

Procurement Strategy

2020 - 2022

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2. Foreword – Sheila Stenson, Executive Director of Finance

At KMPT, we recognise the need to maximise the opportunities that procuring well provides, firstly to improve services for patients; to support the local economies in which we operate and to ensure value for money. This is particularly important as we move through Covid-19 and living with a global pandemic, the UK's Exit from the European Union and increased demand on our services.

We must look at new and innovative ways to provide better services to our patients and we want the way we procure to encourage suppliers to improve the services they provide and give employment prospects across Kent and Medway. Pivotal to this, is working with our local supplier base and spending locally where suitable.

We are committed to building contract management within the Trust and moving towards supplier relationship management, enabling us to deliver improved services and efficiencies. We will continue to take opportunities to collaborate with partners and to pool our resources; therefore increasing our buying power and improving the deals we negotiate with suppliers.

We have considered local businesses and, in particular, local small and medium enterprises (SMEs) and we want to make it easier for them to work with us and win our contracts – supporting in the creation of a vibrant local economy.

You will know that we have been successful in our new approach if we meet the success measures in this strategy and the aspirations set out below:

- Demonstrate how KMPT services have improved as a result of strong procurement
- Receive feedback from internal stakeholders and external suppliers that processes are clear, transparent and straightforward
- Support local people into work, through leveraging the supply chain to offer apprenticeships on large scale contracts
- Engage with people who use our services and where appropriate, offer an opportunity for their involvement in the evaluation of submissions
- Have suppliers attend meet the buyer events, and where appropriate, have them input into the design of requirements
- Include attendance from local trade bodies, the Federation of Small Businesses and local Chambers of Commerce at the meet the buyer events

We at KMPT have a simple aim; to deliver Brilliant Care through Brilliant People. In order to do that, we must ensure that we have the right kit, and that we spend every penny of the public money we are given, to the very best effect.

I want KMPT to benefit from a fair deal when we spend public money and this strategy will enable us to do this. This is the start of our journey to transform Procurement across the Trust and it's one I hope you're as excited as I am to be a part of.



S. Stensen

Executive Director of Finance

3. Executive Summary

A Procurement function is vital to the success of running a safe, productive and efficient healthcare organisation, and can make a significant contribution to both financial and operational performance.

Nationally, NHS Trusts have various expectations on them in relation to the achievement of savings, compliance and other reportable measures. Investing in Procurement can assist in achieving this and add value beyond cost savings, throughout the entire commissioning cycle.

The KMPT Procurement Team has historically been small in scale and transaction focused. A revised structure will be designed to attract the best talent available within the market, while focusing on the professional development of the team moving forwards. Appointing new roles is starting to reshape the Trust's approach, with this Strategy setting out further required additions and improvements.

Significant opportunity exists to increase Cost Improvement Programme (CIP) delivery and wider benefits from non-pay expenditure in the following areas:

- Strategic Sourcing – Estates and Capital
- Strategic Sourcing – Corporate and Temporary Staffing
- Contract Management
- Stock and inventory management

There are also opportunities to capture market analysis, interrogate spend data and leverage the Trust's suppliers to add value, reduce cost and release cash savings.

It should be recognised that, in this being the Trust's first Procurement Strategy, there are a number of areas which are in their conceptual stage and as such will progressively develop.

4. Overview and Purpose

This Strategy details how KMPT will undertake procurement activity to add value across various stages, such as increasing the efficiency and effectiveness in sourcing, purchasing, supplier relationship management and contract management. Through this, the Procurement Team will seek to maximise the optimisation of every pound available to KMPT and positively impact upon patient care and experience.

The Strategy addresses means by which the Procurement Team will ensure quality and best value whilst adhering to Standing Financial Instructions and UK and EU law through best practice.

The Strategy will also outline a shift from transactional to strategic procurement. A proactive approach will bring an agile and flexible method to put service users and front-line customers at the forefront of what we do. By doing this, all services across KMPT will feel supported by a forward thinking, patient focused function, helping end users to purchase goods and services in the most effective way possible for their service.

NHS procurement, over the past decade, has been increasingly under the spotlight. Most recently, Lord Carter's reports on 'Operational Productivity and Performance: Unwarranted Variation' (2016 (Acute) and 2018 (Mental Health and Community)) has sharpened national focus in terms of all NHS Trust's adopting and promoting National Procurement Standards. During the Covid-19 Pandemic, this has been heightened within KMPT in particular, due to increased pressures around the sourcing, management and distribution of critical Personal Protective Equipment (PPE). Stock management is not a function already in place, so the challenges faced in responding to the Pandemic were significant and further emphasised the need for a strategic plan for procurement.

The scope of this Strategy covers all non-pay expenditure, other than those areas specifically determined within the Trust's Standing Financial Instructions (SFIs), both in terms of revenue and capital spend.

5. Core Roles and Responsibilities

Across KMPT, all employees have a responsibility to ensure they adhere to Trust SFI's. The responsibility for enforcing adherence to these sits at multiple levels with ultimate oversight being at Board Level. The Procurement Team will actively seek out opportunities while engaging with departments to support them in KMPT's commercial activities.

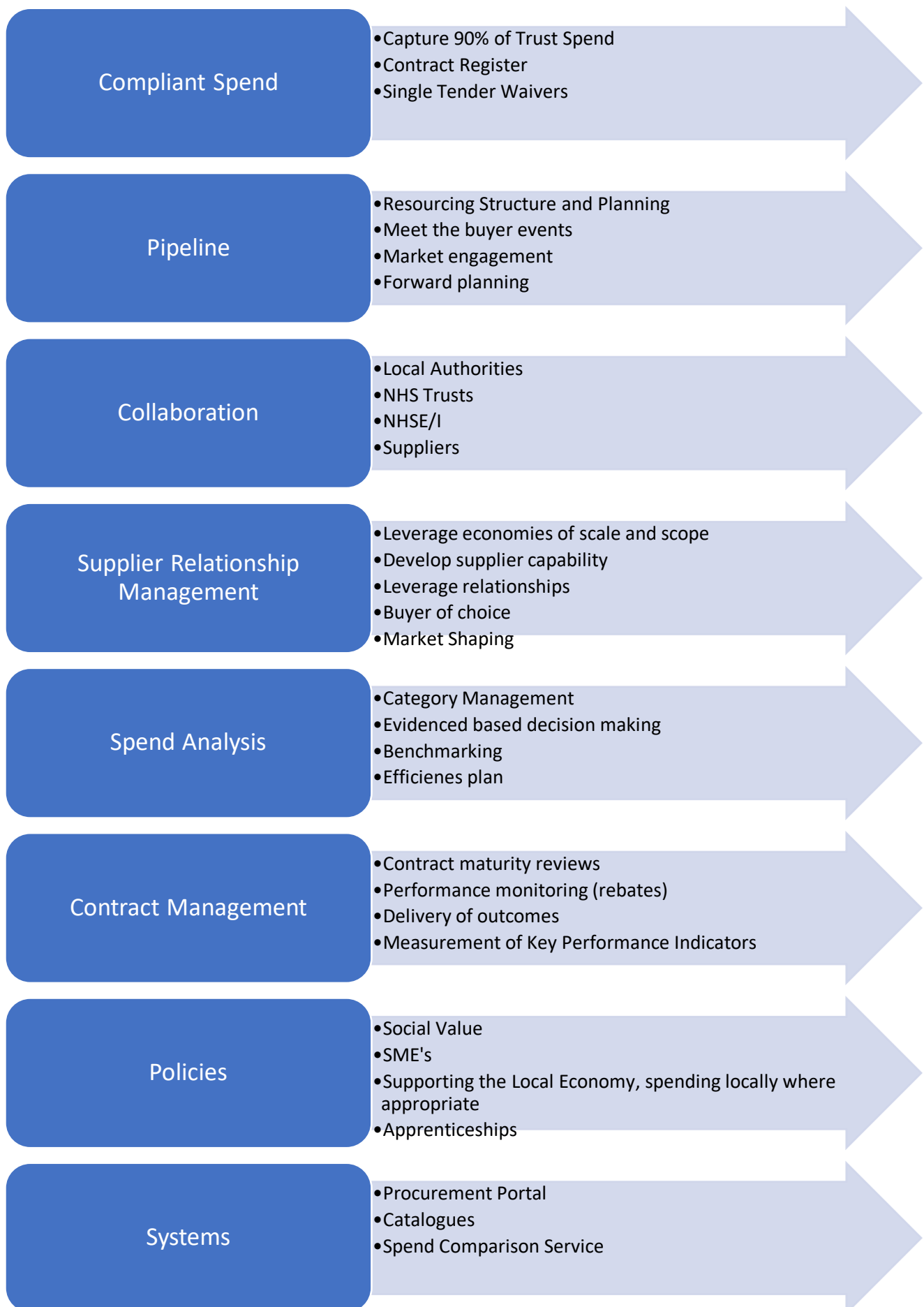
Trust Board: The Executive Director of Finance has executive responsibility for Procurement at Trust Board level.

Trust Staff: All Trust staff have a responsibility to adhere to SFIs, UK and EU Law. A procurement guide, to be called 'Spending the Trust's Money' will be created and cascaded throughout KMPT. This will support staff to understand spend delegation and have easy to follow processes with accessible standard documents.

Procurement: The Associate Director of Procurement is the professional lead for the Procurement Team, all procurement advice and interpretation and is responsible for this Strategy, its objectives and implementation.

6. Measures of Success

The Procurement Team will be demonstrably measured against their achievement of the following clear measures of success.



7. People, Skills and the Team

To enable KMPT to deliver the objectives and associated benefits, a much stronger commercial capability will be required.

This will need investment in the development of a highly skilled and commercially capable Procurement Team, informed by improved systems & data, and supported by robust processes for category management and supplier relationship management.

The existing Procurement Team are relatively new to KMPT. Despite this, they are capable, knowledgeable and experienced. However, recruitment and retention of such staff presents a significant challenge and has proven a particular problem for this Trust and other partner agencies over recent years.

This strategy is designed to address some of those recruitment challenges.

This Strategy proposes a new structure to enable the development of a 'talent pipeline' in a more formal and structured way, developing internal capabilities and 'growing our own' talent.

A foundation will offer robust career development plans with a tailored training programme and mentoring. It is recognised that partnership working, and secondments will play a role in this.

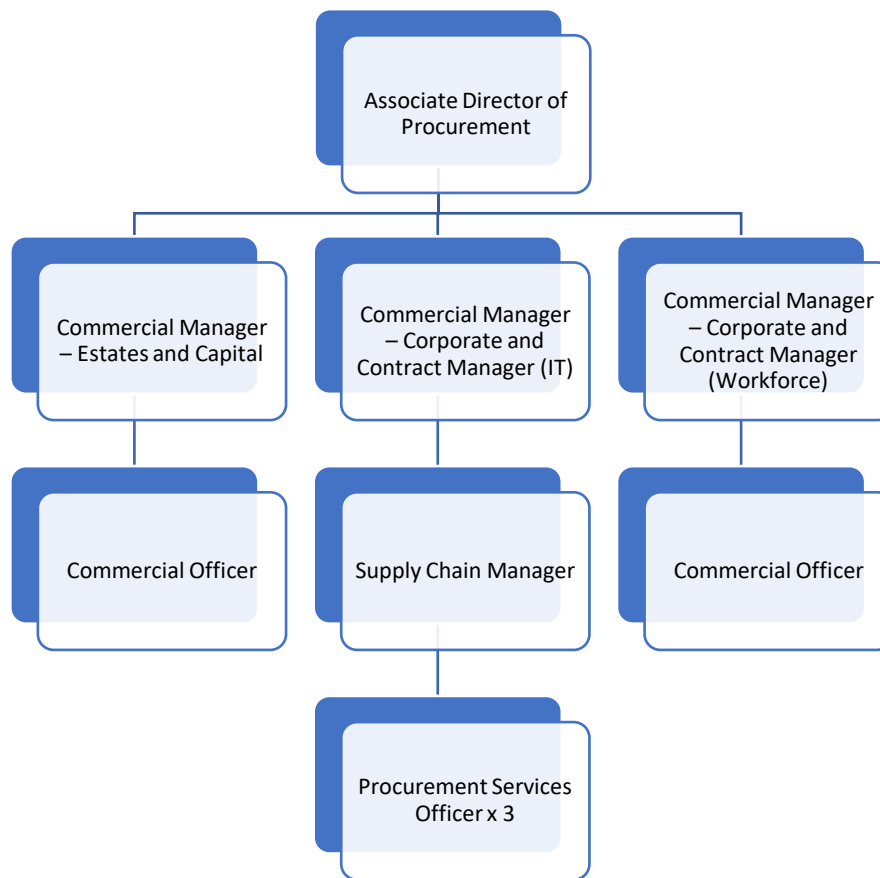
Objectives will be set with regular evaluation of performance via personal development plans, in line with the Trust's performance management framework, talent management process and appraisal policy. This identifies skills gaps and focuses training requirements to focus on skills that deliver successful procurement, such as relationship building, influencing others and broader legal and commercial acumen.

Given different team members' expertise and confidences, regular training (including via 'Lunchtime Learning') will be hosted to offer bitesize upskilling across the organisation. This may include financial appraisals, evaluation methodology, market analysis and specification writing and will be done in conjunction with the Learning and Development team, using the iLearn platform where possible.

This will enable KMPT to attract and retain the top talent available by developing a team that are fully integrated, solution focused and commercially astute with a learning culture.

Existing roles require adjustments to Job Descriptions and Person Specifications. All vacant roles will be advertised following a targeted recruitment campaign, with internal candidates also able to apply. In advertising for a suite of roles, prospective candidates will see the scale of investment and commitment to Procurement KMPT is making.

It should be noted that, in parallel, the team's systems and data analytics capability will be reviewed. Discussions across the Finance Directorate will consider how to meet the whole directorate's needs.



8. Culture

Whilst procurement can and will add value throughout the Trust, input can often be resisted due to there being a reputation for insisting on red tape, policy confusion and business units seeking reasons why they are exempt and insisting they can deliver procurement themselves.

The proposed team structure within this strategy is the first step to embedding procurement into the Trust with:

- Visibility; rather than a compliance function that's a hinderance, the Procurement Team will be regularly visible and available, fostering an impression of support and value adding. This will help develop collaborative working practises.
- Behaviours; top level buy in through procurement presence at governance boards and appropriate sign off will ensure a consistent message on how the Trust drives results.
- Trust certifications; the easy to understand Spending the Trust's Money flowcharts will allow individuals and departments to contribute to adding value, mitigating risk and delivering outcomes. This will create a Trust wide formal framework to follow, building a consistent procurement culture.

9. Category Management

The Trust currently has two core areas of spend:

- Estates and Capital - comprising both backlog / planned maintenance regimes, ward refurbishment and upgrades, and new build programmes.
- Corporate spend – primarily support services functions, with spend including IT, agency and consumables.

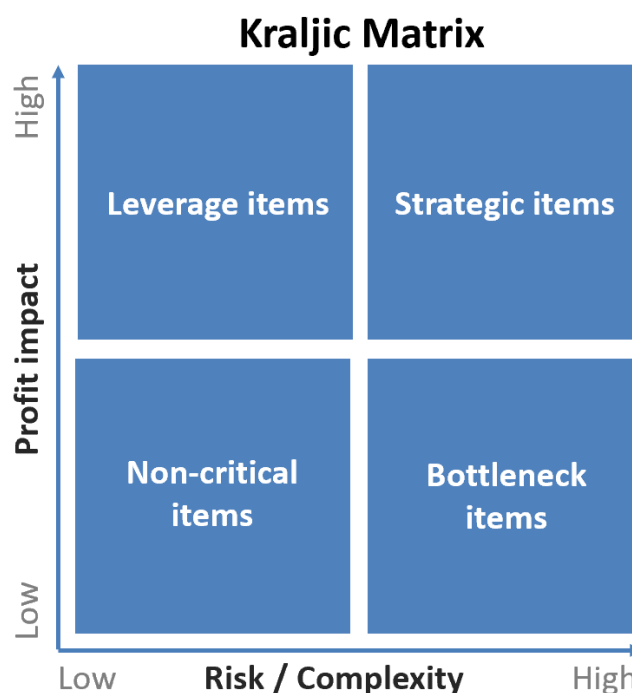
Additionally, there are a range of clinical and non-clinical high use products and ad-hoc requirements. This can be classified as spend which will fall under the Supply Chain Manager.

The proposed structure seeks to categorise the commercial and procurement activity of these two spend areas with a Commercial Manager leading each.

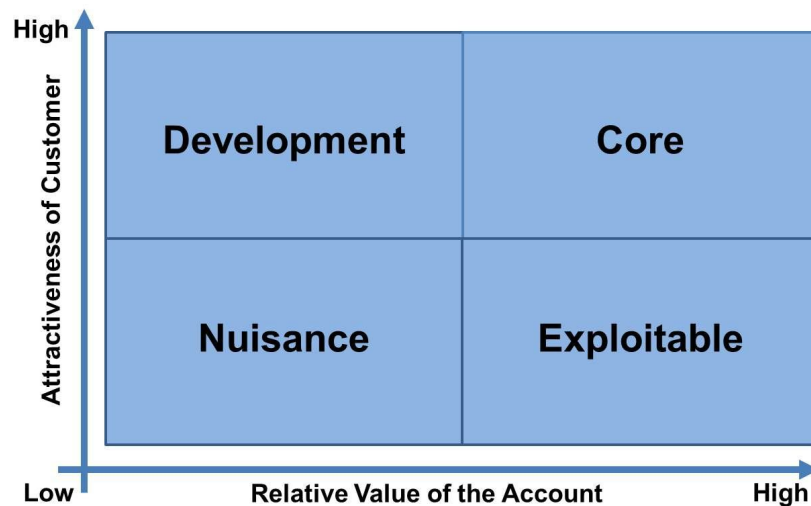
This is often referred to as Category Management, a structured approach to the procurement of goods and services. This applies best practice to deliver economies of scale, enhance supplier relationships, gain a further understanding and contribute to risk management.

10. Supplier Relationship Management

The shift from transactional to strategic procurement requires embedding supplier relationship management (SRM). Identifying strategic spend allows KMPT to develop core partnerships that extract the most value. A key element to this will be the Kraljic Matrix, which identifies the Trust's leverage within and across markets.



It is also important to understand how suppliers view KMPT, such as the attractiveness and value of our business. The Supplier Preference Model is key here, particularly in the context of potentially competing buyers across the market. The leveraging of economies of scale, via partnership working as appropriate, can improve KMPT's position.



KMPT can identify where collaboration with other organisations is appropriate through forward planning and market engagement. The Procurement Team will, via the Commercial Managers, populate a forward plan and publish it to the market on at least an annual basis.

The Procurement Team will take a professional lead in instigating market engagement, to achieve appropriate supplier relationship management, through the implementation of:

- **Meet the Buyer Events;** annually set out the upcoming years opportunities in an open environment with suppliers
- **Publishing a Prospectus;** to keep suppliers regularly informed
- **Open Relationships;** Commercial Managers to meet with core suppliers in their area

11. Contract Management

Contracts are, typically, 'let and forget' based. The Procurement Team will actively manage strategic Contracts and work with department leads to ensure successful delivery of outcomes. In part, this will be achieved by;

- **Terms & Conditions;** ensuring each Contract has an appropriate Contract Management Schedule
- **Review Performance;** through Key Performance Indicators (KPIs) as contractually required in all Contracts with resulting actions
- **Contract Management Guides;** that ensure the delivery of the requirement for service leads to follow, when contracts are handed over
- **Contract Management Review Board;** to undertake Contract maturity reviews that adopt improvements as necessary

- **Leverage;** those suppliers with transactional relationships will focus on increasing efficiency improved Purchase-2-Pay processes
- **Contract Register;** to proactively monitor spend and Contract end dates.

12. Collaboration

As well as achieving economies of scale through the Supplier Preference Model, there is an opportunity for the Procurement Team to identify and develop consortiums with other NHS organisations and councils, particularly across the Kent and Medway Integrated Care System (ICS). This offers collaboration, which is an important sourcing tool to deliver economies of scale across many categories of spend.

These are particularly effective when providing suppliers with guaranteed volumes and we will continue to work with others across the Kent & Medway Sustainability & Transformation Programme (STP)/ICS locally and the wider mental health / community system, including the Future Operating Model, to leverage volume and maximise value from our supply chain.

Collaboration also offers better utilisation of scarce resources, which can reduce duplication, effort and enable the focus deployment of skilled and capable resource.

Collaboration will also provide the opportunity for supply chain efficiencies by standardising products, reducing stockholding and minimising supply chain risks.

13. Transactional Transformation

The Procurement Team will optimise current activities by implementing catalogues for common goods (such as stationary) and automate many current manual processes.

The Supply Chain Manager will lead on the identification and implementation of product lines, which can be catalogued. This will lead to:

- **Efficiencies;** in KMPT's outsourced agreement with NHS SBS for transactional procurement.
- **Compliance;** considering a "No PO, no pay" option, capturing rogue spend and competitively benchmark.
- **Assurance;** the Covid-19 pandemic has identified an ongoing requirement for the timely and efficient distribution of PPE and other vital goods. At present, KMPT does not utilise any form of stock management system. The Supply Chain Manager will review the existing processes to ensure efficiencies are gained through the need to establish central stock holdings of potentially scarce product lines, in the event of a future local spike in Covid-19 (or other pandemic) cases.
- **Visibility;** including in line with Trust SFIs. This ensures a consistently high level of service with minimal administrative overheads, inventory is managed through reduced variation, aggregating stock and having clear replenishment rules.

14. Spend Data

Working with other departments and across Finance, the Procurement Team will seek to put in place a core set of reportable analytics which tell the organisation *how much is being spent, with who, on what and why*.

The development of systems and data capability will focus on:

- **Spend Visibility;** maintaining a clear view on expenditure to inform evidenced based decision making. Track and report all spend by supplier, category and business unit
- **Electronic Sourcing Tools;** publishing opportunities online will encourage more bidders and enable efficient, compliant and robust procurement processes (tendering tools, quotation tools, e-auction, Dynamic Purchasing System (DPS))
- **Purchase to Pay (P2P);** a review of the processes in place via NHS SBS
- **Inventory Management;** enabling the tracking of inventory levels, visibility of stock, and efficient order replenishment
- **Supplier Rep Tracking;** identify any potential non contracted spend and ensure patient safety by only using approved clinical products
- **Contract Management;** the monitoring of a contracts register to proactively identify required interventions.

To enable the development of systems and data, and to ensure the benefits are maximised, the systems and data expertise and capability within the team will need to be strengthened. As set out within the proposed structure, a Systems Specialist has been included within the structure.

15. Savings

While there is no historical Procurement CIP savings target within KMPT, one of the most frequently utilised metrics within NHS Procurement, in terms of measuring achievement, is cost-down savings.

This Strategy does not identify a savings target, as there is significant work to be done in order to move KMPT to a position whereby best-in-class procurement and contract management is being undertaken. This in turn will result in tangible cash releasing and cost avoidance benefits.

It is proposed that, while savings and cost avoidance will be tracked from the outset, a savings target is set during the 2020/21 financial year for achievement in 2021/22, which will be tracked against prior year spend in agreement with Finance colleagues.

16. Procurement Standards

As highlighted previously, it is a requirement that all trusts achieve a minimum of Level 1 Procurement Standards.

The Standards are a tool to support NHS trusts in developing their commercial capability across the entire organisation (i.e. not exclusively the Procurement Team). There are three key objectives in adoption of the Standards:

- To ensure good procurement development practice is established and maintained in all NHS organisations nationally
- To encourage the continuous development of the Procurement Team through increasingly higher standards, thus enabling agility to meet the challenges of the changing agenda
- To celebrate the success of organisations who take procurement development seriously and so are able to identify continuous improvement of the capability and competence of the Procurement Team and the organisation, as a whole

The Carter Review gave Mental Health and Community Trusts a target of March 2019 to achieve this standard. In light of the required work to move the Trust from where it is now, to where it needs to be, it is proposed to have these standards in place by October 2021, in readiness for assessment.

17. Benchmarking and Reporting

There are a number of core metrics KMPT can use to benchmark its procurement performance. This includes spend analytics via Purchase Price Index and Benchmarking Tool (PPIB) and NHS Spend Comparison, Carter Metrics and Model Mental Health Trust (Model Hospital).

Additionally, on an annual basis, NHSE/I publish trust rankings for Procurement. These consider multiple factors and indicate the performance of each trust's procurement activity, and therefore the Team.

These measures will be analysed frequently and reported back annually via the Finance and Performance Committee, alongside an update as to Procurement's achievement against the deliverables as set within this Strategy.

18. Standing Financial Instructions

In parallel to this Strategy being considered for approval, the Procurement Team are undertaking a review and revision (for consideration) of the Trust's SFI's and those elements which relate to Procurement. This will ensure they are live and current, fit for purpose and suitable for the challenges ahead.

A notable example of this is the Single Tender Waiver process, given the large number of waivers KMPT presently considers. Work will be done to increase KMPT's compliance with SFI's, UK and EU Procurement Legislation, thus reducing reliance on waivers and the associated legal risk this entails.

19. Summary and Conclusion

The Procurement Team has a lens across the organisation that few other departments have. This, alongside service insight and commercial acumen, offers vast opportunity to support KMPT in the achievement of its strategic objectives and the improvement of services.

The vision is to implement strong procurement practice and embed contract management to add value across the Trust.

This Strategy sets out a range of measures of success and commitments. Through this Strategy, the Procurement Team aims to;

- Demonstrate how KMPT services have improved as a result of strong procurement
- Receive feedback from internal stakeholders and external suppliers that processes are clear, transparent and straightforward
- Support local people into work, through leveraging the supply chain to offer apprenticeships on large scale contracts
- Engage with people who use our services and where appropriate, offer an opportunity for their involvement in the evaluation of submissions
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