



**Procurement
Team**

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1. Introduction

The procurement function is a key part of NHS Lothian in making a contribution by optimising the resources available for health priorities. The function is part of the Finance Directorate, reporting to the Director of Finance who is an Executive Member of the NHS Lothian Board. Our work covers £567 million spend across a combination of local and collaborative contracts.

As well as arranging strategically important contracts to support the delivery of healthcare, we also provide operational procurement services, ensuring the right products get to hospitals and other healthcare settings at the right time.

To illustrate this further, we:

- Saved NHS Lothian £4m over the last year
- Managed over 186k purchase orders a year
- Managed over 12,702 customer interactions
- Achieved Real Living Wage Status
- Managed 2687 suppliers

The Scottish Public Procurement Priorities

A set of 7 Public Procurement Priorities for all procurement leaders, developed by the Public Procurement Group and endorsed by Scottish Ministers, were discussed with Heads of Procurement in early 2021, prior to formal publication and issue. These supported the delivery of a robust, sustainable, inclusive, economy and the response to the challenges of the Climate emergency, EU exit and Covid-19. Additionally, they supported a consistent focus across the public sector for the 2021-22 and 2022-23 financial years.

The priorities – covering leadership, economic recovery, supply chain resilience, sustainability, climate, people and systems – were interwoven with the commitments set out by government in its national framework, and reflected procurement's four '[good for](#)' [outcomes](#). The priorities informed the structure and content of the [Public Procurement Strategy for Scotland](#), which is now the leading cross-sector strategic directive for public procurement bodies in Scotland.

These priorities are reflected in our Annual Procurement Report which, in turn, should be read in conjunction with our [Procurement Strategy](#) detailing our plans for the years ahead.

2. Review of Reporting Period

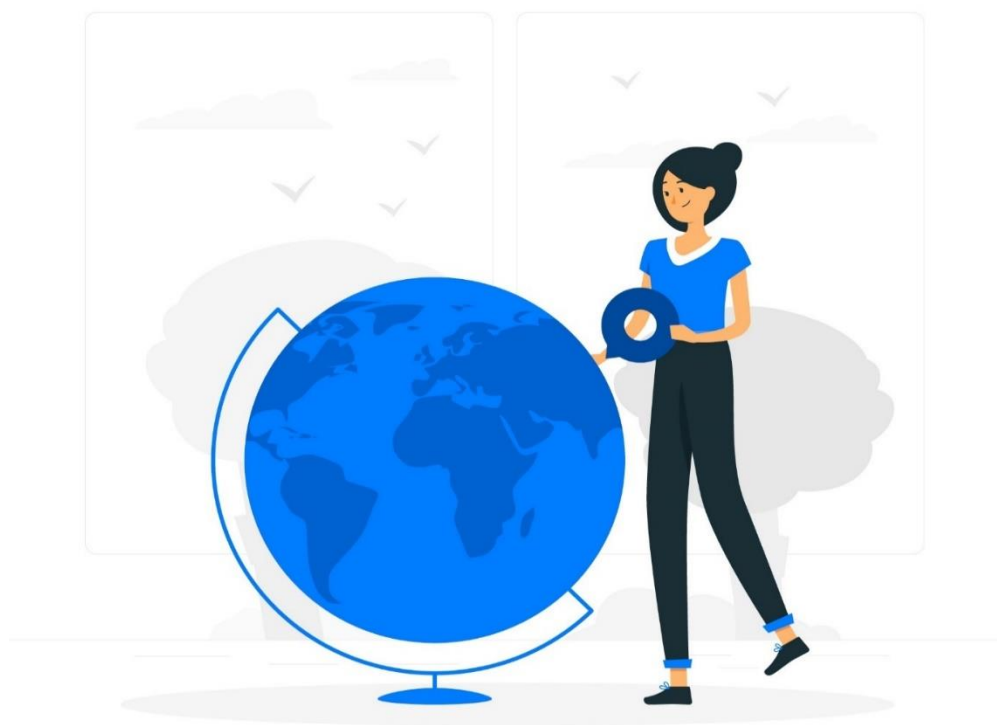
Over another challenging year 2022 -2023, the Procurement Team have continued to demonstrate considerable resilience in delivering results measured against targets and objectives. These achievements are primarily focused on supporting improvement outcomes for the people, communities and businesses of Lothian.

We have experienced some challenges in-year; inflation continues to rise with related cost pressures; and supply chain disruption resulting from legacy issues from the pandemic as well as other geo-political factors. But our focus has not shifted from our objectives.

Achieving the savings figures we report, is a significant achievement in a market where many prices are rising in line with or above unconventional inflation rates.

We continue to be embedded into the strategic, functional and resilience groups across our organisation, being seen as a key business partner in NHS Lothian.

This section of the Procurement Report will look at some specific pieces of work over the last year.



Case Study 1 – Sustainable Procurement Action Plan

In early 2023, we published our Sustainable Procurement Action Plan, which brings together the actions on Procurement from

- [Procurement Reform Act Scotland](#)
- [NHS Scotland Climate Emergency & Sustainability Strategy](#)
- [Anchor Institutions](#)
- [Our Procurement Strategy](#)

To deliver our legal obligations and comply with other objectives, this document outlines what we currently do and plan to do, into one place.

To deliver on our Action Plan, we will be dependent on

- Our customers in our Board
- Our partners at NSS National Procurement
- Our Suppliers

Focus on our plan may mean we have to log and come back to emerging ideas from the service, but we do commit to log these ideas for subsequent iterations of the plan.

This document sits alongside our Procurement Strategy and will be reported to the Board's Sustainability Committee annually.

- 2022/2023 Achievements We engaged our suppliers via, our Supplier Relationship Management, Procurement4Health and Meet the Buyer events
- We have implemented the Community Benefits Gateway in this last year to capture third sector needs in Lothian which our suppliers can provide in delivery of their contracts.
- We achieved Real Living Wage Accreditation in 2022 by engaging our suppliers.
- Initiation of the Green Theatre Programme – we will support this initiative by sourcing more sustainable products.
- Modern Slavery – working with National Procurement map the country of origin across 9,000 products carried by the National Distribution Service (NDS) and developed a data analysis tool to identify product lines with a high risk of modern slavery and allow mitigation strategies to be developed. The next stage is to explore opportunities to expand this data set to give carbon intensity ratings for transport miles to support the sectors net-zero transition map delivery.



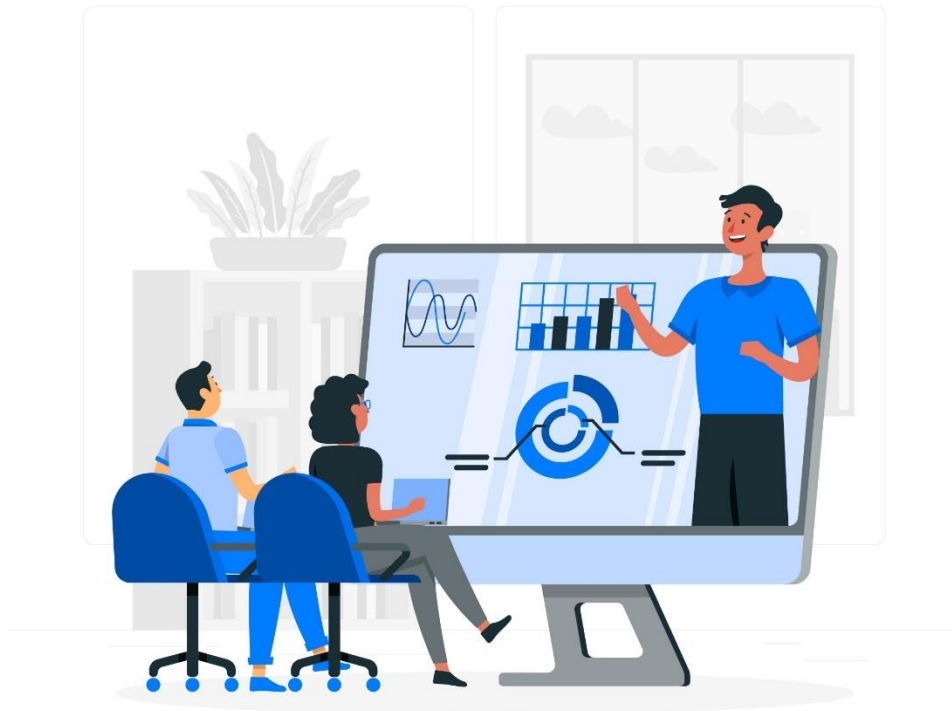
Case Study 2 – NHS Procurement Development Programme

Co-developed with partners in NHS Tayside, NHS Fife, NHS Highland and Scotland Excel, the NHS Procurement Development Programme was implemented in 2022.

Delivered to two cohorts, Operational and Strategic, this was an opportunity for us to deliver the programme bespoke to the NHS. With learning units from “Introduction to Procurement” to “Specification Writing” this creates an improved development path for our people.

Developed in line with the [Scottish Governments Procurement Development Framework](#), this programme has not only equipped the team with new skills, but also widened networking opportunities with our partners.

We will continue to support our team participating in the programme in 2023.



Case Study 3 – Inventory Management

The [NHS Scotland Scan for Safety](#) programme is at the leading edge of improving patient safety by improving the traceability of medical devices through point of care scanning and digital data capture utilising GS1 global standards.

Scan for Safety will deliver a range of benefits enhancing both patient safety and care as well as improving clinical and operational efficiency.

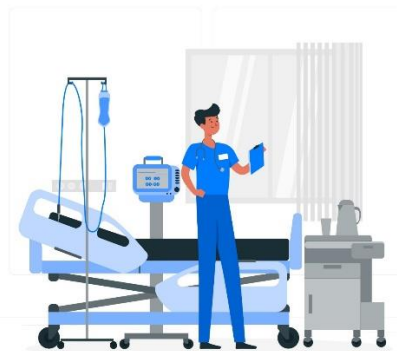
Implementation of the new national Inventory Management System is a foundational piece of work to capture accurate information about which products are used for which procedures.

In 2022, we alongside our partners in NSS, implemented this first step in NHS Lothian successfully. As the programme rolls out across Scotland, we will implement this in specialist areas such as theatres and radiology units.

Benefits

This essential programme will deliver a range of benefits for patients, clinicians, as well as local and national health system administrators across a number of key areas. These will include:

- Improving Patient Safety with medical devices captured electronically and traced from point of manufacture, through the supply chain to the patient. Reducing risk through fewer incidents of avoidable harm and enabling potentially affected patients to be contacted quicker and more accurately in the event of recalls.
- Enhancing Patient Care facilitating improved patient outcomes and releasing clinical time for patient care.
- Advancing Clinical Productivity with greater visibility of the different elements required for patient care including supplies and equipment which support the measurement and better allocation of resources, costs and clinical productivity across NHS Scotland.
- Enhancing Operational Efficiency with improved data and management information which supports informed decision making, driven by comparative clinical outcomes.



3. Spend

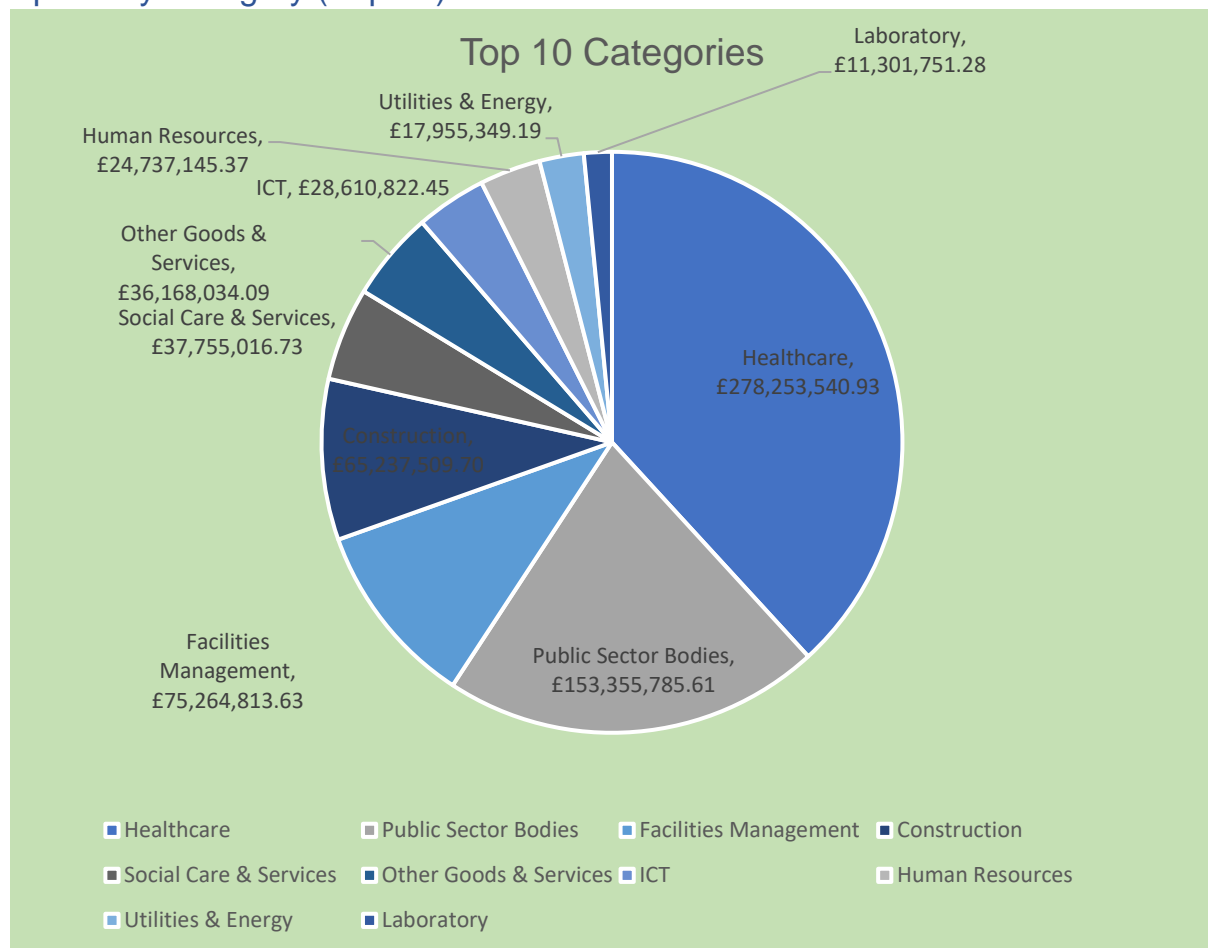
In FY 22-23 NHS Lothian's total trade spend was £567 million. Achieving best value from this expenditure is a combination of applying tools such as Category Management; Market Intelligence; Supplier Negotiation; Stakeholder Influencing; Economies of Scale: Innovation: via National, Regional and Local Contracts and arrangements.

What we spend is as important on where we spend it to harness our power of Procurement to support wider wealth and wellbeing aims for the Lothian population.

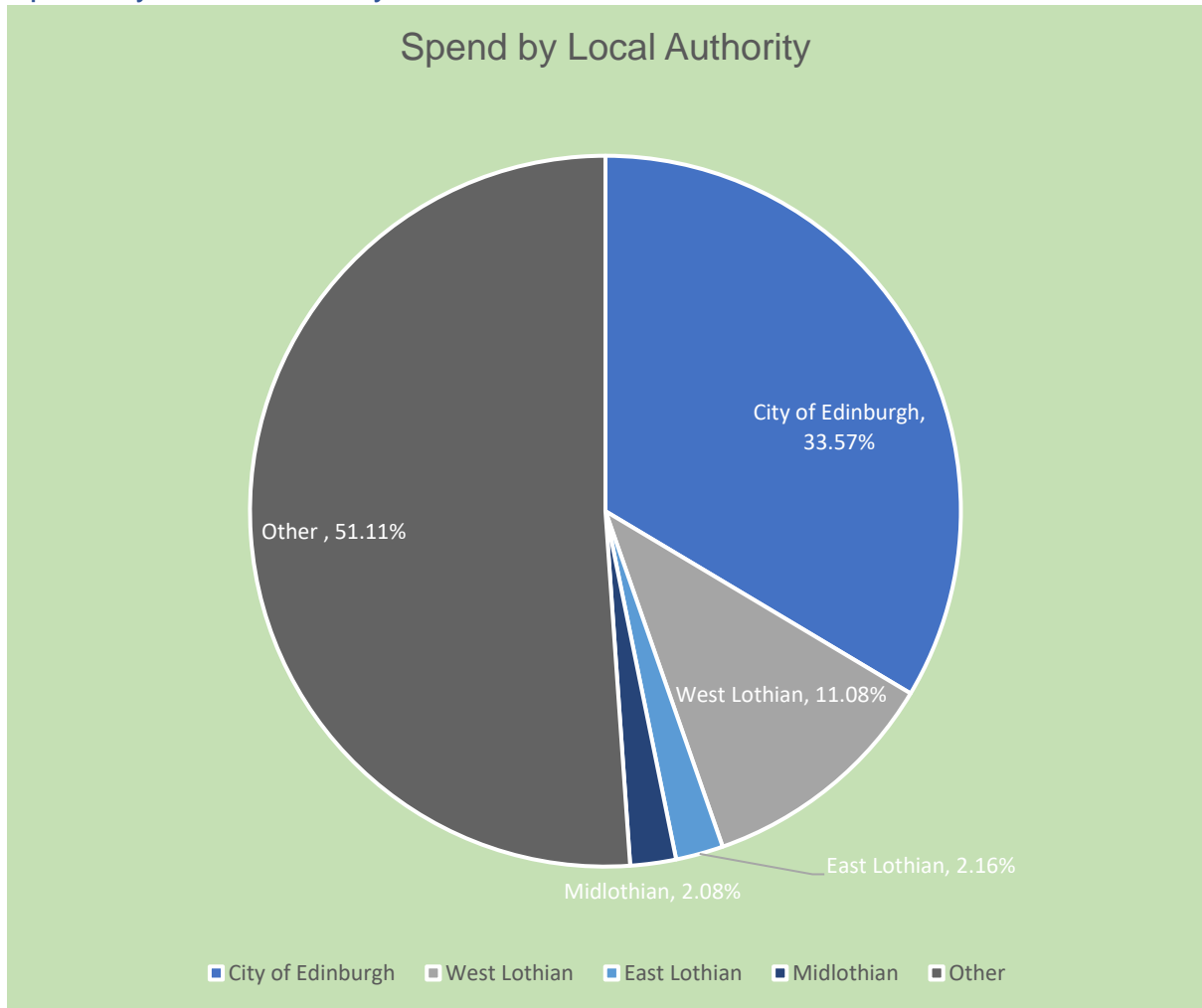
Further details on the contracts we have let are available on the [Public Contracts Scotland](#) website.

We launched our [Price Basket](#) initiative in 22-23, this will be further enhanced in the year ahead.

Spend by Category (Top 10)



Spend by Local Authority Area



4. Measuring and Reporting

Annual Report

This annual Procurement Report and the Procurement Strategy are required to be published on the NHS Lothian website as set out in the Procurement Reform Act.

This annual report will be prepared by the Associate Director of Procurement and reviewed by the Finance and Resources Committee for approval when appropriate.

Communication

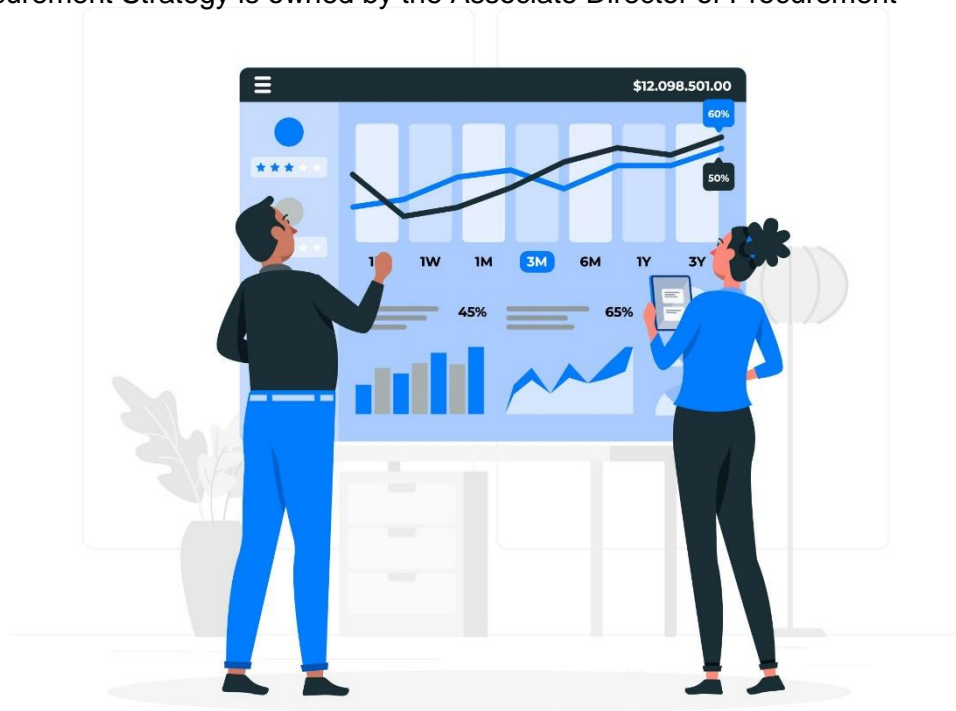
This Procurement Report will be published on the NHS Lothian website as set out in the Procurement Reform Act. The Procurement Strategy/Annual Report will also be shared with all members of the Procurement Team each year by the Associate Director of Procurement.

Objectives

Actions will be tracked in the Business Assurance Work session dedicated to the Procurement Strategy.

Ownership

The Procurement Strategy is owned by the Associate Director of Procurement



5. Completed Regulated Procurements

Title	Value	Supplier
Hospital Welfare Advice Services - East Lothian	£107,333	Musselburgh and District CAB
Western General Hospital Lifts Refurbishment	£402,500	Classic Lifts (Scotland) Ltd
Royal Edinburgh Hospital Kitchen Switch Room	£125,000	MPMH Construction Ltd

6. Quick Quotes in Period

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7. Future Regulated Procurements

Title	Estimated Value	Expected Notice Publication Date
Vending Machines	Income	Dec 2023
Medical Weighing Scales (Purchase)	£210,000	Nov 2023
Taxi Services	£10,260,000	Nov 2023
Building Maintenance Services (to include Mechanical Engineering, Electrical Engineering, Plumbing, Building, Roofing, Joinery, Glazing)	£6,000,000 aggregated across all disciplines	Oct 2023
Ductwork & Dampers Ventilation	£300,000	July 2023
Digital - Data Cabling Contractor	£300,000	TBC
Shaping Healthy, Safe & Vibrant Communities in WL	£1,000,000	July 2023
Shaping Healthy, Safe & Vibrant Communities in ML	£350,000	July 2023

8. Reporting Metrics

1. Organisation and report details	
a) Contracting Authority Name	NHS Lothian
b) Period of the annual procurement report	2022 2023
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	£634,833
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	2
ii) how many of these unique suppliers are Third sector bodies	1
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 Community Benefit Requirements	3
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 (Each contracting authority sets its own priority groups)	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	2 Benefits from Gateway

5. Fair Work and the real Living Wage

- | | |
|---|---|
| a) Number of regulated contracts awarded during the period that included a Fair Work First criterion. | 3 |
| 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. | 3 |
| c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract during the period. | 3 |

6. Payment performance

- | | |
|--|---------|
| a) Number of valid invoices received during the reporting period. | 321,073 |
| b) Percentage of invoices paid on time during the period ("On time" means within the time period set out in the contract terms.) | 94.2% |
| c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains. | 3 |
| d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts. | 0 |

7. Supported Businesses Summary

- | | |
|--|----------|
| 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: | £278,661 |
| i) spend within the reporting year on regulated contracts | £278,661 |
| ii) spend within the reporting year on non-regulated contracts | £0 |

8. Spend and Savings Summary

- | | |
|--|---------|
| a) Total procurement spend for the period covered by the annual procurement report. | £567m |
| b) Total procurement spend with SMEs during the period covered by the annual procurement report. | £225.7m |
| c) Total procurement spend with third sector bodies during the period covered by the report. | £20.6m |
| d) Percentage of total procurement spend through collaborative contracts. | 61% |
| e) Total delivered cash savings for the period covered by the annual procurement report | £4m |
| f) Total non-cash savings value for the period covered by the annual procurement report | 0 |

9. Future regulated procurements

- | | |
|---|-----|
| a) Total number of regulated procurements expected to commence in the next two financial years | 53 |
| b) Total estimated value of regulated procurements expected to commence in the next two financial years | TBC |

9. Useful Links

[NHS Lothian Procurement Web Pages](#)

[Public sector procurement – Scottish Government](#)

[Procurement Journey](#)

[PCIP Overview](#)

[Thresholds](#)

[Public Contracts Scotland](#)

[PCS-Tender - Public Contracts Scotland](#)

[Sustainable Procurement Tools](#)

[Procurement Competency Framework](#)

[CIPS - Leading global excellence in procurement and supply](#)

10. Glossary

Term	Definition
Category Management	Is a strategic approach to procurement where organisations group together similar areas of external spend to identify opportunities for consolidation and to create added business value.
Supported Business	Supported businesses are enterprises where over 50% of their workforce have a disability.
Whole Life Costing	Whole life costing is an investment appraisal and management tool which assesses the total cost of an asset over its whole life.
Community Benefits	Community benefits are the method by which local communities and good causes can receive additional social value from public spending
Cost Avoidance	Cost avoidance is the preservation of existing spending to prevent price increases due to inflation, economics or the rising costs of products or services. An example of cost avoidance is when a company purchases an extended equipment warranty to limit maintenance costs or out-of-pocket expenses.
Small and Medium Enterprises (SME)	An SME is any organisation that has fewer than 250 employees

[Illustrations Provided by Freepik](#)