



Delivering an effective and efficient procurement supply of clinically rationalised goods for the NHS

## Introduction

The NHS currently spends circa **£5.5bn** (£6.5bn by 2023/24) on goods and associated operating costs each year. It has the potential, through greater collaboration, to leverage its purchasing power and deliver better value for money for Trusts and the taxpayer.

By 2023/24 an annual reduction in spend of **£600m** is achievable through;

1. Doubling the proportion of consolidated procurement from **40% to 80%**
2. Using world class category management in the procurement of goods
3. Obtaining a reduction in product prices by using sourcing strategies
4. Ensure prices are transparent and the buy price is the price the NHS pays.

## The Future Operating Model

The current NHS Supply Chain contract provided by DHL will be delivered by new organisations as follows:

**Intelligent Client Coordinator (ICC)** will be a centralised service providing best in class contract and customer management in category procurement, logistics, IT and transactional services. They will act on behalf of all Trusts and DH and will enable Trust procurement teams to focus on priority commercial areas including facilities and income generating activities.

**Category Towers procurement** will determine optimal product specifications, broker clinical consensus, support Trusts to switch and exploit the purchasing power of the NHS.

**Logistical services** will cover both storage and delivery of goods providing efficient ward ready products responding to Trust demand.

**IT services** will cover operation, maintenance and transformation of existing IT infrastructure to establish better functioning, flexible and lower risk systems.

**Transactional Services** will manage accounting and treasury management services with a focus on providing consolidated invoicing arrangements.

## Ensuring the NHS is engaged, committed and believe in the new service

NHS Trusts are providing clinical expertise, which is shaping the specification standards that will ensure best in class products.

A commitment from Trusts is required to enable the greatest collective purchasing leverage that will provide savings for all Trusts.

Providing data on volumes and prices paid, regardless of how goods are procured, is crucial to providing transparency

Switching to clinically equivalent products when they are lower in price through the new process is expected over a staged 18 month transition from May 2017 and complete in October 2018.