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1. **Document Control**

1.1 **Programme Details**

<table>
<thead>
<tr>
<th>Programme</th>
<th>NHSScotland Procurement Review – Phase 1</th>
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<tbody>
<tr>
<td>Programme sponsor</td>
<td>Richard Carey (Chief Executive, NHS Grampian)</td>
</tr>
</tbody>
</table>

1.2 **Version Control**

<table>
<thead>
<tr>
<th>Version</th>
<th>Author/Reviewer</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoring version 0.1</td>
<td>Dayna Askew</td>
<td>September 2013</td>
</tr>
<tr>
<td>Reviewing version 0.1</td>
<td>Steve Uphill, Programme Director NHSScotland</td>
<td>June 2014</td>
</tr>
<tr>
<td></td>
<td>Procurement Review</td>
<td></td>
</tr>
<tr>
<td>Formatting</td>
<td>Carolin Zywotteck, Project Support Officer</td>
<td>July 2014</td>
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2. **Purpose of the Document**

The purpose of this document is to:

- Provide an overview of the strategic context for, and background, to the NHSScotland Procurement Review (Phase 1) (‘the programme’)
- Set out the strategic objectives for the programme, which support the overall strategic objectives for NHSScotland
- Identify key programme principles which will guide delivery
- Provide an overview of the scope of the programme to enable the Procurement Steering Group to exercise governance over the work undertaken
- Specify the workstreams which will be initiated along with individual timescales for delivery
- Describe the approach (methodology) for the programme
- Identify the key deliverables/ outcomes for the programme
- Identify the anticipated benefits of the programme
- Identify high level constraints, dependencies, and assumptions for the programme
- Identify key stakeholders to ensure appropriate communication and engagement
- Highlight roles and responsibilities of those involved in the programme
- Define governance arrangements for the programme
- Provide a high level overview of programme timescales
- Identify high level risks and issues for the programme
- Identify high level resource requirements for the programme
- Provide a source document for communication of the programme
- Identify any areas where an impact assessment may be required

3. **Context and Background**

3.1 **Strategic Context**

The Healthcare Quality Strategy for Scotland, launched in May 2010, provides the basis for the people who deliver healthcare services in Scotland to work with partners and the public towards our three Quality Ambitions and shared vision of world-leading safe, effective and person-centred healthcare.
In 2011 the Scottish Government announced its ambitious plan for integrated health and social care and set out the ‘2020 Vision’ and Strategic Narrative for achieving sustainable quality in the delivery of health and social care across Scotland.

This vision is supported by A Route Map to the 2020 Vision for Health and Social Care, launched at the NHSScotland Event in June 2013. The Route Map sets out a new and accelerated focus on 12 priority areas for action and has been designed to retain focus on improving quality and to make measurable progress to the 2020 Vision. One of the 12 priority areas is efficiency and productivity; in particular there is a focus on increasing shared services where appropriate to reduce waste, duplication and variation.

The 2020 Vision and the Strategic Narrative describe the challenges for health and social care for the future and describes our direction of travel. The Healthcare Quality Strategy provides the approach and the required actions to improve both quality and efficiency in order to achieve financial sustainability.

The Healthcare Quality Strategy is supported by the NHSScotland Efficiency and Productivity Framework for SR10 which identifies priority areas to improve quality and efficiency including procurement. There is a continued drive towards shared services which continues to underpin activities across a range of functions.

The Quality and Efficiency Support Team (QuEST) at The Scottish Government commissions, supports and leads a number of national programmes to support the delivery of quality, efficiency and productivity within NHSScotland.

The Procurement programme has, to date, focused on driving increased value from NHSScotland spending through improving processes and tools, obtaining reductions in price, influencing demand and creating new and improved structures.

### 3.2 Background

Annual spend with suppliers to NHSScotland is around £2.1 billion per annum with a further £500 million approximately spent between NHS Boards, local authorities, 3rd sector and some PFIs. This is currently controlled through NHSScotland National Procurement and 22 local NHS Board procurement processes. In addition over the last two years a regional approach has been developing for the main territorial NHS Boards in the east and west of Scotland.

National Procurement, along with Health Facilities Scotland for some construction activity and National Information Service Group for IT, has approximately £1.3 billion of the £2.1 billion under some form of national contract. The contracts are let by these organisations and are implemented in NHS Boards with support from the regional consortia and National Procurement.

The 22 NHS Boards (14 territorial and eight specials) all have separate procurement departments which vary significantly in size with a range of NHS Board spend from £4 million to £580 million. The regional approach is beginning to have an impact but essentially each NHS Board department is responsible for the implementation of national contracts and for tendering products which are sensibly procured locally. Although the picture is variable, procurement activity in NHS Boards can
also be carried out in construction, facilities, IT and pharmacy separate from the core procurement function.

There are a number of national issues which will also influence the procurement landscape:

- The Scottish Government continues to drive towards shared services across a range of functions to reduce duplication, waste and variation.

- The implementation of health and social care reform will require consistent input from procurement to ensure the link between NHSScotland and local authorities is managed effectively and the inter relationship between commissioning and procurement remains strong.

- The Procurement Reform Bill is intended to support public procurement as an engine for economic growth and ensure community benefits are an integral part of major procurement projects as well as supporting SMEs and the 3rd sector.

A Strategic Procurement Framework for NHSScotland which reflects the aims of the Quality Strategy and the 2020 Vision has been developed under the auspices of the Procurement Steering Group and delivering the outcomes will be heavily dependent on an effective and efficient procurement and supply chain service.

4. Objectives

The objectives of the programme (NHSScotland Procurement Review – Phase 1) are to:

- Review all aspects of procurement activity (including procurement of infrastructure, construction, facilities, IT and pharmacy)

- Identify options for a professional procurement and supply chain service, with a wide scope of influence across buying organisations, which meets the increasing needs of NHSScotland and reflects changes in wider Scottish public sector

- Ensure the procurement function is recognised as a strategic priority and is represented at a senior level within NHSScotland

- Identify the scale and nature of all procurement and supply chain activity across NHSScotland to establish a baseline for the programme

- Identify alternative options that will provide substantive benefit, and will drive improvements in quality and increased savings and effectiveness, when compared to existing operations/ current structure

- Benchmark proposed options against functional standards and other large scale procurement operations across public services and beyond

- Generate organisational will across all NHS Boards to agree and commit to the programme of activity
5. **Programme Principles**

The key principles which will guide delivery of the programme are as follows:

- Options will enable the delivery of the NHSScotland Strategic Procurement Framework
- All NHSScotland spend with suppliers will have an appropriate procurement process in place to ensure we are buying in the most appropriate way to leverage quality and value
- There will be common procurement systems and processes which are delivered on a once for all basis with a single national governance process
- Proposed options are consistent with Scottish Government Procurement policies and principles
- There will be a robust and effective customer care framework with clear performance monitoring and a national user group
- There will be full Partnership working in designing the new services and managing the impact on staff
- Options will enable excellence in the working practices and environment for staff

In addition, the programme will be delivered

- **With openness and transparency**: ensuring that key stakeholders are identified at an early stage and all documentation is made accessible
- **In partnership**: with our formal Partnership representatives, with NHS staff we provide an procurement service to and with external partners where appropriate (for example local authorities)
- **Based on robust benchmarking and data analysis**: the programme will establish a baseline of current internal data as well as comparisons with external best practice.
- **In the spirit of engagement**: the programme will involve groups of procurement staff from across NHSScotland to ensure ownership for implementing the models developed
- **Based on the identification of a future model**: where services are most appropriately delivered either locally, regionally or nationally
- **Employing service and process redesign methodology**: this will be based on Lean best practice and programme management disciplines
6. Scope

The programme encompasses procurement services within all territorial and special NHS Boards in Scotland. At present there is no single, consistent model of procurement service delivery across individual NHS Boards (although progress has been made on a regional basis). The scope of the programme will include the following:

- The programme will cover all aspects of procurement activity (including procurement of infrastructure, construction, facilities, IT and pharmacy)
- PPPs are not part of the scope at this stage
- All current organisational changes and reviews within procurement will be subject to this overall programme
- All procurement activity within NHSScotland is covered by this programme (i.e. not just procurement departments or organisations)
- The programme will cover 22 procurement departments which differ in size and complexity

7. Programme Workstreams

Phase 1 of the programme is not of sufficient scale to require separate workstreams. The programme will include the following stages of work:

- Set-up and launch
- Baseline data gathering and analysis
- Options development and appraisal
- Report and recommendations

Stakeholder communication and engagement will be integral to all stages.
8. Methodology

The programme will be delivered using the QuEST approach:

![QuEST Flowchart]

9. Deliverables / Outcomes

The programme is expected to deliver the following to time and budget:

- Baseline data which identifies the scale and nature of all procurement and supply chain activity across NHSScotland, and is signed-off by NHS Boards
- A report detailing alternative options for the delivery of procurement services that will provide substantive benefit when compared to existing operations/ current structure. The report will benchmark proposed options against functional standards and other large scale procurement operations and will make recommendations for a future model of procurement service delivery.

10. Anticipated Benefits

A new operating model for the procurement function within NHSScotland would be expected to deliver, as a minimum, the following benefits:

- Improved quality and reduced product variation
- Enabling NHSScotland to implement contracts more quickly
- Increased procurement savings and cost avoidance
- Increased focus on demand reduction and overall supply chain cost
- A more efficient and cost effective procurement organisation
• Wider scope of influence for procurement supporting increased compliance to contracts, standing financial instructions, etc.
• Improved management information due to implementation of common systems
• Increased procurement capability through sharing best practice
• Improved capacity and capability amongst the procurement workforce through a focus on the recognition, development and utilisation of their expertise

A benefits realisation plan will be created and maintained as part of the programme. This will be reviewed on a regular basis by the Procurement Steering Group.

11. Constraints

The following constraints have been identified:

• Funding – programme funding is provided by QuEST and is reviewed annually
• Timescales – the timescale for phase 1 of this programme is 18-24 months
• Resources – a full time programme lead will be appointed; however there may be limited additional resource available to support the programme

12. Dependencies

Much of the added value of alternative models for procurement service delivery is dependent upon the quality and accessibility of information and automation of processes where appropriate. This is dependent upon the implementation of common systems such as PECOS and Cedar and a strong link into the finance community.

The programme will link in to, and build upon the current work and collaboration that is being undertaken by the two regional consortia.

There is a need for strong engagement with decision makers, and clinical and expert users.

There is also a requirement for synergy with other QuEST programmes including Facilities Shared Services (Including logistics and procurement of infrastructure) and Prescribing.

13. Assumptions

Assumptions are statements that have been taken as true for the purposes of planning, but which could change later:

• The programme lead will be resourced for the duration of the programme
• QuEST and NHS National Services Scotland Programme Management Service (PgMS) will provide project management and administration support
• NHS Boards will provide representatives as required to participate in the programme
• Key stakeholders are bought-in to the objectives of the programme, specifically NHS Board Chief Executives
• NHS Boards will implement the recommendations within the agreed timescales
• Information required by the programme will be made available within specified timescales to enable deliverables to be completed
• NHS Board staff, with the sufficient level of expertise to provide required information, will be accessible to the programme team
• There will be appropriate governance and sponsorship in place to support the programme

14. **Key Stakeholders**

The key people and organisations that have an interest in/will be impacted by the programme are as follows:

• Staff employed within procurement functions
• Clinical and non-clinical staff within NHS Boards (customers of the procurement function)
• Trade Unions
• Patients and the public
• NHS National Procurement
• Regional Procurement Consortia
• Suppliers (including SMEs and third sector)
• NHSScotland Chief Executives Group
• Efficiency Portfolio Board
• Procurement Steering Group
• Health Procurement Delivery Group
• NHSScotland Directors of Finance Group
• NHSScotland Directors of HR Group
• NHSScotland Employee Directors Group
• Regional Planning Groups
• Quality and Efficiency Support Team
• Scottish Government (including Scottish Government Procurement)
• Local authorities
• Scotland Excel
• COSLA
• Scottish Futures Trust and Hubs
15. Team Roles

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme Director</td>
<td>Scope and lead the planning, management, design and delivery of a review of the procurement function across NHSScotland including:</td>
</tr>
<tr>
<td></td>
<td>• Establishing a baseline for the programme</td>
</tr>
<tr>
<td></td>
<td>• Identifying alternative options that will provide substantive benefit</td>
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<td></td>
<td>• Benchmarking proposed options</td>
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<td></td>
<td>• Managing the delivery of improvements and benefits</td>
</tr>
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<td></td>
<td>• Generating organisational will across all NHS Boards</td>
</tr>
<tr>
<td></td>
<td>• Engaging with all relevant stakeholders</td>
</tr>
<tr>
<td>Programme Manager</td>
<td>Provide support, guidance and advice to Programme Director across activities outlined above</td>
</tr>
<tr>
<td>Chief Executive Sponsor</td>
<td>Provide overall leadership and sponsorship for the programme</td>
</tr>
<tr>
<td></td>
<td>• Be the conduit for discussions/agreement with the NHS Chief Executive’s Group</td>
</tr>
<tr>
<td></td>
<td>• Provide strategic challenge, overview and scrutiny</td>
</tr>
<tr>
<td>QuEST Project Manager</td>
<td>Supporting the programme manager to plan, manage, design and deliver a review of the procurement function across NHSScotland</td>
</tr>
<tr>
<td></td>
<td>• Provide links and signposting, where required, to other Scottish Government activity in this area</td>
</tr>
<tr>
<td>Data Analyst</td>
<td>Creation of data gathering templates</td>
</tr>
<tr>
<td></td>
<td>• Validation, analysis of data (including FTE analysis)</td>
</tr>
<tr>
<td>PMS Project Management and Admin Support</td>
<td>Provide programme management expertise</td>
</tr>
<tr>
<td></td>
<td>• Support programme planning, risk management, benefits management and other programme activities</td>
</tr>
<tr>
<td></td>
<td>• Support programme governance and reporting</td>
</tr>
<tr>
<td>Procurement Steering Group</td>
<td>Agree the scope of work, measures and deliverables</td>
</tr>
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### Programme Governance

<table>
<thead>
<tr>
<th><strong>Independent Advisory Group</strong></th>
<th><strong>Efficiency Portfolio Board</strong></th>
</tr>
</thead>
</table>
| Monitor progress against key milestones  
Oversee the management of risks to delivery  
Ensure effective engagement and communication with key stakeholders | Providing expert challenge and support to programme  
Provide access to NHS/ non-NHS/ private sector comparators  
Advise on risks/ benefits of external examples  
Act as sounding board for development of working hypotheses |

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#### 16. Programme Governance

[Diagram of programme governance structure]
The NHSScotland Procurement Review will be governed by the Procurement Steering Group (PSG) which will act as a Programme Board. Regular progress reports will be provided to the Procurement Steering Group to ensure that the programme stays on track and any deviations from plan are dealt with appropriately.

The Procurement Steering Group is chaired by the Chief Executive Sponsor for the Programme. Members include procurement professionals from NHS Boards; representatives from NHSScotland National Procurement; finance, estates, facilities and pharmacy professionals; and representatives from the clinical community.

The Procurement Steering Group reports to the Efficiency Portfolio Board, the overall Sponsoring Group for the programme.

The terms of reference for, and membership of, the Procurement Steering Group will be refreshed during the initiation phase of the programme.

17. Programme Timescales

Phase 1 of the programme is anticipated to be delivered within 18-24 months.

A detailed project plan including milestones will be developed and maintained as part of the programme. This will be reviewed managed on a regular basis by the Procurement Steering Group.

18. Issues and Risks

This programme may bring about significant change to organisational structures and/or ways of working, both for staff working within procurement functions and the rest of the NHSScotland workforce. The following high level risks have been identified:

- Potential fragmentation and resistance within the procurement community
- Lack of buy-in and commitment to change from stakeholders (especially NHS Boards and/or their Chief Executives)
- Complexity of delivering a new model of procurement service delivery in the context of wider public sector change, include health and social care integration and the Procurement Reform Bill.
- Customers of the procurement service may be resistant to new ways of working, especially if there is a perceived increase in responsibilities.

A detailed risk register and issue log will be created and maintained as part of the programme. This will be reviewed managed on a regular basis by the Procurement Steering Group.
19. Communication and Engagement

A communications strategy will be developed and will detail how the programme will engage with each of the stakeholder groups outlined above.

20. Impact Assessments

The following impact assessments will be carried out if appropriate:

- Equality and diversity impact assessment
- Healthcare quality impact assessment
- Privacy impact assessment
- Systems security policy