



# Procurement matters

A best practice procurement diagnostic



## Why procurement matters

About 30% of a trust's budget will be spent on procurement. It is likely to be the biggest expense after payroll, yet it is probably not something that chief executives will have much to do with on a daily basis.

In the current climate, with pressure on the tariff, increasing competition and a pressing need to find efficiencies, there is a lot to be gained by focusing on reducing the cost of procurement.

Reducing the cost of procurement can be done quickly and relatively easily, and it may not involve losing staff or reorganising the workforce. Most trusts will be able to find ways of reducing spend on procurement and releasing cash savings.

## Good procurement can deliver more than just cost savings

Procuring new and innovative technologies can

have a significant impact on costs and can also help to deliver more efficient care to patients.

Good procurement can also make a major contribution to a trust's sustainability agenda by making supply chains more efficient - 60% of the NHS current carbon footprint is in its supply chains. Good procurement can ensure robust supply chains and logistics are in place which are critical to the day-to-day delivery of healthcare.

## Saving money in your trust

Research has shown that many trusts could save millions of pounds through better procurement - but many trusts are not taking action to do this. Could you be spending more than you need to on goods and services?

**Our Diagnostic Tool (below) will help you to assess how effective your procurement practices are at present, and show how you can become more efficient.**

## NHS procurement – the main players

**NHS Supply Chain** provides contracts and logistics for 600,000 product lines used in the NHS. It also offers other services like inventory management. It is the outsourced result of NHS Logistics and the contract is owned and managed by the Department of Health.

**NHS Collaborative Procurement Hubs** are established in some NHS regions, and funded by member trusts. They use a collaborative approach to gaining best value in procurement, mainly through contracting. The model and approach varies by region they are not always called a 'hub'.

**Commercial Support Units (CSUs)** exist in some regions to provide local support to commissioners and providers of NHS services on commercial issues. They are self-funded by the NHS organisations that form their membership. CSUs for commissioning will increasingly change as cluster PCTs plan the new commissioning support units outlined in the operating framework.

### NHS Purchasing and Supply Agency (PASA)

closed in 2010, but originally existed as the main organisation with responsibility for purchasing and supply in the NHS. The majority of its contracts transferred to Buying Solutions, but responsibility for purchasing medicines moved in to PICD as the NHS Commercial Medicines Unit.

**Buying Solutions** - part of the Efficiency and Reform Group (ERG) within the Cabinet Office. It offers specific procurement services to the health service and took on the main contracting functions of NHS PASA.

**Procurement, Investment and Commercial Division, DH (PICD)** is the centre for commercial skills and expertise within the Department of Health, and now owns some functions transferred from NHS PASA.

**QIPP Procurement workstream** is led by PICD, with the aim of supporting the NHS achieve £1.2bn in efficiency savings through improved procurement.

## NHS Procurement Diagnostic Tool

### Instructions:

1. Use this diagnostic tool to assess how well your trust manages procurement
2. Go through each category in turn selecting the most appropriate answer for each statement. Then add up your score for that category using the scores in the top-right columns.
3. If your score for a particular section is low, it is probably a sign that you could make efficiencies by improving procurement. The notes at the end of each category explain how you can take steps to improve procurement practice in that area.

1. Leadership	3	2	1	0
You have procurement representation on the board and procurement issues and risks are given board time monthly.	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
All staff are encouraged to make efficiencies through mechanisms that have been tested (i.e. included in personal objectives, budget holder saving sharing schemes).	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
Procurement objectives are clearly linked to overall strategy and vision of the trust.	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
You have a policy in place for sales reps having access to clinical time and the hospital site.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
Critical product and supplier risks are managed through your corporate risk register.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
	<b>Total score for Leadership:</b>			<b>/15</b>

If your score indicates that you could improve in this area then you should consider:

- adding procurement to the trust board agenda to review how it is measured, resourced and viewed within the trust. Your collaborative procurement organisation may help you with this and you should discuss with other trusts how procurement is positioned
- if you have any non-executive directors that may be willing to take a lead on procurement, particularly if you have any that have a commercial/supply chain background
- getting in touch with the QIPP procurement team: [qipp.procurement@dh.gsi.gov.uk](mailto:qipp.procurement@dh.gsi.gov.uk)

2. Leverage of Spend (Reducing costs through collaboration and bulk-buying)	3	2	1	0
Your trust is a member of a collaborative procurement arrangement (e.g. London Procurement Project (LPP)).		Yes <input type="checkbox"/>	No <input type="checkbox"/>	
You have undertaken further competitions within Buying Solutions framework agreements to achieve savings through commitment and aggregated volumes (i.e. mini competitions or committing volumes to e-auctions).	Yes <input type="checkbox"/>	In process <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
You have worked with NHS Supply Chain on optimising the volume you purchase and standardising products.	Yes <input type="checkbox"/>	In process <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
	<b>Total score for Leverage of Spend:</b>			<b>/8</b>

If your score indicates that you could improve in this area then you should consider:

- talking to NHS Supply Chain about reviewing what you spend with them and if there are opportunities for you to save money. Contact Matt Whittaker on [matthew.whittaker@supplychain.nhs.uk](mailto:matthew.whittaker@supplychain.nhs.uk) or 07917 242875
- contacting Helen MacCarthy – Senior Health Director at Buying Solutions on [helen.maccarthy@buyingsolutions.gsi.gov.uk](mailto:helen.maccarthy@buyingsolutions.gsi.gov.uk) or on the help desk number 0345 410 2222 to discuss opportunities such as joining pan-government e-auctions. Buying Solutions can provide you with reports on what you are currently spending through their framework agreements and help you to identify cost saving opportunities
- talking to your Collaborative Procurement Organisation about what they may be able to do for you. It may be that you are a member but not making the most of the opportunity. Talk to them about what it is you can do together to make savings
- talking to the trust board about collaboration - where do board members see the opportunities for collaboration with other trusts/industry/other government organisations?

3. Spend Visibility (monitoring and managing spend)	3	2	1	0
Do you undertake detailed analysis of your spend using data extracted from your procurement and finance systems? Do you have the capability to undertake this analysis using internal or external resources?	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
Spend analysis has been purchased externally at some point.		Yes <input type="checkbox"/>		No <input type="checkbox"/>
Spend data is used to understand demand and obtain best value from procurement arrangements.	Yes <input type="checkbox"/>			No <input type="checkbox"/>
You rely on suppliers to provide information about what you buy.	No <input type="checkbox"/>	Rarely <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Always <input type="checkbox"/>
	<b>Total score for Spend Visibility:</b>			<b>/11</b>
<p>If your score indicates that you could improve in this area then you should consider:</p> <ul style="list-style-type: none"> <li>investing in a Purchasing System that works with the finance system to provide a full picture of your spend. Find out from your finance director and procurement manager if this has been considered before and if they have an idea of costs</li> <li>asking an external provider to provide a one-off analysis of your spend can deliver immediate benefit by exposing differential pricing and other quick wins. This should provide you with a breakdown by supplier and category as a minimum, but there is a large range of services that can be provided. Buying Solutions have framework agreements which allow you to purchase these services. Visit <a href="http://www.buyingsolutions.gov.uk">www.buyingsolutions.gov.uk</a> or call the helpdesk number 0345 410 2222.</li> </ul>				

4. Controlling Your Spend	3	2	1	0
All your invoices are matched to specific purchase orders.	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
Can orders be placed in the absence of a purchase order?	No <input type="checkbox"/>			Yes <input type="checkbox"/>
Are goods ordered for the trust through a managed electronic catalogue system; including goods from NHS Supply chain?	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
If you do operate an electronic catalogue, is it masked to restrict the choice of products to a selection predetermined by the trust?	Yes <input type="checkbox"/>		Yes, but not masked <input type="checkbox"/>	Don't have one <input type="checkbox"/>
You have policies which determine who has authority to raise requisitions and who has the authority to approve.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
You have user groups, including clinical input, that decide on product specification and usage for use across your trust with arrangements in place to control product selection.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
	<b>Total score for Controlling Your Spend:</b>			<b>/18</b>

If your score indicates that you could improve in this area then you should consider:

- discussing with the finance director and your procurement manager how policies and systems could be developed to improve purchase order matching - do you need to invest in up-grading your systems? How long will this take? Buying Solutions offer framework agreements that allow you to purchase these systems without having to tender at a local level. To find out more, visit [www.buyingsolutions.gov.uk](http://www.buyingsolutions.gov.uk) or call the helpdesk number 0345 410 2222
- reviewing your Standing Financial Instructions (SFIs) and Scheme of Delegation at your next trust board to test if the approval levels are appropriate for your organisation
- talking to NHS Supply Chain about what you can do to manage the access to their catalogue. They will also be able to give you an indication of how controlling product selection will save you money. Contact Matt Whittaker on [matthew.whittaker@supplychain.nhs.uk](mailto:matthew.whittaker@supplychain.nhs.uk) or 07917 242875

5. Managing Demand for and Usage of Products	3	2	1	0
Your trust manages stock and product demand with an inventory/materials management system.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
Do you know enough about the cost of consumable goods to be able to accurately account for them when costing individual procedures and patient pathways?	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
All procurements are assessed on alternative ways to meet the need i.e. rather than simply renewing contracts consideration is given to other solutions.	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
You monitor and attempt to minimise the amount of clinical time spent locating, reordering and replenishing products.	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
	<b>Total score for Managing Demand and Usage: /12</b>			

If your score indicates that you could improve in this area then you should consider:

- upgrading the trust's stock control processes and procedures
- discussing with your procurement manager what demand management means and how it may be incorporated into the function
- setting up a clinical procurement group which reviews products used and agrees where these can be reduced, standardised and rationalised to deliver efficiencies with no negative impact on patient care.

6. Sustainable and Innovative Procurement	3	2	1	0
You have policies on sustainable procurement that set out your organisation's commitments to reducing wider environmental and social impacts associated with the procurement of goods and services.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
You have calculated the carbon emissions associated with goods and services procured by your organisation.	Yes <input type="checkbox"/>	In development <input type="checkbox"/>	Planned <input type="checkbox"/>	No <input type="checkbox"/>
You have a systematic process for identifying, accessing, trialling and adopting innovative goods and services through procurement.	Always <input type="checkbox"/>	Almost always <input type="checkbox"/>	Sometimes <input type="checkbox"/>	Rarely <input type="checkbox"/>
<b>Total score for Sustainable and Innovative Procurement</b>				<b>/9</b>

If your score indicates that you could improve in this area then you should consider:

- utilising the SPROUT (Sustainable Procurement Risk and Opportunity User Tool) to help identify significant sustainable development aspects that you will seek to address through procurement activity and consider views and expectations on sustainable development of your key stakeholders to inform policy commitments
- identify the appropriate policies (or the need for a standalone policy) within which to incorporate commitments on sustainable procurement
- review sustainable procurement policies of other similar organisations - the NHS Sustainable Procurement Forum is a network of sustainable procurement practitioners across the NHS which encourages and facilitates the sharing of good practice. For more information contact [sustainable.procurement@dh.gsi.gov.uk](mailto:sustainable.procurement@dh.gsi.gov.uk))
- calculate your carbon emissions by using the SCO2PE Tool (available to download at [www.sdu.nhs.uk](http://www.sdu.nhs.uk)) to establish an indicative carbon footprint for procurement spend and to identify areas to focus carbon reduction activity on.
- review the innovation procurement pages on the DH website: [http://www.dh.gov.uk/en/Managingyourorganisation/NHSprocurement/DH\\_121248](http://www.dh.gov.uk/en/Managingyourorganisation/NHSprocurement/DH_121248) and contact [innovation.procurement@dh.gsi.gov.uk](mailto:innovation.procurement@dh.gsi.gov.uk) for advice and guidance.



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