



World Class Procurement in the NHS

Call for evidence and ideas

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Document Purpose	Gathering INFORMATION
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Target Audience	PCT Cluster CEs, NHS Trust CEs, SHA Cluster CEs, Care Trust CEs, Foundation Trust CEs , Medical Directors, Directors of Nursing, PCT Cluster Chairs, NHS Trust Board Chairs, Special HA CEs, Directors of Finance
Circulation List	
Description	The Call for Evidence and Ideas welcomes views and actions which would transform procurement across the NHS to deliver the highest quality patient care, VFM, support innovation and stimulate growth in the UK economy. The Procurement Strategy Review Team may contact anyone who submits their views to follow up on interesting comments and case studies.
Cross Ref	Innovation Health and Wealth: Accelerating adoption and diffusion in the NHS
Superseded Docs	N/A
Action Required	N/A
Timing	The deadline for responses is 27th July 2012. Please submit your views and recommendations via the online form or email to nhsprocurementstrategy@dh.gsi.gov.uk
Contact Details	The Procurement Strategy Review Team Room A102 Richmond House 79 Whitehall SW1A 2NS
For Recipient's Use	

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Executive summary

A succession of government policies has highlighted procurement as an important lever for economic growth, a driver for a better public service and a means of stimulating innovation. A strategy is required that includes new NHS system controls, NHS standards of procurement and collaborative procurement arrangements.

The scale and nature of the QIPP challenge, requiring us to make up to £20 billion of efficiency savings by 2014/15 to invest in meeting demand and improving quality, means that all parts of the NHS will need to take bold, long term measures to secure sustainable change.

We have published guidance on the 28th May 2012 which provides the recommended actions that NHS Trusts need to take now. However, we recognise that there is much more we can do. That is why our ambition is to:

- Create a sustainable procurement function in the NHS that is among the best in the world
- Generate over £1 billion savings to the NHS through improved procurement
- Build strong relationships with industry that deliver game-changing procurement solutions.

In order to put in place a best in class procurement system in the NHS that truly delivers the highest quality patient care, offers value for money, supports innovation and stimulates growth in the UK, we will be working in consultation with the NHS, industry, third sector organisations, patient representative groups and a range of stakeholders and procurement specialists.

We will develop an equality analysis to inform and shape the review, and ensure that we have considered the impact of any proposals on staff, patients and the public. As part of this call for evidence we would like to know if there are any equalities impacts that we should take into consideration.

We will produce a World Class Procurement in the NHS report in December 2012 that will inform the strategic approach to procurement in the modernised NHS.

Introduction

The NHS is facing an unprecedented challenge to meet rising demands for healthcare, driven by an ageing population against a background of tight budgetary control. This means that we cannot afford to continue as we have always done. We need to radically transform how we deliver services.

We know that procurement can play a valuable role in driving quality and value and stimulating the economy. We know there is substantial scope for multi-billion pound cost savings through the application of best practice and high standards; collaboration and process modernisation. Whilst some improvements in NHS procurement are evident, the pace of change is not sufficient to meet the financial challenge facing the NHS. It is vital we buy well and buy wisely.

With several million orders a year, from hundreds of thousands of ordering points, spending around £18 billion with thousands of suppliers in NHS acute Trusts alone, we know transforming procurement will be a challenge, and that there is no single solution. Ensuring taxpayers money is well spent in a devolved health system requires multiple interventions and a commitment from NHS leaders to drive the change needed. It requires a change in behaviours and a fundamentally different relationship with our partners.

Procurement can help to deliver much more. The challenge faced by the NHS requires more innovative procurement processes, and the more widespread procurement of innovation. By harnessing relationships with suppliers, the NHS can adopt existing innovations and stimulate new innovation to deliver quality and value. It is vital we have a procurement function that is responsive to creative ideas from suppliers and support their adoption and diffusion at scale and pace across the service.

Procurement in the NHS touches the whole system of delivering healthcare and should not just be viewed as an activity that is restricted to procurement professionals. Everyone has a responsibility for ensuring that the products and services that are chosen, bought and used represent value for money, provide the right outcome for the patient and are not wasted. We need an NHS procurement function that is among the best in the world if we are to deliver benefits to patients, staff and the wider economy.

This open call for evidence and ideas will inform the strategy for delivering World Class Procurement in the NHS.

Importance of Procurement for the NHS

Across all sectors in the UK and around the world, organisations are experiencing intense pressure to keep up with an unprecedented rate of change. The challenge for business leaders today is to reign in costs and drive growth. Whilst traditionally procurement has often been viewed as an 'add-on service', it is now widely recognised as a key enabler in delivering value. A priority for many companies is to develop a mature procurement function and optimise the supply chain to deliver greater efficiency and benefits to their organisation and customers.

The same pressures are paramount for our public services, especially in healthcare where Department of Health and the NHS have a combined budget of £120 billion. Spending this money wisely and innovatively can not only make a significant contribution to the delivery of higher quality and more efficient care for patients, but can also stimulate the economy in important industrial sectors such as life sciences.

The NHS Chief Executive has warned that the NHS will face a budget shortfall of £20 billion by 2014/15 unless it seeks to innovate to deliver the twin challenges of increased quality and productivity. This means simply doing more of what we have always done is no longer an option. Innovative procurement will support the NHS to meet these challenges. But it requires a new approach.

By being a more demanding and intelligent customer, the NHS working in partnership with suppliers can deliver better services more effectively to patients and act as an engine for growth.

What we already know about procurement in the NHS

The National Audit Office report *The procurement of consumables by NHS acute and Foundation Trusts*¹ emphasised the importance of the procurement of medical and other supplies ('consumables') by NHS hospitals as essential to the quality of patient care and successful treatment outcomes. The report findings highlighted that:

- Inadequate information, and fragmented purchasing is leading to poor value for money. At least £500 million of the £5bn spent on consumables could be saved
- There is wide variation in prices paid for identical items, with the average variation being ten per cent
- Products used can vary widely, for example it was found that across 61 NHS Trusts there were 21 different types of A4 paper, 652 types of medical gloves and 1,751 different cannulas
- Multiple small purchase orders made by NHS Trusts lead to unnecessary administrative costs
- NHS Trusts can use regional procurement hubs, the NHS Supply Chain or they can buy direct from suppliers, and new contracts are frequently being established which overlap and duplicate each other, incurring unnecessary administrative costs.

We must transform procurement in the NHS to improve quality, value for money, ensure patients get access to the very best services, technologies and medicines, and to make use of the enormous collaborative buying potential of the NHS, and this needs to start now

The recently launched NHS Procurement: Raising our Game document provides trusts with guidance and actions to start the journey to improving their procurement as well as outlining some immediate system actions to be implemented which cover:

- Levers for change
- Transparency and data management
- NHS Standards of Procurement
- Leadership, clinical engagement and reducing variation
- Collaboration and the use of intermediaries
- Suppliers, innovation and growth

This is a good start; however, we need to go further to develop a truly best in class procurement function, which can deliver quality and value to patients and stimulate growth in the UK economy.

¹ *The procurement of consumables by NHS acute and Foundation Trusts*, National Audit Office, February 2011 (http://www.nao.org.uk/publications/1011/nhs_procurement.aspx)

Tell us what you think

The NHS can learn much from other sectors and from other countries. We would like to hear your views, your ideas and your recommendations. This could include actions for government, the Department of Health, industry, the NHS Commissioning Board, NHS Trusts, Clinical Commissioning Groups, other national bodies or other sectors. In responding, you might wish to think about:

Learning from elsewhere

What can the NHS and NHS Commissioning Board learn from national and international best practice to transform the way the NHS procures to deliver quality and value for patients and drive growth in the UK economy? [Please include relevant examples, published papers or other evidence you have found useful.]

Actions at national level in the NHS

What specific actions do you think national NHS bodies, such as the NHS National Commissioning Board, need to take to transform procurement across the NHS? How can the NHS get better value from working with its suppliers?

Actions at local level in the NHS

What specific actions do you think local NHS bodies, such as providers and Clinical Commissioning Groups, need to take to transform procurement across the NHS?

Actions by NHS partners

What specific actions do you believe others, such the NHS, industry, third sector organisations or other stakeholders could take to transform procurement across the NHS, and what might encourage them to do so?

Any other comments

Do you have any further comments about procurement in the NHS?

Submitting your views

Thank you for contributing to this call for evidence and ideas.

Please complete the online form on the DH website at:
<http://www.dh.gov.uk/health/2012/05/procurement-review>

or email your response to: NHSProcurementstrategy@dh.gsi.gov.uk

or, send your views in writing to:

Procurement Strategy Review Team
Department of Health
Room A102
Richmond House
79 Whitehall
London
SW1A 2NS

The deadline for submitting your views is Friday 27th July 2012

Confidentiality of information

Your response will be managed in accordance with the Department of Health's [Information Charter](#).

Information we receive, including personal information, may be published or disclosed in accordance with the access to information regimes (primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA and in most circumstances this will mean that your personal data will not be disclosed to third parties.

Contact details of you and your organisation

We would like to be able to follow up interesting comments and case studies and would be grateful if you can give your contact details below.

Organisation: _____

Contact (completed by:) _____

(email) _____ **(telephone)** _____

Do you want to be kept in touch with the next steps in this process? **Yes/No**

Do you want to be included in a wider community of interest? **Yes/No**

Information about your organisation

If you are responding on behalf of an organisation, please could you indicate which best describes the role of your organisation.

Name of your organisation: _____

Please choose the description below that best fits your organisation's main role:

1. NHS Trust / NHS Foundation Trust
2. PCT / clinical commissioners
3. SHA
4. General Practice / Community services
5. NHS other
6. Social care sector
7. Independent healthcare sector
8. Royal College
9. National / Local Government
10. Voluntary/charitable sector
11. Private sector (including life sciences sector)
12. Academic Institutions
13. Representative body
14. Public/Patient
15. Professional Association
16. Other