities

We believe the following areas and underlying commitments will deliver against our mission and support the NSS purpose.

### **Balance resources against increasing service demand;**

We will utilise new technology to make the interface with our customers more intelligent and efficient

We will utilise current technology to alleviate our resource burden and focus our skills on the highest value areas

We will work with support networks to ensure effective implementation of new tools e.g. spend management to increase our effectiveness

We will continue to develop templates and processes to promote standardisation, reuse and efficiency

We will look to recruit effectively to maintain a sustainable function for the short and long term

### **People**

We will promote and enhance our people development procedures, by implementing, measuring effectiveness and continuous improvement

We will be a caring and supportive team, dedicated to helping each other in the delivery of an effective procurement service

We will encourage our team to think creatively, utilising the procurement regulations to support not stop innovation

### **Customers and Stakeholders**

We will maintain an excellent relationship with our customers and stakeholders through dedicated resource to unique customer groups

We will align our goals and objectives with our customers and stakeholders to ensure we deliver what is valued in their eyes

We will be an effective business partner through listening, educating and challenging our customers and stakeholders to think creative around external service and product delivery

### **Value delivery**

We will commit to defining delivering and communicating value widely, which will include;

- commercial cost reduction
- Security of supply
- Improved local social outcomes

- Reduced health inequality
- Reduced environmental harms and
- Fair work being evident within and across our supply chains
- Commitment to eradicating modern slavery

We will commit to better communicating the value we deliver to internal and external stakeholders

We will share the knowledge we have with other partner organisations through influencing in forums and conference attendance

We will continue to develop our approaches to supplier engagement and supply management that takes account of our wider definition of value.

## Spend

Achieving best value against the corporate & service expenditure of £53M is currently the primary focus of NHS NSS Procurement. The following list provides a high level overview of where NHS NSS spends its money each year to fund its operations;

<b>Property Costs</b>	<b>- £23.5 million</b>
<b>Professional Fees</b>	<b>- £4.9 million</b>
<b>Agency</b>	<b>- £4.5 million</b>
<b>I m &amp; t</b>	<b>- £4.2 million</b>
<b>Other Operating Costs</b>	<b>- £3.9 million</b>
<b>Medical Costs</b>	<b>- £2.6 million</b>
<b>Transport</b>	<b>- £2.1 million</b>
<b>Office Running</b>	<b>- £1.9 million</b>
<b>Stock</b>	<b>- £1.9 million</b>
<b>Personnel Costs</b>	<b>- £1.1 million</b>
<b>Staffing Costs</b>	<b>- £1.1 million</b>
<b>Training Costs</b>	<b>- £0.5 million</b>
<b>Capital</b>	<b>- £0.4 million</b>
<b>Purchase of Healthcare</b>	<b>- £0.2 million</b>
<b>Publicity &amp; Advertising</b>	<b>- £0.2 million</b>

## How we treat contracts over £50K in value

We will check central contracts to order directly from and if there's none available we advertise on the Public Contracts Scotland website.

As NHS NSS will advertise, and subsequently award, on the PCS website the functionality of the site will automatically publish and maintain our contract register for public viewing.

## How do we obtain value for money?

- Early project engagement – involvement at the design stage allows for an optimised supply solution ensuring unnecessary costs are minimised
- early market engagement – procurement can engage with market participants to understand new developments and bring this knowledge back in house
- Right sizing contracts – appropriately segmenting requirements to better facilitate SME/Third Sector and Supported Business participation
- Focusing on wider value - maximising the impact of each pound spent by including Community Benefit Clauses
- Evaluating on whole life costing – not just focusing on acquisition cost
- Utilising output based requirements – buying the outcome not defining how it should be done
- Challenging the need and demand management – is the purchase really necessary?
- Shift in focus to supply management - by prioritising key supply areas and suppliers we can unlock additional value through partnerships and innovation

Underpinned by continuous professional development of the Procurement team using the Procurement Development Framework.

## Priorities for Public Procurement

Careful consideration of organisational and National priorities means that we can realise the synergies that exist between them, as can be seen with the National Performance framework showing;

best value can be achieved. The framework establishes the lead contracting authority and allocates contracts into 'Contracting Categories'. The framework 'Contracting Categories' relevant to NHS Scotland are:

Category A – Contracted for all Scottish Public Sector bodies by within Scottish Government.

Category B – Contracted for all NHS Scotland organisations by NHS National Procurement.

Category C – Contracted individually by NHS Scotland organisations, including NHS NSS.

## Engaging with our service users

NHS NSS Procurement's work impacts service users directly in many ways; be it donation equipment for the Scottish Blood Transfusion service, National health screening services or the management and transportation of GP patient records. We work directly with commissioners and service leads to design the product and service requirements to best suit the end user needs.

## Engaging with Suppliers

As each contracting activity is different, market engagement strategies will primarily be defined within the individual contracting strategy.

We will engage with the wider market through events such as Procurex & Procurement 4 Health (P4H) along with participating in smaller supplier focused events as they arise such as those facilitated by the Supplier Development Programme.

Additionally, we will work with the National Procurement and the Scottish Procurement and Property Directorate category teams to leverage their work and engagement with our key suppliers.

We advertise our contract opportunities to suppliers through Public Contracts Scotland.

Requirement Specifications for Regulated Procurements will maintain the core philosophy of being 'outcome based' to ensure as wide participation as possible with clear, concise wording to minimise misinterpretation.

Where possible, administration burden will be reduced for suppliers by use of electronic procurement systems which promote data re-use using concepts such as the European Single Procurement Document (ESPD) meaning suppliers can enter their details once and then re-use for all further competitions.

Utilising procurement procedures such as Dynamic Purchasing Systems (DPS) can also greatly reduce supplier administration burden and speed up tender procedures for individual contracts under the DPS and open up the opportunity to as wide a range of suppliers as possible; NHS NSS has one of these systems in place currently and is actively looking at other areas where this approach could be applied.

## Sustainable Procurement Duty

NHS NSS Procurement will meet our Sustainable Procurement Duty through the use of the following Scottish Government tools;

- Scottish Public Procurement Prioritisation Tool;
- The Sustainability test;
- Life Cycle Impact Mapping; and
- the Scottish Flexible Framework.

We use the prioritisation tool to give us specific focus to ensure our products and services are being delivered in alignment with the Duty. Application of the Sustainability test helps us to clarify objectives within each area which we then share with our key suppliers through contract management activity.

All of our procurement exercises now incorporate the Sustainability test, with whole life costing being the standard.

Life Cycle Impact Mapping is an area that we are investigating for our product areas as product spend is less than 20% of our total spend.

Of key importance is the Flexible Framework tool. This is a comprehensive evaluation methodology which seeks to assess all areas of the procurement organisation against a suite of best practice approaches. The tool outputs an action plan to support the user in developing approaches and procedures to drive sustainable procurement within an organisation to best in class levels. NHS NSS Procurement assesses itself using this tool on a regular basis.

## Community benefits

In support of our commitment to the Sustainable Procurement Duty, we continue to identify opportunities to embed community benefits within our contracts, including;

- training and recruitment, or
- the availability of sub-contracting opportunities, or
- which is otherwise intended to improve the economic, social or
- environmental wellbeing of the authority's area in a way linked to the main purpose of the contract in which the requirement is included.

The primary approach we will utilise to identify opportunities will be to run the sustainability test at contract strategy stage.

## Food Procurement

We purchase most of our food requirements from NHS National Procurement contracts which ensure the highest level of standards are maintained in both the obtaining of food supplies and the onsite preparation of food. Utilising the skills, knowledge and experience of NHS National Procurement will provide assurance that the highest standards of animal welfare is maintained at all times and that we are aware and are operating to the latest legislative requirements.

## Scottish living wage

As a responsible Procurement organisation, NHS NSS understands that Public Procurement is a key driver of policy development and service delivery which supports sustainable economic growth. As such we take seriously the need to balance value for money with fair and equal pay for those employed in delivering our goods and services.

It is not possible to set payment of the Living Wage to staff as a mandatory requirement within a competitive procurement process where the Living Wage is greater than any minimum wage set by or in accordance with law.

However, we follow the policy ambition of Fair Work First in our approach to contracting and include this requirement in the majority of our procurement exercises.

## Compliance with the Health and Safety at Work etc. Act 1974

The primary areas for Health & Safety considerations would be on building related procurements. As such we work closely with our facilities team on both the tendering and contract management aspects. We have delivered awareness sessions on the Procurement Reform (Scotland) Act 2014 and work closely with facilities in managing the Hard and Soft Facilities management contracts for NHS NSS.

Our facilities team are construction site safety management certified which includes legal and practical knowledge of health and safety management on construction works including the Health and Safety at Work, Etc. Act 1974. This supports our in-house capability to ensure any works completed on behalf of the NHS NSS are performed to the latest Health and Safety standards. All building tenders and quotes are run in accordance with the Construction (Design and Management) Regulations.

## Fair & Ethical Trading

NHS NSS Procurement has started to include conditions relating to compliance with environmental, social and employment law within its contracts. We will work closely with our sector Centre of Excellence, colleagues in Scottish Government and across the wider public sector to understand and implement latest practice approaches to assuring our supply chains operate to the highest ethical standards.

## Payments to Contractors & Sub Contractors

NHS NSS Procurement realises the importance of ensuring our suppliers and in turn, their suppliers' cash flows are maintained. NSS pays the majority of our contractors within 10 days and include within our contract terms the need for contractors to pay sub-contractors within 30 days we monitor and measure payments to our contractors on a monthly basis. We request payment performance details from our Tier 1 & 2 contractors and will request that they meet the standards we require.

## Monitoring, reviewing and reporting

### Monitoring our objectives

This strategy is reviewed and approved by NHS NSS Cost and Commercial Steering Group. Various aspects of the strategy will be reviewed regularly by this group.

## NHS NSS Contract Register

We utilise the functionality available on the Public Contracts Scotland website. All NHS NSS public contracts of value above £50,000 shall appear on this register.

## Approach to Framework Call Offs

Any call off from a Framework Agreement with a single supplier that exceeds or is expected to exceed (in the case of multiple call offs) a value of £50,000 over the lifetime of the Framework will have an associated contract award notice and contract register entry.

## Annual Report

We aim to have our Procurement annual report approved and published within the few months of the financial year in line with statutory guidance.

The Procurement annual report will be approved by the Cost and Commercial Steering Group in the 1st quarter of each financial year and then will be presented to the NHS NSS Finance Performance and Procurement Committee for final approval before publishing on the NHS NSS website. The annual report will contain the following information as a minimum:

- A summary of the Regulated Procurements that have been completed during the year covered by the report.
- A review of whether those procurements complied with the NHS NSS Procurement strategy.
- To the extent that any Regulated Procurements did not comply with the Reform Act, reasons for this and a statement of how NHS NSS Procurement intends to ensure that future Regulated Procurements do comply.
- A summary of any community benefit requirements imposed as part of a Regulated Procurement that were fulfilled during the financial year covered by the report.

- A summary of any steps taken to facilitate the involvement of supported businesses in Regulated Procurements during the year covered by the report.
- A summary of the Regulated Procurements NHS NSS expects to commence in the next two financial years.

## **Strategy ownership & contact details**

**Strategy Owner: Stevie Mclaughlin**

**Designation: Head of Procurement**

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## **Policies, tools & procedures**

### **National Policies, Tools and Legislation: -**

[Scottish Model of Procurement](#)

[Changes to European Directives](#)

[Public Procurement Reform Programme](#)

[Procurement Reform Act Statutory Guidance](#)

[The Procurement and Commercial Improvement Programme](#)

[Suppliers Charter](#)

[Health and Social Care Standards](#)

[EU Procurement Thresholds](#)

[Procurement Journey](#)

[PCIP](#)

[Public Contracts Scotland](#)

[Public Contracts Scotland – Tender](#)

[Information Hub](#)

[The Construction \(Design and Management\) Regulations 2015.](#)

[The Sustainable Public Procurement Prioritisation Tool](#)

<http://www.zerowastescotland.org.uk/>

<http://www.resourceefficientscotland.com/>

[The Scottish Health Council](#)

[The Procurement Competency Framework](#)

NHSS Additional Terms and Conditions of Supply (Food) 2015

NHS NSS Control of Contractors

NHS NSS Corporate Policies and Statements can be located [here.](#)

# Appendix 1 - CCSG Terms of Reference

## 1. Title

Cost & Commercial Steering Group (CCSG)

## Accountable to

Executive Management Team (EMT)

## Group Objective

In recognition of sound cost management of our 3rd party spend with specific focus on the following major spend areas: IT, Clinical, Facilities, Human Resources and general support costs. The key objectives of the group are to deliver the financial targets identified in the NSS Financial Sustainability Plan.

## Roles and Responsibilities of Group

**OPPORTUNITY DEFINITION:** identifying and evaluating opportunities to drive better value from 3rd party spend and associated internal processes.

**COMPLIANCE:** To ensure all 3rd party spend is appropriately contracted in line with board SFI's and that NSS procurement activity meets all requirements set out in all active Procurement Regulations.

**VISIBILITY:** To ensure that all spend data is clearly visible and attributable to budget holders with effective reporting measures in place.

**SAVINGS:** To set and progress savings targets against;

- a. 3rd party spend, resulting in CRES and cost avoidances
- b. Internal efficiency savings resulting in reduced resource strain (Non-CRES).

**PROCUREMENT PERFORMANCE:** To support the Procurement function in the delivery of the NSS Procurement Strategy.

**NON-MONETARY: To identify and support the delivery of social and environmental outcomes through its 3rd Party spend influence.**

## Membership

Organisation/ Division: NSS Director of Finance

Responsibilities: Chair of CCSG, Acts as Project Director on improvement projects identified\*, Reviews and approves strategies and actions, Represents CCSG link to Finance Performance and Procurement Committee, Provides overall guidance to CCSG membership, Ensures that risks are being tracked and managed effectively.

Organisation/ Division: NSS Head of Procurement

Responsibilities: Represents NSS Operational procurement and PCF on CCSG, Acts as Project Manager on improvement projects identified and, Supports the Budget Holder Representatives to deliver improvement project objectives, Prepares update reports and other documentation required by the Chair for the CCSG, Opportunity identification.

Organisation/ Division: Budget Holder Representatives in the following areas: Digital and Security, Clinical, Facilities

Responsibilities: Direct report of an SBU Director, Opportunity Identification, Takes ownership of their assigned savings & efficiency targets, Acts as central coordinator for the SBU he/she represents, this will include work identified in the CCSG, Champion for changing working practice and challenging barriers to improvements.

## Chair

NSS Director of Finance or if unavailable Director of National Procurement.

## Decision Making

Decisions and actions from each meeting will be recorded in the meeting minutes; project actions will be tracked and reviewed at each meeting to ensure progress is maintained.

## Frequency and Location of Meetings

Two Monthly held at Gyle Square.

## Papers

Papers will be distributed 1 week in advance of each meeting with meeting minutes available within 10 working days of each meeting.

## Glossary

Term: Commodity - Definition: Classification for NHS NSS to provide the ability to accurately describe the primary business activities of their suppliers.

Term: Category - Definition: A collection of similar commodities grouped together to support category management.

Term: Category Management - Definition: a process which relies on cross functional teamwork to generate procurement outcomes that fully satisfy agreed business needs.

Term: European Single Procurement Document (ESPD) - Definition: A single common document intended, by the European Commission, to reduce the administrative burden on bidders and remove some of the barriers to participation in public procurement, especially for small to medium-sized enterprises (SMEs).

Term: Freedom of Information - Definition: A public "right of access" to information held by public authorities.

Term: Ethical Procurement - Definition: 'Ethics' in purchasing and supply management can relate to a wide range of issues from supplier business procedures and practices to corruption. The common areas relate to ethics and ethical behaviour in companies include fair-trade, ethical trading, ethical sourcing, social accountability, social auditing, corporate social responsibility, corporate citizenship, codes of conduct and reputation assurance.

Term: Invitation to Tender - Definition: A call for bids, call for tenders, or invitation to tender (ITT, often called tender for short) is a special procedure for generating competing offers from different bidders looking to obtain an award of business activity in works, supply, or service contracts.

Term: Supported Business - Definition: An establishment where more than 50% of the workers are disabled persons who by reason of the nature or severity of their disability are unable to take up work in the open labour market.

Term: Standing Financial Instructions - Definition: Details the financial responsibilities, policies and procedures adopted by NHS NSS. They are designed to ensure that financial transactions are carried out in accordance with the law and government policy in order to achieve probity & accuracy.

Term: Whole Life Costing - Definition: A technique used to establish the total cost of acquisition and ownership. It is a structured approach which addresses all the elements of cost and can be used to produce a spend profile of the product over its anticipated lifespan.

Term: Circular Economy - Definition: A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life.

Term: Community Benefits - Definition: Community Benefits are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social-economic and or environmental benefits.

Term: Cost Avoidance - Definition: The act of eliminating costs or preventing their occurrence in the first place. It tends not to show up on, but materially impacts, the bottom-line cost and is normally referred to as a "soft" cost saving i.e. negating supplier requests to

increase costs, procuring services/goods/ works under budget, obtaining prices lower than the market average/median.

Term: Small and Medium Sized Enterprises - Definition: Enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding Enterprises (SMEs) 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

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**NHS NSS Cost and Commercial Steering Group**