



**NHS Shetland**

**Annual Procurement Report**

**April 2020 – March 2021**

**Date of Issue August 2021**

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## Table of contents

1.1	Purpose .....	3
1.2	Executive summary .....	3
2	Summary against our mandatory requirements .....	4
2.1	Summary of regulated procurements.....	4
2.2	Summary of regulated procurements.....	5
2.3	Spend through National Distribution Centre (NDC) .....	6
2.4	Summary of non-regulated procurements .....	6
2.5	Collaborative contracts .....	6
2.6	Analysis of non-competitive actions .....	6
2.7	Summary of community benefits .....	7
2.8	Supported business summary .....	7
2.9	Future regulated procurement summary.....	7
3	Review of regulated procurement compliance .....	8
3.1	Introduction .....	8
3.2	How we review our regulated procurements .....	8
3.3	Delivering against our mandatory obligations .....	8
4	Strategy performance review .....	10
4.1	Key measures .....	10
4.1.1	NHS Shetland strategic objectives .....	10
	PCIP score - Procurement and commercial improvement programme .....	11
4.2	Invoice payment performance .....	14
5	Other items of note .....	15
5.1	Procurement structure .....	15
6	Report ownership and contact details .....	16
7	Glossary.....	17
7	Annual report template.....	18
	Document control sheet:.....	22

## 1.1 Purpose

The purpose of this annual report is to highlight NHS Shetland's purchasing activities and to allow us to record and publicise our performance and achievements in delivering our procurement strategy. This report allows us to demonstrate to our stakeholders that our procurement spend is being used to support the Health Board corporate aims as follows:

1. To continue to improve and protect the health of the people of Shetland
2. To provide quality, effective and safe services, delivered in the most appropriate setting for the patient
3. To redesign services where appropriate, in partnership, to ensure a modern sustainable local health service
4. To provide best value for resources and deliver financial balance
5. To ensure sufficient organizational capacity, capability and resilience

As well as providing information on how we consult and engage with our stakeholders, alongside the procurement strategy, this annual procurement report is a key document in enabling informed engagement with our external or internal stakeholders, our strategic partners, suppliers and potential suppliers.

As detailed within our Procurement Strategy this report will focus on the Authority's corporate expenditure, which is circa £13.2 Million within the period of this report of which £1.6m is related to Pharmacy Spend.

## 1.2 Executive summary

During the period covered by this report NHS Shetland faced the unprecedented challenge of a worldwide Covid-19 pandemic as well as the impact of Brexit on delivery of goods and services.

The supply chain was impacted with some goods being difficult to source against worldwide shortage, especially PPE as well as other supply services being impacted due to challenging Covid regulations and guidance. NHS Shetland worked with suppliers and received support from National Procurement to maintain delivery of key products and services throughout this period.

There are still on-going risks associated with these challenges and the Procurement Team along with National procurement colleagues will review on an on-going basis.

## 2 Summary against our mandatory requirements

### 2.1 Summary of regulated procurements

In accordance with the Procurement Reform (Scotland) Act 2014, any Public contract (other than a public works contract) of £50,000 or greater and public works contract of £2,000,000 or greater is considered a Regulated Contract. A regulated procurement is any procedure carried out by a contracting authority in relation to the award of a proposed regulated contract which is completed when the award notice is published or where the procurement process otherwise comes to an end. This includes both contracts and framework agreements.

## 2.2 Summary of regulated procurements

The following tables summarise the regulated procurements in the period.

Within the period of this report NHS Shetland had 3 calls off from Frameworks over the regulated spend value

<b>Contract title</b>	<b>Award date</b>	<b>Start date</b>	<b>End date</b>	<b>Extension months available</b>	<b>Call off</b>	<b>Total contract value</b>	<b>Value per annum</b>	<b>Supplier name</b>
NP79620 Water and Waste Water Billing Services	01/04/2020	01/04/2020	31/03/2023	12	Yes	£240,000	£60,000	Scottish Water (Business Stream)
NP162/16 Operating Tables and Theatre Lighting IACS equipment purchase	20/08/2020	20/08/2020	31/03/2021	n/a	Yes	£286,000	£286,000	Draeger Ltd
NP839/15 IT Hardware Laptops	01/04/2020	31/03/2020	31/03/2020	n/a	Yes	£100,000	£100,000	HP Inc Limited

## 2.3 Spend through National Distribution Centre (NDC)

NHS Shetland have an agreement to purchase medical and non-medical consumables from the National Distribution Centre, which is the approved central store for all NHS Scotland Acute Health Boards. Much of the National Procurement contracting activity from March 2020 was diverted to supporting Covid -19 activity, especially the increased requirement for PPE. Shetland utilised the NDC to order additional products required to support additional requirement for PPE. Table below compares activity between last 2 years.

NHS Shetland Spend through National Distribution Centre						
Period - Apr 20 - Mar 21				Period - Apr 19 - Mar 20		
Category	Number of Contracts	Spend by Category	Percentage of Spend on Contract	Number of Contracts	Spend by Category	Percentage of Spend on Contract
National Contracts	69	£471,292		65	£413,013	
Covid 19 Contracts	17	£659,221			£0	
Non Contract	0	£231,729		0	£174,402	
<b>Total</b>	<b>86</b>	<b>£1,362,242</b>	<b>83%</b>	<b>65</b>	<b>£587,415</b>	<b>70%</b>

## 2.4 Summary of non-regulated procurements

Shetland did not award any non-regulated procurements in 2020-21

## 2.5 Collaborative contracts

NHS Shetland did not enter into any collaborative contracts in 2020-21.

## 2.6 Analysis of non-competitive actions

NHS Shetland has some areas of spend above the regulated spend level that are not covered by a regulated procurement process.

District Heating Scheme £240,000 – A strategy has been developed for this spend and we intend to award using a regulatory procurement process.

Booking of Air Travel £1.8M. This area of spend is included in the contract work plan to be awarded in November 2021. There is no alternative to the incumbent supplier but procurement regulations will be followed.

Agency Nursing – the requirement for Agency Nursing has increased last year. The current annual spend is £1.8m and NHS Shetland find it difficult to cover this requirement from national contract (only £0.4m). This will be reviewed to determine how best to utilise contract suppliers.

## 2.7 Summary of community benefits

NHS Shetland has not awarded any local regulated contracts this year containing community benefits. They do however contribute £39,500 to The Shetland Community Bike Project, a Supported Employment Service that provides structured and supported employment to individuals with multiple barriers to employment. NHS Shetland choose to waiver its standard SFIs relating to quotation and tendering process when awarding this business by completing a sole source justification with appropriate reasons.

## 2.8 Supported business summary

Within the report period there were no contracts with a Supported Business. We are not aware of any supported business that can be utilised in Shetland. We will continue to refer to the Scottish Procurement Buyers Guide for Commodities Reserved for Supported Businesses (SP-18-11) in relation to future regulated procurements and include suppliers wherever possible.

## 2.9 Future regulated procurement summary

Below is a view of upcoming regulated procurements over the next 2 years.

Category	Contract type	Expected notice publication date	Expected award date	Value per annum	Estimated contract value (including extension)
District Heating	New	31/10/2021	01/02/2022	£200,000	£800,000
Taxi Contract	Renewal	10/09/2021	01/11/2021	£50,000	£200,000
Medical Locums Vacancy Management	Renewal	31/10/2022	01/04/2022	£1,000,000	£5,000,000
			Total		£6,000,000

## 3 Review of regulated procurement compliance

### 3.1 Introduction

This section demonstrates how NHS Shetland procurement has contributed to the achievement of our specific objectives and to the general duties in the Procurement Reform (Scotland) Act 2014. Section 3.3 discusses our performance against the mandatory elements of our strategy while section 4 details how we performed against our key performance measures.

### 3.2 How we review our regulated procurements

NHS Shetland Procurement observes the Procurement Journey methodology namely, Route 2 when below OJEU level and route 3 for OJEU procurements. Call off contracts are checked with the host organisation for compliance with regulations and policy before we enact these.

### 3.3 Delivering against our mandatory obligations

This section reviews our performance against the commitments stated in section 6 of our Procurement Strategy.

#### Regulated and OJEU procurements

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.



## Delivery of value for money

We committed to obtain value for money through best practice contracting and supplier management. Over the period we delivered £3k of savings from implementing call-offs from National Contracts, mainly Pharmacy contracts.

A further cost avoidance saving against PPE was delivered of £100k.

## Sustainable procurement

Where applicable for tenders NHS Shetland will use the **Scottish Public Procurement Prioritisation Tool** to test for environmental factors, this is required in any local tendering and is applied on call offs from National Contracts.

## Engaging with patients

We work with colleagues in NHS Shetland to facilitate better engagement with stakeholders. Many of our services and products used are by service users rather than patients and Procurement support the implementation of new contracts including evaluating and transition. For appropriate national contracts there is an opportunity for representation on Commodity Action Panels where strategies and specifications for products and services are designed.

## Engaging with suppliers

Staff from the Hosted Procurement Team who support NHS Shetland have attended Procurex annual conference where suppliers exhibit but there is limited opportunity for NHS Shetland to meet mainland suppliers.

## Food procurement

There are local processes in place to ensure high level of standards are maintained however the only contract in place for purchase of food is a call off from a national contract for dried and tinned food transported from the mainland. NHS Shetland are engaging with National Procurement to identify how best they can utilise National Contracts

## Scottish living wage

NHS Shetland Procurement includes an opportunity within tenders for Supplier to respond if they meet the Scottish Living Wage.

## 4 Strategy performance review

### 4.1 Key measures

Within our strategy our objectives were measured by six key performance measures. Our performance in this section will be reviewed against the targets agreed against these performance targets which are measured using monthly KPI reporting.

#### 4.1.1 NHS Shetland strategic objectives

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

Objective	Objective Name	Target	Result
1	Recurring procurement savings	£100k	£3k (£100k cost avoidance)
<p>Objective summary</p> <p>NHS Shetland is required to make ongoing efficiency savings annually. Procurement savings will be delivered through the following means:</p> <ul style="list-style-type: none"> <li>• Playing our role in national contracting and delivering identified savings.</li> <li>• Work with local stakeholder to migrate to national contracts.</li> <li>• Identify any savings from local opportunities.</li> </ul> <p>Achievements</p> <ul style="list-style-type: none"> <li>• Savings against national contract implementation - £3k This was mainly savings against Pharmacy contracts.</li> <li>• As the majority of National Procurement contracting activity from March 2020 was diverted to supporting Covid -19 activity, Shetland benefited from large cost avoidance savings in purchase of PPE supplied through NDC. This cost avoidance is estimated to be a 20% - 25% saving against increased market pricing. This would equate to a cost avoidance saving of £100k in FY20-21</li> </ul> <p>Opportunities</p> <ul style="list-style-type: none"> <li>❖ Review any products purchased through NDC and national contracts for alternatives.</li> <li>❖ Use of more quick quotes for small value purchases.</li> </ul>			

2	PCIP score - Procurement and commercial improvement programme	55%	55%
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**Objective summary**

PCIP is the means by which Procurement functions within individual public bodies can measure their effectiveness and capabilities in a standardised way.

**Outcomes**

In February 2020 a PCIP assessment was performed on NHS Shetland which delivered a score of 55%, aligning within the 'Bronze' performance band.

NHS Shetland's 2016 PCIP previous assessment was 35%.

The next PCIP Assessment is planned in FY 2022/23 and NHS Shetland aim to achieve a score aligned with the 'Silver' performance. This could be achieved by concentrating on the following assessment areas:

Assessment area	Recommendation
2.4 What does the organisation do to efficiently use implementation plans and exit strategies?	All contracts for implementation, tracking progress and track savings are tracked on the Provalido (national savings tracker system). An upgraded version is being implemented in Aug-21. This will be used for local projects too (e.g. capital spend)
3.1 What does the organisation do to manage contracts and suppliers?	NSS suggest regular supplier review meetings are held to discuss performance against agreed KPIs plus any other issues which may develop over the life of the contract
3.2 What does the organisation do to work with suppliers throughout the life of a contract to ensure contractual obligations are met and to identify and deliver additional benefits to both parties?	National Procurement has developed a community benefit portal where organisations in Scotland put forward projects that they would like support with. Shetland will have the opportunity to use this portal to support community projects.
3.3 What does the organisation do to increase contract coverage, ensure contract compliance and reduce maverick spend?	A replacement to the local Ward Product Management System (Powergate) is being implemented in FY21-22. This will make it easier to products to catalogues and capture the spend through PECOS (estimated go-live date Sept-21)

**Achievements**

- ❖ Large improvement on result of the PCIP assessment.

**Opportunities**

- ❖ Staff development, develop sustainability and environmental measures.
- ❖ Increase development of specifications for Quick Quote and Tenders

Objective	Objective Name	Target	Result
3	Trade supplier spend on managed contracts	60%	62%
<p>Objective summary</p> <p>Measure to calculate how much of the regulated procurement spend is held on the NHS Shetland Contract Register.</p> <p>Achievements</p> <ul style="list-style-type: none"> <li>❖ Improvement from last year's result of 59%.</li> <li>❖ Managed Laboratory Contract award in FY20-21 - £600k per annum now on regulated contract.</li> </ul> <p>Opportunities</p> <ul style="list-style-type: none"> <li>❖ Require to further develop processes to ensure all purchases over regulated value from single source suppliers can be added to contract register.</li> <li>❖ Large increase in Nursing Agency Spend. £1.8 m (£1.4m non on contract). Require to review process to improve governance.</li> </ul>			
4	Spend with associated purchase order	50%	57%
<p>Objective summary</p> <p>To ensure all appropriate spend is raised against a purchase order to provide assurance and evidence that organisational procedures have been adhered to and spend is more easily identifiable. Measures value</p> <p>Achievements</p> <ul style="list-style-type: none"> <li>❖ Increase on FY19-20 result</li> <li>❖ Most in scope categories are covered by purchase order process (Locums and Utilities have large spend but not planned to capture through Purchase orders)</li> </ul> <p>Opportunities</p> <ul style="list-style-type: none"> <li>❖ Review full supplier spend profile to identify potential areas where Purchase Orders are not used against invoice and set targets to reduce.</li> <li>❖ All spend on any capital projects is raised via Purchase order</li> <li>❖ Implementation of replacement Ward Product Management System will allow for purchase orders to be created more efficiently.</li> </ul>			

Objective	Objective Name	Target	Result
5	Spend through Catalogues	75%	84%
<p>Objective summary</p> <p>Develop product and service catalogues for departments to order from to provide benefits through order efficiency, speed and accuracy not just for NHS Shetland but the procurement community.</p> <p>Achievements</p> <ul style="list-style-type: none"> <li>❖ 21,000 lines of Products and Services purchased through catalogues, including all WPM orders to NDC.</li> <li>❖ High compliance of catalogue lines (i.e. Purchase Order lines placed) against suppliers with most purchase order line activity, e.g. National Distribution Centre, Dental suppliers.</li> </ul> <p>Opportunities</p> <ul style="list-style-type: none"> <li>❖ Review all catalogues in line with implementation of replacement Ward Product Management system to increase catalogue coverage.</li> <li>❖ Develop tailored catalogues to support internal departments ordering process.</li> </ul>			
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## 4.2 Invoice payment performance

This is an area of major importance within the Procurement and Finance communities, with payment times measured and reviewed on a monthly basis. The agreed measure is to ensure supplier payment within 30 days. The table below details our performance against this measure.

Invoice payment performance	Target	Result 2020-21	Result 2019-20	Result 2018-19
Invoice payment days (<30 days)	85%	83.04%	89.51%	89.90%
Invoice payment (<10 days)	70%	64.34%	74.27%	73.40%

The decrease in performance during 2020/21 was due to two factors.

1. The repatriation of the Accounts Payable service from NHS Grampian to NHS Shetland in November 2020 – new staff were appointed and trained during the year which impacted on performance.
2. Covid-19 impacted the service in many ways. Social distancing made the training of new staff much more complicated and home working resulted in several process inefficiencies.

*As restrictions begin to ease and the staff continue to gain experience we expect to see an improvement in performance during 2021/22*

## 5 Other items of note

### 5.1 Procurement structure

NHS Shetland has local Procurement staff based in Lerwick, Shetland and are supported by the Commercial Team employed by National Service Scotland and based in central Scotland who support and deliver some elements of the activities with the Procurement Strategy and offer strategic and operational assistance. This relationship is managed by a Service Level Agreement updated annually.


NHS Shetland also has a Procurement User group with representation from key clinical and non-clinical areas which acts as a delivery group for procurement activity.

The key shared responsibilities are detailed below:

- Review / Establish / Maintain local standard Procurement procedures.
- Agree / Establish procurement objectives.
- Propose savings targets and KPIs to track performance and monitor performance.
- Participate and contribute to delivery of procurement objectives in compliance with Customer's governance and audit protocols.
- Engagement with key stakeholders to develop commodity strategies and maximise savings delivery through National and Local Contracts.
- Manage contract implementations to maximise savings delivery.
- Use of mandated systems (PCS and PCS-Tender) in the contract tendering process.

## 6 Report ownership and contact details

In line with the Reform Act and to ensure our Annual Procurement report details our performance against strategy, this report will be subject to formal annual review and approval by the NHS Shetland Procurement Steering Group.



**Report Owner: Graham Stewart**  
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## 7 Glossary

Term	Definition
Collaborative contract	Where 2 or more organisations engage in procurement activity for mutual benefit.
Community benefits	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.
Supported business	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
Standing financial instructions	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.
Sustainable procurement	The sustainable procurement duty requires that before a contracting authority buys anything, it must think about how it can improve the social, environmental and economic wellbeing of the area in which it operates, with a particular focus on reducing inequality.

## 7 Annual report template

The following table has been populated in line with Scottish Procurement policy advice

1. Organisation and report details	
a) Contracting Authority Name	NHS Shetland
b) Period of the annual procurement report	April 2020 – March 2021
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? (Yes / No)	Yes
2. Summary of Regulated Procurements Completed	
a) Total number of regulated contracts awarded within the report period	3
b) Total value of regulated contracts awarded within the report period	£626,000
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	3
i) how many of these unique suppliers are SMEs	Nil
ii) how many of these unique suppliers how many are Third sector bodies	Nil
3. Review of Regulated Procurements Compliance	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	3
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0
4. Community Benefit Requirements Summary	
Use of Community Benefit Requirements in Procurement:	

a) Total number of regulated contracts awarded with a value of £4 million or greater.	0
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	0
c) Total number of regulated contracts awarded with a value of less than £4 million that contain a Community Benefit Requirements	0
Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:	
d) Number of Jobs Filled by Priority Groups ( <i>Each contracting authority sets its own priority groups</i> )	0
e) Number of Apprenticeships Filled by Priority Groups	0
f) Number of Work Placements for Priority Groups	0
g) Number of Qualifications Achieved Through Training by Priority Groups	0
h) Total Value of contracts sub-contracted to SMEs	0
i) Total Value of contracts sub-contracted to Social Enterprises	0
j) Total Value of contracts sub-contracted to Supported Businesses	0
k) Other community benefit(s) fulfilled	0
5. Fair Work and the real Living Wage	
a) Number of regulated contracts awarded during the period that have included a scored Fair Work criterion.	0
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	0
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	0

d) Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	0
<b>6. Payment performance</b>	
a) Number of valid invoices received during the reporting period.	16095
b) Percentage of invoices paid on time during the period (“On time” means within the time period set out in the contract terms.)	83%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	0
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0
<b>7. Supported Businesses Summary</b>	
a) Total number of regulated contracts awarded to supported businesses during the period	0
b) Total spend with supported businesses during the period covered by the report, including:	0
i) spend within the reporting year on regulated contracts	0
ii) spend within the reporting year on non-regulated contracts	0
<b>8. Spend and Savings Summary</b>	
a) Total procurement spend for the period covered by the annual procurement report.	£11,600,000
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	n/a
c) Total procurement spend with Third sector bodies during the period covered by the report.	£39,950

d) Percentage of total procurement spend through collaborative contracts.	59%
e) Total targeted cash savings for the period covered by the annual procurement report	
i) targeted cash savings for Cat A contracts	0
ii) targeted cash savings for Cat B contracts	£10,000
iii) targeted cash savings for Cat C contracts	0
f) Total delivered cash savings for the period covered by the annual procurement report	
i) delivered cash savings for Cat A contracts	0
ii) delivered cash savings for Cat B contracts	£3,000
iii) delivered cash savings for Cat C contracts	0
g) Total non-cash savings value for the period covered by the annual procurement report	Not Reported
9. Future regulated procurements	
a) Total number of regulated procurements expected to commence in the next two financial years	3
b) Total estimated value of regulated procurements expected to commence in the next two financial years	£6,000,000

Document control sheet:

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NHS Shetland Procurement Steering Group

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