



# **NHS Shetland Procurement Strategy 2020 – 2025**

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FISTR002

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Date	Record of changes made to document
November 2019	This policy document replaces NHS Shetland Procurement Strategy 2016-2019 (V1.1).
	The document reflects changes in NHS Shetland internal governance and public consultation network and groups.
	The document reflects changes in Government legislation and aspirations for the Public Sector such as 10 working day for payment to suppliers.

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## 1 Introduction / Executive summary

The proper management of Procurement is an important factor contributing towards the efficient operation of NHS Shetland and the attainment of corporate objectives. In order to support steps already underway to deliver better healthcare, it is vital to staff and patients that products and services are delivered at the highest quality and optimum value, within systems tested as fit for purpose at point of delivery, whilst managing risk and due diligence.

This Procurement Strategy positions the procurement function visibly within the organisation; establishing Board level commitment to and involvement in the management of procurement deliverables. It sets out clear, measurable objectives and priorities for improvement which will be closely monitored. Progress against strategic objectives will be reported to the Board through the Senior Management Team.

This document updates the NHS Shetland 2016-19 procurement strategy. This strategy sets out clearly the procurement function's commitments over the period 2020-25 and is fully compliant with the following Procurement regulations governing Public Procurement in Scotland:

- The Procurement Reform (Scotland) Act 2014
- The Public Contracts (Scotland) Regulations 2015 and;
- The Procurement Scotland Regulations 2016

The strategy will be supported through line management structures and savings targets will be reflected within the savings plans of Departments.

The strategy will shape the Board's procurement procedures which set out the detailed operational controls governing procurement activity as set out in the Board's Standing Financial Instructions.

NHS Shetland will review its procurement strategy annually and make such revisions as it considers necessary.

## 1.1 Foreword from NHS Shetland Chief Executive

NHS Shetland's overall vision is to deliver sustainable high quality, local health & care services, which are suited to the needs of our population.


In a modern health service this is delivered by a well-qualified staff, who have the appropriate support, equipment and tools to carry out their roles. All of this support will at some point be impacted by procurement, whether this is for the purchase of physical products, obtaining additional services such as education and training or potentially the sourcing of other technical input, for example engineers or external service experts.

Good procurement should therefore be seen as key to the effective and efficient delivery of our services.

This strategy sets out our Procurement objectives for 2020-2025; it explains how we will address the responsibilities placed upon us as a Scottish Public Sector body by the latest Procurement regulations and how we will balance the need to obtain value for money, while also ensuring appropriate choice and provision of the best possible equipment and consumables for our staff. This should also be done in a way which is both environmentally and ethically responsible.

NHS Shetland will maintain the resilience plans it has in place to mitigate the impact of any change to the current position of EU Exit arrangements. These are a combination of local plans and support from National Services Scotland who have fully developed resilience plans with Scottish Government.

Finally, it is essential that we all recognise that responsibility for the delivery of the objectives and goals within this strategy rests with our entire workforce and not just the Procurement team. Only through effective collaboration and collective responsibility will we demonstrate the value that excellent Procurement can deliver for NHS Shetland.

A handwritten signature in black ink, appearing to read 'S. Bokor-Ingram'.

Simon Bokor-Ingram

Interim NHS Shetland Chief Executive

## **2 Procurement Vision / Mission Statement**

### **2.1 NHS Shetland Board Objectives**

NHS Shetland Procurement's vision / mission and subsequent objectives operate in harmony with the Health Board Vision and Priorities (Shetland, 2019) listed in Section 4

### **2.2 NHS Shetland Procurement Vision**

To be recognised as having leading commercial, procurement and commissioning practices and skills delivering outstanding outcomes. To have the people of our region and service users at the heart of what we do

### **2.3 NHS Shetland Procurement Mission**

We deliver our service in partnership with colleagues, patients and suppliers to ensure we achieve the optimum solution which balances available resources with the highest quality outcomes



## 3 Strategy Rationale / Context

### 3.1 Purpose

The purpose of this strategy is to lay out a clear framework for the activities of the NHS Shetland Procurement function over the period of April 2020 – March 2025. This will provide the reader with a detailed understanding of what the priorities of the function are, the reasons these priorities have been chosen along with an action plan to deliver against these priorities.

### 3.2 Strategy Drivers

It is an accepted principle within the Scottish Public Sector that all of an organisation's non-pay expenditure should be subject to professional procurement influence. John F. McClelland's "Review of Public Procurement in Scotland" (McClelland, 2006), commonly referred to as the McClelland Report, outlined the path to "Best Value" in Public Sector Procurement and contained attributes and performance assessment metrics for organisations to aspire to and map their way to superior performance. NHS Scotland has used the McClelland Report as a basis for its Reform Programme and to develop its reform agenda aligned with Scottish Government and its Public Procurement Reform Programme. In support of this aim Procurement Centres of Expertise (CoEs) were created. The NHS Scotland CoE being NHS National Procurement hosted within NHS National Services Scotland.

#### 3.2.1 Policy

NHS Shetland works within the Scottish Model of Procurement.

*The Scottish Model of Procurement puts procurement at the heart of Scotland's economic recovery: use the power of public spending to deliver genuine public value beyond simply cost and/or quality in purchasing. This model is owned by the Scottish public sector: to work together to develop strategic relationships with key business and Third Sector organisations.*

*The Value for Money triangle sums up the Scottish Model of Procurement; it is not just about cost and quality, but about the best balance of cost, quality and sustainability."*

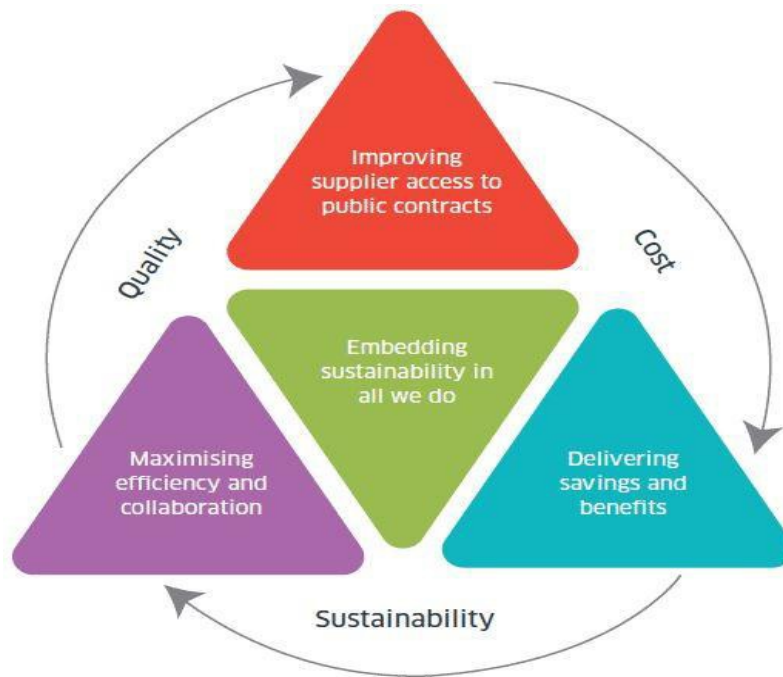


Figure 1 The Scottish Model of Procurement

### How Procurement is structured

The figure below shows the inter-relationship between the different public procurement organisations and their respective responsibilities.

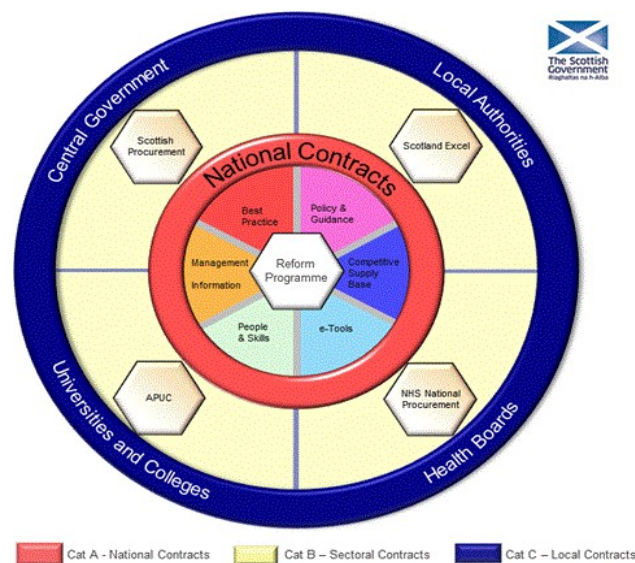


Figure 2 Scottish Procurement Structure

### **3.2.2 Health Policy**

Within the Health context the NHS Scotland approach is controlled within the NHS Scotland Procurement Steering Group. The CEL 05 (2012) (Directorate for Health Finance and Information, 2012) sets out the key principles of this engagement to be adopted by all Health Boards and Special Boards in Scotland with regards to Procurement activity.

In Particular:

National & Sectoral, Regional and Local Contracts will be used as part of the strategy

Where a contract exists then it must be used within the Health Board or exceptions noted and justified.

Procurement, Clinical and Technical leads will work with NHS National Procurement, Regional Procurement and Local Procurement to support these contracts and ensure best value decisions are made for the board on their use.

Commodity Advisory Panels (CAPs) and Technical Users Groups (TUGs) will continue to function and report on supplier award and product selection through Procurement Steering Group.

### **3.3 The Economic Challenge**

NHS Shetland must balance demand with resource. As detailed within its Financial Plan for 2019-20, NHS Shetland is required to deliver efficiency savings.

The 2019-20 financial [plan](#) over the next five years projects a significant recurring efficiency savings target of £9.7m to return the Board to sustainable financial balance. This figure includes £1.9m brought forward plus new savings over the next five years of £7.8m to cover projected growth in expenditure arising from both inflation and capacity pressures. The immediate focus has been in creating a balanced plan for 2019/20. This has a gross gap of £3.3m (£1.9M carried forward and £1.4M of new savings required to meet new pressures / investment needs).

### 3.3.1 Procurement Capability

A focus of NHS Scotland’s drive to attain “Best Value” is the use of a Procurement & Commercial Improvement Programme (PCIP) (Government T. S., Procurement and Commercial Improvement Programme, 2016).

In February 2016 a PCIP assessment was performed on NHS Shetland which yielded a score of 35% aligning within the ‘Blue’ performance band.

NHS Shetland’s positioning in this assessment provided a baseline and platform to drive and develop the function through our partnership with NSS National Procurement. NHS Shetland aim to achieve a score aligned with the ‘Bronze’ performance band in the next PCIP assessment which is due in 2020.

Performance Band	% Score
Non-Conformance	<25%
Blue	26 > 40%
Purple	41 > 50%
Bronze	51 > 60%
Silver	61 > 75%
Gold	>75%

### 3.3.2 Hosted Procurement with National Services Scotland

NHS Shetland has recognised the skills gap required to sustain Procurement improvement and has moved to close this gap by utilising the skills from NHS National Procurement to provide a hosted procurement function. It is hoped that sharing this knowledge resource will lead to better local outcomes for all stakeholders. This service will focus on strategic procurement, encompassing contracting and tendering, governance, benefits tracking and compliance with all Procurement Regulations.

## **4 Strategic aims, objectives & key priorities**

### **4.1 Shetland's Health and Care Vision**

Our Vision is that by 2025 everyone is supported in their community to live longer, healthier lives and we will have reduced health inequalities.

#### **Our Priorities for the next 3 years**

The service models have changed over the years, as the population's needs have changed and new medicines and technology have evolved. This Plan represents a continuation of the approach to continually develop services to best meet our communities' needs and make the best use of scarce resources.

Taking all the national, regional and local drivers for change, we intend to continue to evolve our service models to:

- **Develop a single health and care system**

We will have in place seamless services, wrapped around the needs of individuals, their families and communities, which are not restricted by organisational or professional boundaries. Where possible we aim to deliver a 'one stop shop' approach to health and care.

- **Maximise population health and wellbeing**

People will be supported to look after and improve their own health and wellbeing, helping them to prevent ill health and live in good health for longer.

- **Develop a unified primary care service**

With multi-disciplinary teams working together to respond to the needs of local populations.

- **Streamline the patient's journey in hospital**

We will work to make sure that people get the right care in the right place at the right time by maximising outpatient, ambulatory, day care services and minimising inpatient stays

- **Achieve a sustainable financial position by 2023**

## **4.2 NHS Shetland Procurement Objectives**

In support of NHS Shetland's corporate strategy, the following strategic objectives have been agreed;

### **Objective 1: Compliance and Governance**

#### **Summary**

NHS Shetland has an obligation to have a governance structure in place to ensure compliance with Procurement Regulations and the Reform Act as well as promoting compliance with the NHS Shetland Standing Financial Instructions.

#### **Target Areas**

- Work closely with the Health Procurement Centre of Expertise to share knowledge and promote best practice.
- Measure compliance using appropriate processes and key performance indicators.
- NHS Shetland will advertise and manage all opportunities >£50K.
- Ensure public contract register has all contracts >£50K displayed.
- To be compliant with the Reform Act and the general and specific duties it imposes on Scottish authorities, including the Sustainable Procurement Duty.
- Update Procurement and Commercial Improvement Programme assessment.
- Ensure key risks and issues are recorded and mitigating actions in place.

#### **Planned Outcomes**

- Full audit trail of procurement decisions made and actions taken.
- Improved contract compliance across NHS Shetland.
- Procurement guidance updated to reflect current legislation.
- Fully developed Procurement Workplan and Action Plan.

## **Objective 2: Delivering Benefits**

### **Summary**

NHS Shetland is required to make ongoing efficiency savings annually. Procurement will work with stakeholders to achieve savings and deliver the NHS Shetland contract workplan.

### **Target Areas**

- Efficiently and effectively implement contracts.
- Utilise national contracts and work with stakeholders to deliver identified savings.
- Review of NHS Shetland spend categories to identify opportunities.
- Work with stakeholders to identify and capture benefits from local opportunities.
- Identify key performance indicators and measure and report our progress against these regularly to the rest of NHS Shetland.

### **Planned Outcomes**

- Delivery of the savings identified in the annual workplan.
- Delivering ongoing cost avoidances.
- Ensuring contract delivery and additional non-cash benefits from our supply base.
- Improve contract compliance across NHS Shetland.

## **Objective 3: Utilise Systems and Processes**

### **Summary**

NHS Shetland has an objective to create an environment of service excellence and continuous improvement. Procurement will utilise procurement systems and enhance processes to make it easier for suppliers and stakeholder to engage with procurement.

### **Target Areas**

- Use all national systems to improve procurement outcomes.
- Use technology and systems to support compliant purchasing.
- Automate procurement processes where possible to reduce admin burden and allow procurement to focus on customers and supplier needs.

### **Planned Outcomes**

- Migrate NHS Shetland to the new national catalogue solution, PECOS Catalogue Management (PCM).
- Transfer the contract workplan to the national benefits tracker system Provalido.
- Document and deliver improved processes.



## **Objective 4: Progress Sustainable Procurement**

### **Summary**

NHS Shetland has an aim to ensure that any procurement activity is undertaken in a way that can deliver the most benefit to society.

### **Target Areas**

- Support and promote the benefits of sustainable procurement.
- To be compliant with the Reform Act and the general and specific duties it imposes on Scottish authorities, including the Sustainable Procurement
- To embed sustainability in procurements in a relevant and proportionate manner, as required by the Reform Act and to provide best value and secure wider social, economic and environmental benefits.

### **Planned Outcomes**

- *Work closely with internal NHS Shetland sustainability projects to integrate procurement activity within the wider NHS Shetland sustainability targets.*
- *Make it easier for medium, small and micro suppliers to work with NHS Shetland by providing easier access to contracting opportunities.*
- *Utilise supported businesses as much as possible.*
- *Look to promote opportunities with 3<sup>d</sup> sector organisations where possible.*

### **4.3 NHS Shetland Procurement Structure**

The overall governance and strategic leadership within the Board is controlled and directed by the Procurement Steering Group (PSG). Reflecting the strategic nature of this group the membership is as follows;

#### **Procurement Steering Group Membership**

- Director of Finance (Chair)
- Director of Nursing & Acute Services
- Director of Community Health & Social Care
- Director of Human Resources & Support Services
- Director of Pharmacy
- Director of Dentistry
- Head of Finance and Procurement
- Head of Estates
- Head of IM&T and eHealth

The PSG Terms of Reference is outlined in Section 11.1 Appendix A – Procurement Steering Group Terms of Reference.

Operationally the function will report and drive delivery and performance through the Procurement User Group (PUG) which meets every 2<sup>nd</sup> month;

#### **Procurement User Group Membership**

Head of Finance & Procurement (Chair)

Estates Project Manager

Procurement Supervisor

Facilities Manager

Primary Care Service Manager

Dental Business Manager



Chief Medical Physics Officer

Assistant Director of Nursing (Hospital)

Head of IM & T

NHS National Services Scotland nominated procurement representative

(Or nominated deputies)

The PUG Terms of Reference is outlined in section 11.2 Appendix B – Procurement Steering Group Terms of Reference.

The National Service Scotland (NSS) Hosted Procurement approach will be to work closely with the above groups to agree, develop and drive Procurement performance within NHS Shetland.

## 5 Spend

In 2018-19 NHS Shetland had a non-pay spend of £11.06m to support the delivery of its objectives. Pharmacy spend within this total is £1.4m, this is out with the scope of the Procurement department but the majority of pharmacy spend is covered by national contracts.

The following chart provides a high level overview of where NHS Shetland spends its money each year to fund its operations.

### CORPORATE AND SERVICE EXPENDITURE

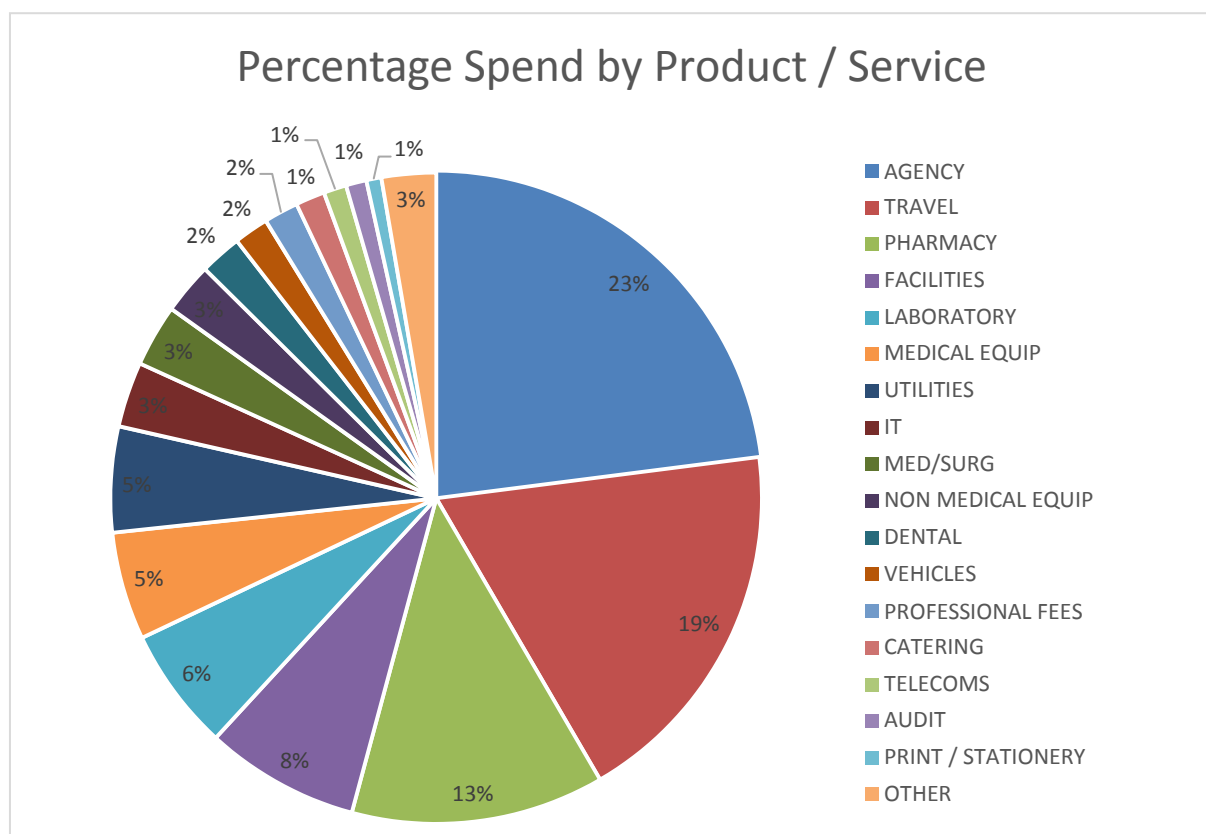


Figure 3 NHS Shetland Spend by Product / Service

N.B. Items with less than 1% spend are listed as “OTHER”. These include, Carriage, Taxis, Workwear, Staff Benefits, Waste, Medical Fees, Domestic/Cleaning, MFDs and Publicity.

## 6 Mandatory Obligations

### 6.1 Introduction

This section documents NHS Shetland Procurement's approach to meeting the mandatory requirements of the Procurement Reform Act.

#### 6.1.1 Regulated Procurements

Our aim is to ensure that all Regulated Procurements, that is Procurement exercises of £50K and above in value, will be advertised on the Public Contracts Scotland website <http://www.publiccontractsscotland.gov.uk/>. NHS Shetland is committed to ensuring all suitable opportunities are advertised to support businesses across Scotland in gaining access to our product and service requirements. As NHS Shetland will be advertising on and subsequently awarding on the PCS website the functionality of the site will automatically publish and maintain our contract register for public viewing.

#### 6.1.2 Achieving our purpose

Our stated mission is that, ***“We deliver our service in partnership with colleagues, patients and suppliers to ensure we achieve the optimum solution which balances available resources with the highest quality outcomes.”***

To ensure benefits are delivered effectively Procurement will engage closely with colleagues who are subject matter experts on substantive Procurements. For those regulated Procurements of a value between £50K and the threshold value at which the Procurement Regulations apply we will utilise the Procurement Journey Route 2 which documents, in detail, how such procurement exercises should be undertaken within the Public Sector in Scotland. All Procurement exercises above the threshold at which the Procurement Regulations will be delivered using the Procurement Journey Route 3. The Procurement Journey is developed to facilitate the public Procurement regulations and by following this journey provides assurance of equal and fair treatment of all suppliers bidding for projects.

### **6.1.3 Delivery of value for money**

Value for money is defined in the online Business Dictionary as,

*” A utility derived from every purchase or every sum of money spent. Value for money is based not only on the minimum purchase price (economy) but also on the maximum efficiency and effectiveness of the purchase.”*

The most effective way of ensuring value for money is to openly and transparently invite bids for the suitably specified requirement from the supply market. The requirement will be specified as far as possible based on the required outcome to support and enable a wide range of potential solutions and suppliers. This allows each potential supplier, with their own unique capabilities and strengths to accurately estimate their approach to fulfilling the requirement.

NHS Shetland’s Procurement approach will be to harness as wide a supply base as possible for its requirements through advertising of opportunities and, for lower spend inviting three quotes from suitably qualified suppliers. The three quote process will utilise Route 1 of the Procurement Journey and will be performed using the Public Contracts Scotland Quick Quote procedure. Value for money can also be defined as delivering additional economic benefits for the local community.

### **6.1.4 Sustainable Procurement Duty**

As Procurement professionals in the Scottish Public Sector we align ourselves with the Scottish Government’s Procurement Journey and the requirements of the Procurement Reform (Scotland) Act 2014 which requires that an Organisation must think about how they can improve the Social, Environmental and Economic wellbeing of the area in which they operate, with a particular focus on reducing inequality. Regulated Procurements under National, Regional and Local commodity strategies are carried out in compliance with our sustainable procurement duty, through the use of the following tools;

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

### **6.1.5 Engaging with our patients**

In order to open dialogue with our patient population we have utilised the NHS Shetland Public Engagement Network (SPEN) which meets quarterly. Public Partnership Forums are networks of local people with an interest in improving NHS services in Scotland. SPEN involves a range of people, including members of local community groups and voluntary organisations, and other interested individuals. This engagement has involved the Procurement team presenting to the local population information about who we are, what we do, what benefits we bring to NHS Scotland in general and NHS Shetland in particular; from this introduction we have elicited views and comments from the forum attendees on what is important to them in order to again focus Procurement on patient priorities. We will commit to attendance at this forum on an annual basis.

### **6.1.6 Engaging with Suppliers**

NHS Shetland will continue to identify all service and product spend that is eligible to be subject to regulated procurements and will ensure that all such spend is advertised to the market through the Public Contracts Scotland (PCS) portal.

### **6.1.7 Community benefits**

In support of our commitment to the Sustainable Procurement Duty, we will commit to identify opportunities to embed community benefits within our contracts. These will relate to -

- 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.

### **6.1.8 Our approach to food procurement**

NHS Shetland will work closely with NHS National Procurement and Shetland Islands Council to ensure the highest level of standards are maintained in both the obtaining of food supplies and the onsite preparation of food to ensure the wellbeing of our patients and staff; 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. Policy details are located in section 10.

### **6.1.9 Our position with regard to the Scottish living wage**

NHS Shetland supports the right of employees to earn a fair wage which is sufficient to ensure them an acceptable standard of living. While it is not possible to set payment of the Living Wage to staff as a mandatory requirement within a competitive procurement process, NHS Shetland Procurement will work with suppliers through relationship management to look for opportunities for its suppliers to implement the living wage within their staff structures.

### **6.1.10 Compliance by contractors and sub-contractors with the Health and Safety at Work etc. Act 1974**

Shetland NHS Board exists to provide safe, high quality, sustainable healthcare and health improvement services to the people of Shetland. The Board recognises that it cannot provide these services unless it ensures, as far as possible, freedom from risk to the health, safety and welfare of staff, and others affected by the work undertaken and/or the nature of the business. Improvement and protection of health is a primary objective of the Board and it is prioritised equally alongside other business and operating objectives. (Oxley, 2014). All contractors are expected to adhere to NHS Shetland facilities management procedures (Policies, tools & procedures) when working on site.



### **6.1.11 Embedding Fair and Ethical Trading**

NHS Shetland will consider the relevant and proportionate application of fair and ethical trading. Criteria will include questions designed to establish any breaches of environmental, social and employment law on the part of the supplier, details of any breach which has occurred and any subsequent measures the bidder has taken to “Self-Cleanse” and demonstrate reliability in this area.

As many of the goods and services that are used in Shetland are call offs from contracts and Frameworks procured by the National Procurement Centre for Expertise, these measures have been adopted into their contracting process already.

### **6.1.12 Supplier payments**

NHS Shetland is committed to ensuring its suppliers receive payment within 30 days of delivery of agreed goods or services and to this end monitors effectiveness of payments as part of our balanced scorecard. NHS Shetland use the NHS Scotland standard Terms and Conditions. These conditions specify that contractors are required to make payment to sub-contractors within a specified period not exceeding 30 days from receipt of a valid invoice.

In line with the [obligations](#) set out in Scottish Public Finance Manual regarding public bodies in respect of expenditure and payments for goods and services received NHS Shetland aspires to pay all suppliers within 10 working days.

## **7 Monitoring, reviewing and reporting on strategies**

### **7.1 Monitoring our objectives**

The bulk of the stated objectives will be measured and shared with senior management on a monthly basis using a Balanced Scorecard (11.2 Appendix B) (Kaplan & Norton, 1996) measurement approach. The Balanced Scorecard not only measures financial benefits but also process, staff and customer facing benefits also. This will ensure we achieve a fair balance of priorities to deliver a best value Procurement function. We will also track objectives through the Procurement Steering Group meetings. The Balanced Scorecard summary is presented in Appendix B.

### **7.2 NHS Shetland Contract Register**

NHS Shetland is fully committed to transparency in its spend with suppliers and supports the requirement of the Procurement reform Act (SSI, 2014) to publish a public facing contracts register. To this end NHS Shetland will utilise the functionality available on the Public Contracts Scotland website (NHS Shetland Public Contracts Register, 2016). All NHS Shetland public contracts of value above £50,000 shall appear on this register.

#### **7.2.1 Approach to Framework Call Offs**

Any call off from a Framework Agreement with a single supplier that exceeds or is it expected to exceed (in the case of multiple call offs) the threshold value of £50,000 over the lifetime of the Framework will (as soon as practicable) have an associated contract award notice placed on Public Contracts Scotland (Government T. S., 2016) advertising this fact. By virtue of the award placement an associated entry with the public contract register will be made.

### **7.3 Approach to Sourcing out with Framework Call Offs**

Any requirement for sourcing out with a Framework agreement will be undertaken in line with NHS Shetland's SFI's and the relevant procurement legislation, with the exception of medical locum staff. Due to the challenging nature and on occasion

urgent requirement, compliance with the tendering process is not feasible and will be waived in relation to medical staffing.

#### **7.4 Annual Report**

The NHS Shetland Procurement annual report will be published as soon as reasonably practicable as but no later than 5 months after the end of the financial year-in line with statutory guidance (Scottish Government, 2016).

The NHS Shetland Procurement annual report will be approved by the NHS Shetland Procurement Steering Group in the first quarter of each year and then will be presented to the NHS Shetland Board for final approval before publishing on the NHS Shetland website. The annual report will contain the following information as a minimum;

- (a) A summary of the regulated Procurements that have been completed during the year covered by the report.
- (b) A review of whether those procurements complied with the NHS Shetland Procurement strategy.
- (c) To the extent that any regulated procurements did not comply, a statement of how NHS Shetland intends to ensure that future regulated Procurements do comply.
- (d) 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.
- (e) A summary of any steps taken to facilitate the involvement of supported businesses in regulated Procurements during the year covered by the report.
- (f) A summary of the regulated Procurements the authority expects to commence in the next two financial years.

## 8 Delivering Procurement Excellence

### 8.1 Procurement Sub-Processes

To ensure Procurement excels in its purpose it is important that the three main sub processes of procurement are identified, understood and acted upon (Mena, van Hoek, & Christopher, 2014). The three sub-processes are presented below;

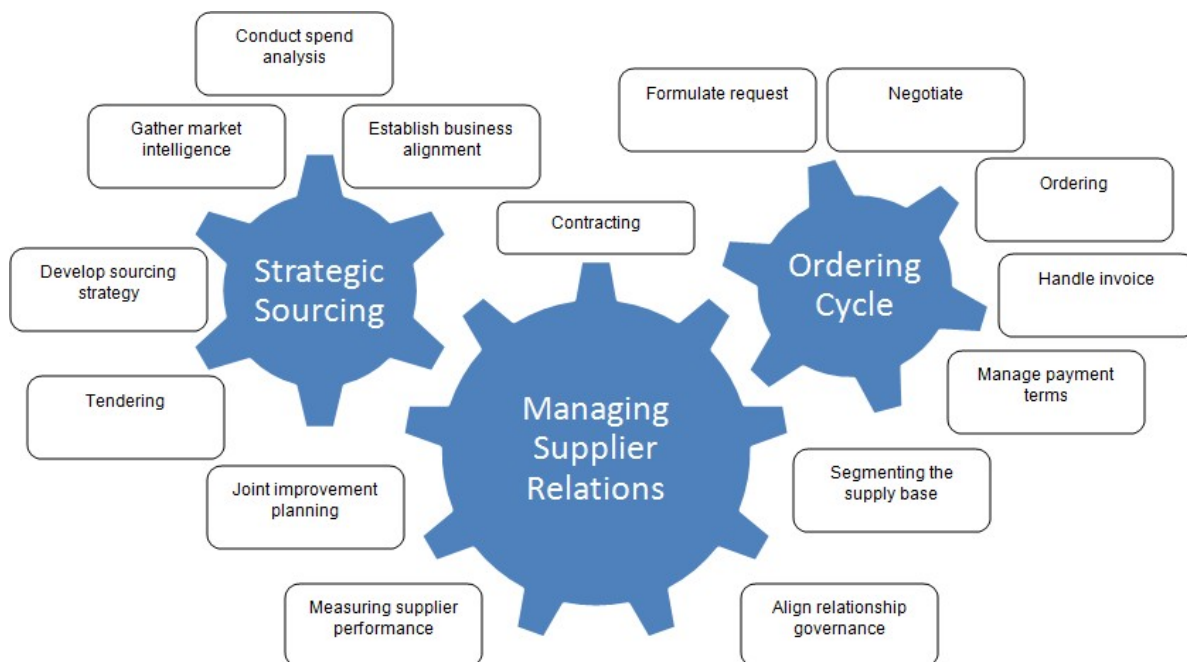


Figure 4 The three main sub-processes of Procurement

**Strategic Sourcing** - This will be led by NSS through the Hosted Procurement Service. This strategy sets out the alignment with NHS Shetland strategic objectives. A detailed work plan showing sourcing procedures which incorporate Figure 1 The Scottish Model of Procurement has been and approved by the NHS Shetland Procurement Steering Group.

**Managing Supplier Relations** – This element again will be led by NSS through the Hosted Procurement Service. The approach will be in keeping with 1 The Scottish Model of Procurement and utilising the Balanced Scorecard approach detailed in the Procurement Journey (Government S. , Procurement Journey, 2016). Procurement will identify strategic suppliers to work with and develop joint sources of value for NHS Shetland.

**Ordering Cycle** – Working to previously accepted principles (Health Directorate, 2012) we will drive the adoption of Purchase Orders utilising the Public Sector E-Purchasing system (PECOS) and measure this on a monthly basis. If, however performance is not moving at the speed we require we will reserve the right to implement a, ‘**no PO no pay policy**’, we will also measure and report NHS Shetland’s payment performance to its suppliers to ensure we meet our 30 day payment target. We will look to drive efficiency by putting in place catalogues to reduce text based ordering and thereby supporting good spend Management Information; again this will be a measurable target.

## **8.2 Developing the Profession**

Like most professions it is incumbent upon its leaders and practitioners to constantly strive to optimise the function. Integral to this is a process of Continuous Professional Development (CPD) this includes engaging with fellow professionals, attending conferences and courses, being part of the Professional body; i.e. Chartered Institute of Procurement and Supply (CIPS) (Supply C. I., 2016) and to read widely on the subject. All of these activities form part of the continuing development of NHS Shetland Procurement staff which are agreed within line management structures and recorded in the Turas, the NHS Education for Scotland digital learning platform.

### **8.2.1 PCIP as a strategic measurement tool**

The Procurement and Commercial Improvement Programme is a detailed assessment tool designed to measure a Public Body’s procurement processes and results in line with best practice. The tool can and is used by Public Procurement Functions to plan and execute their strategies, policies, governance and execution plans. Procurement functions can utilise the tool to ensure that any strategic and operational processes are in line with Best Practice and receive recognition for this at assessment time.

## 9 Strategy ownership & contact details

This strategy will be subject to annual review and formal regular review by the NHS Shetland Director of Finance and the Head of Finance & Procurement. This will take account of any changes to organisational objectives and in NHS and Scottish Government policies and strategies. This review will also take account of the key targets and National Framework objectives under development by the Procurement Steering Group.

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## **10 Policies, tools & procedures**

National Policies, Tools and

Legislation: [Scottish Model of](#)

[Procurement](#)

[Changes to European Directives](#)

[Public Procurement Reform Programme](#)

[Suppliers Charter](#)

[EU Procurement Thresholds](#)

[Procurement Journey](#)

[PCIP](#)

[Public Contracts Scotland](#)

[Public Contracts Scotland – Tender](#)

[Knowledge Hub](#)

[Information Hub](#)

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

NHSS Additional Terms and Conditions of Supply (Food) 2015

NHS Shetland Local Policies

All local policies and procedures can be accessed on the [NHS Shetland Website](#)

## **11 Appendices**

### **11.1 Appendix A – Procurement Steering Group Terms of Reference**

#### **1. Purpose of the Group**

1.1 The Procurement Steering Group is established by the Board to oversee the Board's strategy for procurement and compliance with regulatory obligations.

#### **2. Composition of the Group**

##### **2.1 Membership**

2.1.1 The Group will comprise:

- Director of Finance (Chair)
- Head of Finance & Procurement (Vice Chair)
- Director of Nursing & Acute Services
- Director of Community Health & Social Care
- Director of Human Resources & Support Services
- Director of Pharmacy
- Head of Estates
- Director of Dentistry
- Head of IM&T and eHealth

##### **2.2 Executive Lead**

The lead officer for the Procurement Steering Group shall be the Director of Finance. The designated Executive Lead will be the Chair of the Group and ensuring that the Group operates according to / in fulfilment of its agreed Terms of Reference.

Specifically they will:

- Ensuring that the Group Remit is based on the latest guidance and relevant legislation, and the Board's Best Value framework;
- Liaise with the Corporate Services Manager in agreeing a programme of meetings for the business year, as required by its remit;
- Oversee the development of an Annual Workplan for the Group which is congruent with its remit and the need to provide appropriate assurance at the year end, for endorsement by the Group and approval by the Board;
- Set an agenda for each meeting, having regard to the Group's Remit and Workplan;
- Lead an annual review of the Group Terms of Reference and progress against the Annual Workplan;



- Ensure an Annual Procurement Report is produced in-line with regulatory requirements for approval by the Board:
- Ensure the Procurement Strategy is regularly reviewed and updated to reflect best value; and
- Oversee the production of a Group Annual Report, informed by self-assessment of performance on the delivery of the Group's Remit, Workplan and key performance indicators for endorsement by the Group and submission to the Board.

### **2.3 Attendees**

Attendees may be invited to the Procurement Steering Group as required however the following will normally attend:

- NHS National Services Scotland representative
- Procurement Supervisor
- PA support from Corporate Services team

## **3. Functions**

### **3.1 Remit (e.g.)**

- Oversee the Board's overall procurement activities;
- To review and implement the Procurement Strategy;
- Oversee implementation of annual action plans;
- Monitor compliance with national contracts;
- To ensure that procurement matters are integrated in wider corporate plans and objectives, e.g. clinical strategy, property strategy, etc.;
- Oversee contractual & tendering arrangements;
- Act as project board for specific projects, e.g.
  - Procurement efficiency and redesign project;
- Monitor performance of procurement function, including:
  - capability assessments
  - Best Practice Indicators
  - achievement of work plan savings; and
- Provide assurance to the Board on that procurement regulatory obligations are met by reviewing and agreeing the annual procurement plan prior to submission to the Board for approval.

### **3.2 Ad-hoc Reports**

- Procurement User Group Annual report
- Board's Annual Procurement report

## **4. Meetings of the Procurement Steering Group**

### **4.1 Frequency**

4.1.1 The Procurement Steering Group shall meet a minimum of one times per year. A meeting will occur in July or August to receive, review and agree the Procurement Annual Report and other meetings will normally be held when required to meet the Groups duty under the terms of reference.

4.1.2 The Chairman of the Group may at any time convene additional meetings of the Group to consider business which may require urgent consideration.

### **4.2 Agenda and Papers**

4.2.1 The Chairman will set the agenda in conjunction with the Head of Procurement.

4.2.2 The agenda and supporting papers will be sent out at least five working days in advance of the meetings.

4.2.3 All papers will clearly state the agenda reference, the author, the purpose of the paper and the action the Group is asked to consider.

### **4.3 Quorum**

No business shall be transacted at a meeting of the Procurement Steering Group unless at least three Members are present, of whom at least two Members are not the Chair or Vice Chair. For the purposes of determining whether a meeting is quorate, Members attending by either video or tele-conference link will be determined to be in attendance. In exception circumstances agreement can be reached by Procurement Steering Group via virtual e-mail meeting however more than 50% of members must submit a response

### **4.4 Minutes**

4.4.1 Formal minutes shall be taken of the proceedings of the Group. Draft Minutes shall be distributed for consideration and review to the Chairman of the Meeting within 10 working days of the meeting except in exceptional circumstances. The Chair must return any edits within a further five working days of receipt.

4.4.2 The draft Minutes will be circulated electronically to Group Members for approval within the following 10 working days.

4.4.3 Minutes will be included for noting in subsequent EMT Meeting papers following approval by the Procurement Steering Group.

## 5. Authority

- 5.1 The Group is authorised by the Board, within its Terms of Reference, to investigate any activity undertaken by NHS Shetland. It is authorised to seek and obtain any information it requires from any employee and all employees of NHS Shetland are directed to co-operate with any request made by the Group.
- 5.2 The Group is authorised by the Board to obtain external legal or other independent professional advice and to secure the assistance of people from outside NHS Shetland or the wider NHS, with relevant expertise, if it is considered necessary.

## 6. Reporting Arrangements

- 6.1 The Group has a duty to review its own performance and effectiveness, including:
- An annual review of Terms of Reference, considering the need for any amendment/update to Terms of Reference, which in the event, will require to be approved by EMT;

## 11.2 Appendix B – Procurement Steering Group Terms of Reference

### **Role & remit of Procurement User Group Membership**

Head of Finance & Procurement (Chair)

Estates Project Manager

Procurement Supervisor

Facilities Manager

Primary Care Service Manager

Dental Business Manager

Chief Medical Physics Officer

Assistant Director of Nursing (Hospital)

Head of IM & T

NHS National Services Scotland nominated procurement presentative

*(Or nominated deputies)*

## **Supported by:**

Procurement Steering Group

## **Remit**

- Implement the Procurement strategy
- Implementation of annual action plans
- Implement and monitor contractual & tendering arrangements
- Act as project board for specific projects, e.g. Pecos implementation
  - Monitor performance of procurement function, including:
    - capability assessments
    - Best Practice Indicators
    - achievement of work plan savings
- Train and educate staff on procurement issues
- Promote the importance of good procurement practices throughout the Board
- Monitor compliance with national contracts and act as the decision-making group for applications to go outside of national contracts (with the proviso that the Head of Finance & Procurement or the Director of Finance can sanction an application to go outside of national contract without the group's prior approval if there is a genuine need for a swift decision. The Head of Finance & Procurement or Director of Finance will seek to canvass opinion of other members by email where this is feasible. Such decisions will then be ratified at the next available PUG meeting

## **Frequency of meetings**

- Bi-Monthly

## **Governance**

- Report to Procurement Steering Group

### 11.3 Appendix C NHS Shetland Procurement Balanced Scorecard

The summary presented in

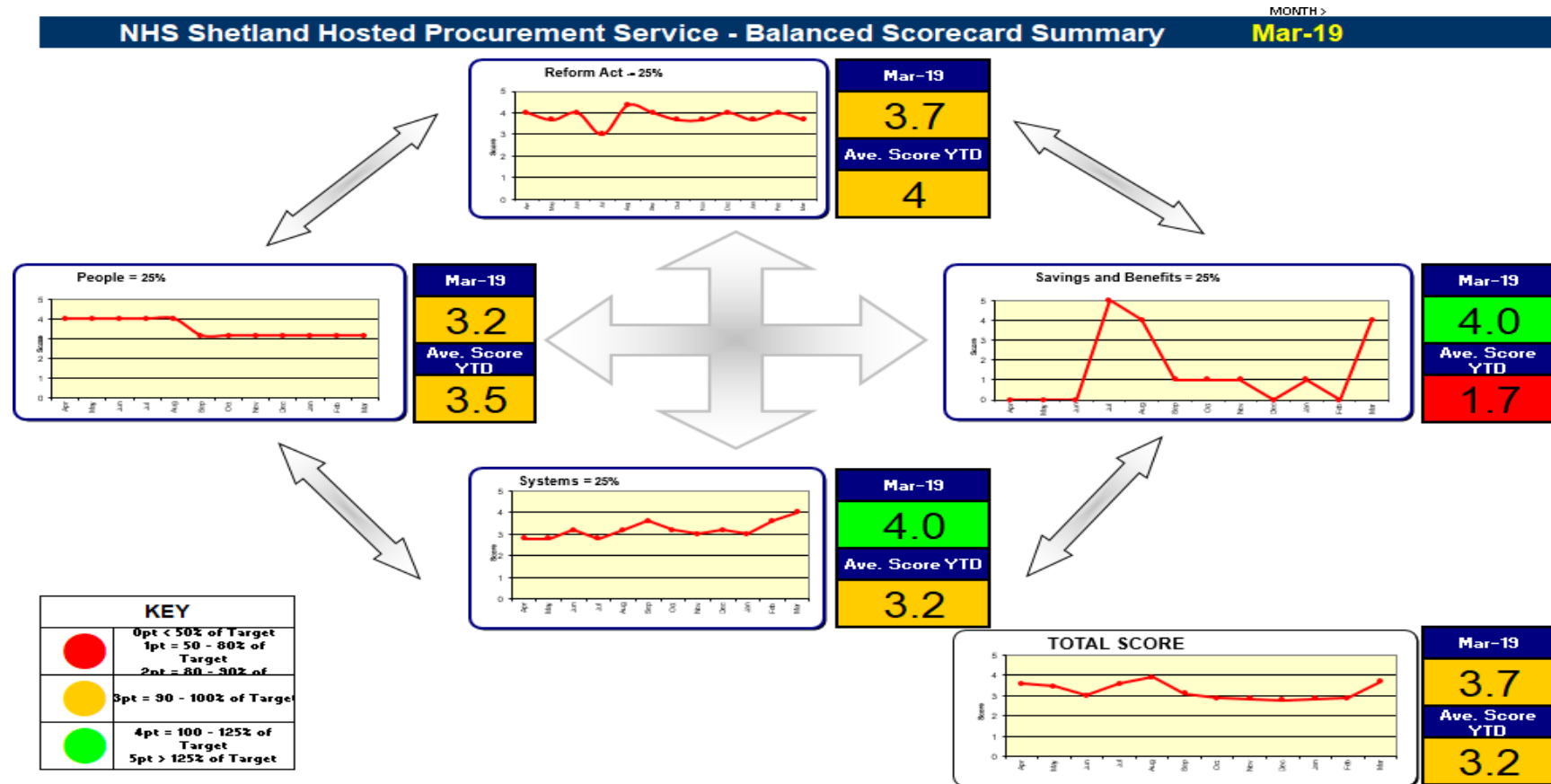


Figure 4 Procurement Balanced Scorecard Summary

The summary presented in Figure 4 above is fed through a monthly measuring process of the following targets and measures:

SCORECARD MEASURE	WEIGHT	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
% Regulated Contracts on PCS CR (in year spend)	10	4.0	3.0	4.0	1.0	5.0	4.0	3.0	3.0	4.0	3.0	4.0	3.0
National Contract implementation to Plan	10	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
PCIP score (preliminary)	10	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	30	4.0	3.7	4.0	3.0	4.3	4.0	3.7	3.7	4.0	3.7	4.0	3.7
Supplier Management	7	0.0	0.0	4.0	4.0	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
NDC Spend Target	10	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Meeting Attendance	8	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	25	4.0	4.0	4.0	4.0	4.0	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Contract Savings delivered	20	0.0	0.0	0.0	5.0	4.0	1.0	1.0	1.0	0.0	1.0	0.0	4.0
	20	0.0	0.0	0.0	5.0	4.0	1.0	1.0	1.0	0.0	1.0	0.0	4.0
% Spend with associated PO	10	1.0	1.0	2.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	4.0
Catalogue usage (monthly transactions %)	10	4.0	4.0	4.0	4.0	4.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
First Time Match Rate (monthly within 30 days)	5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	4.0	3.0	4.0	4.0
<b>Sub Total</b>	<b>25</b>	<b>2.8</b>	<b>2.8</b>	<b>3.2</b>	<b>2.8</b>	<b>3.2</b>	<b>3.6</b>	<b>3.2</b>	<b>3.0</b>	<b>3.2</b>	<b>3.0</b>	<b>3.6</b>	<b>4.0</b>
	<b>100</b>	73	73	100	100	100	100	100	100	100	100	100	100
		3.6	3.5	3.0	3.6	3.9	3.1	2.9	2.8	2.8	2.8	2.9	3.7

Figure 5 Balanced Scorecard Measures & Targets

## 12 Glossary

Term	Definition
<b>Commodity</b>	Classification for NHS Shetland to provide the ability to accurately describe the primary business activities of their suppliers.
<b>Category</b>	A collection of similar commodities grouped together to support category management
<b>Category Management</b>	a process which relies on cross functional teamwork to generate procurement outcomes that fully satisfy agreed business needs
<b>European Single Procurement Document (ESPD)</b>	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)
<b>Freedom of Information</b>	A public "right of access" to information held by public authorities
<b>Invitation to Tender</b>	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.
<b>Supported Business</b>	Supported businesses are social enterprises whose main aim is to integrate disabled or disadvantaged people socially and professionally. At least 30% of employees of the organisation must be disabled or disadvantaged, as specified in <a href="#">EU Directive 2014/24/EU</a> .
<b>Standing Financial Instructions</b>	Details the financial responsibilities, policies and procedures adopted by NHS Shetland. 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.
<b>Whole Life Costing</b>	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.
<b>Circular Economy</b>	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
<b>Community Benefits</b>	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.
<b>Cost Avoidance</b>	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
<b>Small and Medium Sized Enterprises</b>	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
<b>Knowledge Hub</b>	A Website that is used to publish relevant information to health Board Stakeholders. This is the key depository for Buyer’s Guide, Savings Report and other information and communications required by Health Boards