University Hospitals of Leicester NHS
NHS Trust

Trust Board paper O

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 6 October 2016

COMMITTEE: Integrated Finance, Performance and Investment Committee

CHAIR: Mr M Traynor, Non-Executive Director

DATE OF MEETING: 29 September 2016

This report is provided for the Trust Board's information in the absence of the formal Minutes, which will be submitted to the Trust Board on 3 November 2016.

SPECIFIC RECOMMENDATIONS FOR THE TRUST BOARD:

- ***Carter Implementation Programme: Local Procurement Transformation Plan*** – IFPIC members congratulated the Head of Procurement and Supplies on achieving all of targets set out for Procurement within Lord Carter's report. The procurement related CIP target of £8m was expected to be delivered for 2016-17 and a similar target would be set for 2017-18. Discussion took place regarding opportunities to increase transparency within the national purchase price index by reducing the number of non-purchase order exceptions at UHL. IFPIC supported the UHL Procurement Transformation Plan (as appended to this meeting summary) for Trust Board approval on 6 October 2016.

SPECIFIC DECISIONS:

- ***None***

DISCUSSION AND ASSURANCE:

- ***Matters arising (Trust Board thinking day session on Outpatients)*** – the Chairman advised that this session was provisionally scheduled for November 2016. The Chief Executive sought and received clarity regarding the types of issues to be covered during the session, noting that discussion on centralisation, use of technology, patient experience, opportunities to appoint an OPD champion, communications, waiting list management and links with pharmacy would all be welcomed;

- ***Month 5 Financial Performance 2016-17*** – the Trust had delivered a £9.1m deficit for the year to date (£0.7m adverse to plan), including recognition of £9.8m Sustainability and Transformation Funding (STF) for assumed delivery of the quarter 2 targets. Contributory factors included underperformance in elective patient activity (mainly Orthopaedics and day case), and high levels of agency staffing expenditure. Fortnightly performance meetings were being held with 4 CMGs

and they were being held to account to deliver their forecast outturns, but assurance was provided that a robust CIP quality and safety monitoring process was in place. In addition, further work was taking place to clarify Estates and Facilities income flows and associated pay cost pressures (in terms of the number of hours worked). Particular discussion took place regarding performance-related aspects of the STF assumptions, patient care case mix variances, winter capacity cost pressures, and better payment practice code compliance;

- ***Working Capital Strategy/Cash Flow*** – paper D briefed the Committee on the arrangements in place to manage the Trust's current cash position and draw down from the Interim Revolving Working Capital (IRWC) facility, based on the Trust's planned deficit. Members commented upon the timing issue between receipt of STF monies and repayment of borrowings in-month. The Committee was assured by the new arrangements for Commissioners to underwrite overdue payments from overseas visitors. The Financial Controller was requested to factor in the new arrangements for pharmacy stock payments in the next iteration of the report. He was also asked to send the Audit Committee Chairman a reconciliation analysis between the overdue debts reported at month 4 and month 5 (outside the meeting);

- ***Discretionary Investment Prioritisation*** – table 1 of paper E set out the agreed list of essential developments, resulting in an in-year cost pressure of £3.9m. Table 2 provided the list of major investment schemes which had not been supported for 2016-17. Discussion took place regarding the release of approximately £3m contingency funding for the approved schemes, and the impact of not supporting the 7 day services bid;

- ***Cost Improvement Programme*** – year to date CIP delivery stood at £13.5m (as at the end of August 2016) against the planned £12.3m – a favourable variance of £1.2m. However, there were underlying concerns that 4 of the 7 CMGs had not met their year-to-date trajectories. Paper F2 provided a summary of the Theatres cross-cutting CIP theme. The 2017-18 CIP targets were due to be presented to the October 2016 IFPIC meeting alongside a progress report on the build-rate;

- ***UHL's Selection for 2016-17 Costing Assurance Audit*** – paper G advised IFPIC of UHL's participation in the 2016-17 costing assurance programme (as commissioned by NHS England and being undertaken by Ernst Young). A summary of the outputs would be presented to IFPIC when available early in 2017;

- ***Review of IBM Contract and IM&T Issues*** – paper I provided the usual quarterly update report on the IBM contract and updated IFPIC on developments with the EPR project and the IT solution for the new emergency floor. The 2 areas of failure against service level agreements continued to be ETL reporting and collection of customer satisfaction feedback. Confirmation had been received that there were no outstanding queries on the EPR business case, but the Trust was seeking clarity regarding any additional approval stages that might be required once the business case had been approved by NHS Improvement. The timescales for rolling out the NerveCentre solution in advance of opening the new emergency floor were welcomed;

- ***Workforce Update*** – the Committee received the monthly update on key workforce metrics, and the corrective actions underway to address adverse trends in pay expenditure and agency staffing costs. The report also focused upon CMG-level targets, sickness, vacancy rates, international nurse turnover, apprenticeships, sexual orientation data, new roles and the development of 7 day services. Discussion took place regarding Friends and Family Test (FFT) feedback on the number of staff who would recommend the Trust as a place to work, or a place to be treated. Additional narrative on the FFT score trends and actions underway to improve them would be included in the next iteration of the report. In respect of staff sickness, AMICA had reported a nationally increasing trend in the number of staff taking time off due to stress, a proportion of which was attributed to personal issues such as relationship breakdowns or difficulties with personal debts;

- ***Review of People Services*** – the Director of Workforce and OD introduced her presentation slides on the high-level outputs of a review of the HR service and opportunities for service improvement and transformation. The key areas of focus were noted to be payroll, recruitment, case management, business partners and organisational development. It was agreed that an overview would be included in the next Chief Executive's briefing session. Discussion took place

regarding the scope to create an internal staffing agency in order to reduce the cost of temporary staffing. A Project Initiation Document (PID) on the wider review of corporate services was scheduled to be presented to the October 2016 IFPIC meeting;

- ***Month 5 Quality and Performance Report*** – the Director of Performance and Information reported on 6 week diagnostics performance, RTT performance, cancer performance, and 52 week waits. A lightning strike at Glenfield Hospital had adversely impacted upon the MRI service and the performance standard for September 2016 was not expected to be delivered. An activity query notice had been raised with Commissioners in respect of cancer referral rates which were significantly in excess of plan;

- ***Demand and Capacity and Plans to Manage Winter Pressures*** – IFPIC received and noted paper O commenting upon the connectivity between this report and the Trust Board report on Emergency Care. Discussions on these items would now be held at the Trust Board meeting on 6 October 2016 and the Trust Board thinking day on 13 October 2016;

- ***Reports for Scrutiny and Information*** – the Committee received and noted the following documents:-
  - IFPIC calendar of business;
  - Updated timetable for UHL Business Case Approvals;
  - Minutes of the Executive Performance Board meeting held on 23 August 2016;
  - Minutes of the Capital Monitoring and Investment Committee meeting held on 12 August 2016;
  - Minutes of the Revenue Investment Committee meeting held on 16 August 2016;

- ***Investment Business Cases*** – the following Project Initiation Documents were supported:-
  - Beds (paper U);
  - Theatres (paper V);
  - Long Term ITU (paper W);

- ***Any Other Business*** – none noted.

DATE OF NEXT COMMITTEE MEETING: 27 October 2016

Mr M Traynor – Non-Executive Director and Committee Chair
29 September 2016

Non-Pay Procurement Workstream

Author: Ben Shaw/Chris Benham Sponsor: Paul Traynor Date: IFPIC Meeting – 29th September 2016

Executive Summary Paper H

Context

The final report and recommendations of the Lord Carter Review into efficiency in the NHS was published on 5th February 2016. One of the recommendations from the report was for Trusts to produce local Procurement Transformation Plans (PTPs). The format and metrics of these PTPs was approved by the Department of Health in August 2016 and Trusts are now required to have their plans approved by the Board by no later than 31st October 2016 (originally 30th September 2016).

Questions

1. Is UHL complying with all the obligations outlined for Procurement in the Lord Carter Review, including support for the national procurement agenda?
2. How does the procurement performance metrics for UHL compare to the national targets?
3. What changes are being proposed by the Procurement Team at UHL to improve our future performance?

Conclusion

1. Based on the metrics produced to date, UHL is well advanced with the measures outlined in the Lord Carter Review. This progress is demonstrated by:

    - The UHL Procurement Team is proactively engaged in all areas of the national procurement agenda (including for example the national price benchmarking tool, Carter metrics, skills network, PTP development, NHS standards development and assessment, trusted customer programme and development of the future operating model for NHS Supply Chain)
    - Performance metrics for UHL are above the Carter targets in all areas measured to date and attained formal accreditation to Level 1 on the NHS Standards of Procurement in May 2016

- The UHL Procurement Team is proposing a number of additional changes to processes and systems which will improve performance even further in the future and these are summarised in Appendix 1 of the report

Input Sought

1. Is the Committee/Executive Team **satisfied** with the progress Procurement is making towards the Carter objectives and that we are engaging appropriately in the national agenda?

For Reference

Edit as appropriate:

1.The following objectives were considered when preparing this report:

Safe, high quality, patient centred healthcare	Yes
Effective, integrated emergency care	No
Consistently meeting national access standards	Yes
Integrated care in partnership with others	Yes
Enhanced delivery in research, innovation & ed'	No
A caring, professional, engaged workforce	Not applicable
Clinically sustainable services with excellent facilities	Yes
Financially sustainable NHS organisation	Yes
Enabled by excellent IM&T	Yes

2.This matter relates to the following governance initiatives:

Organisational Risk Register	Not applicable
Board Assurance Framework	Not applicable

3.Related Patient and Public Involvement actions taken, or to be taken: None

4.Results of any Equality Impact Assessment, relating to this matter: None

5.Scheduled date for the next paper on this topic: To be confirmed by NHSI

6.Executive Summaries should not exceed 1 page. My paper does comply

7.Papers should not exceed 7 pages. My paper does comply

Procurement Transformation Plan (PTP) for the University Hospitals of Leicester (UHL)

1. Executive Summary

In October 2015 the Trust Board approved a comprehensive 3-year strategy for Procurement and Supplies which fully linked to the national procurement agenda in the NHS. In line with this and 12 months on the team have already made considerable progress towards the targets set out for Procurement in the Carter report (see table below).

The next two years will see the team continuing to deliver the agreed strategy and sustain the improvements already made. They will also now be focusing on a number of additional areas which have been highlighted by the Carter work. For example the team will be looking to systemise the measurement of contract compliance, work with Accounts payable to increase cloud invoicing, maximise the use of the national price benchmarking tool and subsequently achieve Level 2 on the NHS Standards of Procurement. The team will also be focusing on improving collaborations with LPT and surrounding Trusts.

2. Trust Procurement Performance (RAG rating against Carter targets[1])

MEASURES		PERFORMANCE			COMMENTARY
		CURRENT AUG 16	TARGET SEPT 17	TARGET SEPT 18	
1	Monthly cost of clinical and general supplies per 'WAU' – 10% target reduction by September 2018.	TBC by Carter team			Whilst we aim to reduce the cost per WAU in line with the Carter targets it should be noted that this isn't entirely in the control of the Procurement team – see risks in section 3.
2	Total % purchase order lines through a catalogue (target 90%)*	92.7%	94%	95%	Catalogue usage has improved significantly in the last 18 months. Whilst UHL are now well above the Carter targets the team will continue to increase catalogue usage where possible.
3a	Total % of expenditure through an electronic purchase order (target 80%) up to and including PO issue*	84.7%	86%	88%	Whilst PO usage is above the target set there is potentially more we can do to increase Purchase Order (PO) usage in the Trust (esp. for non-clinical supplies which is not included here). A Procure to Pay working group is already established and will continue to work to increase PO usage.
3b	Total % of transactions through an electronic purchase order (target 80%) up to and including PO issue*	98.9%	99%	99%	
3d[2]	Total % of transactions through an electronic purchase order from requisition through to and including payment.	13.7% (no target set)	TBA%	TBA%	Over the next three years we will be working with Accounts Payable and Finance to increase the number of transactions going through our cloud invoicing solution. Target to be agreed by December 2016.
4	% of spend on a contract (target 90%)	96.4%	97%	97.5%	Our current processes do not allow us to calculate this metric automatically; we will explore with the Finance Systems team how to automate reporting with a view to identifying potential improvements.
5	Inventory Stock Turns – no target set.	7.8 Weeks	n/a	n/a	We are currently developing a separate Supplies strategy to identify how we can further ensure we have effective and efficient stock holdings.
6	NHS Standards Self-Assessment Score (average total score out of max 3)	1.47	2.00	2.30	UHL were accredited with Level 1 in May 2016. Whilst we have now achieved this target we are now working towards level 2 and aim for accreditation in October 2017.

[1] RAG Rating Definitions:
Green = better than the Lord Carter or Trust target
Amber = Up to 10% less than Carter target
Red = More than 10% below Carter target

[2] We are currently unable to measure the value of transactions through cloud invoicing (measure 3c). We will aim to report on this at the next update.

Procurement Transformation Plan (PTP) for the University Hospitals of Leicester (UHL)

Summary

The 3-year Procurement & Supplies strategy highlighted a number of key improvements the team will be making in the next two years. In addition to this the Carter report and metrics have provided some additional areas of focus for the team and these have now been added to the Procurement Improvement Plan, see Appendix 1.

The following summarises the key areas for development and progress:

People & Organisation

- **Strategy:** the strategy set in October 2015 is still valid and aligns fully to the Carter work. We currently therefore do not plan to change this until October 2018 and will instead add the new projects identified to our current project list.

- **Structure:**
  - Procurement: In 2015 and in line with our strategy we made significant changes to the structure of the Procurement team. We now have the right structure in place to deliver our ambitions and do not propose significant changes to this at this time. We are however exploring ways of working more closely with LPT and are currently appointing a joint Clinical Procurement Advisor (band 6) on a trial basis.
  - Supplies: in accordance with our strategy to improve the day to day effectiveness of the team we are adjusting a number of roles to ensure we have the right level of management and leadership support within the team and these changes will be in place by the end of 2016; these changes follow on from a significant MOC in 2014/15.

- **Team development –** we will continue to invest in our people through providing our staff with professional training (e.g. CIPS and ILM). For example five members of staff are currently completing their CIPS qualifications.

Processes, Policies & Systems

- **Metrics & Standards**
  - **Catalogues –** whilst we have already achieved the Carter targets in this area we will continue to improve our catalogue performance through close co-operation between our Support Buying and Procurement functions.
  - **Purchase Order (PO) compliance** – Our PO compliance in clinical / general supplies is good and the majority of non PO spend is already on our Trust agreed PO exception list. However there are benefits to be had from increasing the number of transactions on a PO across other areas. The benefits would include: improved analytics, better reporting and more accurate price comparisons. With this in mind we are already working with Accounts Payable on ways we can increase PO usage and we propose to revise the exception list when this work is complete.
  - **Contract Compliance –** Our current processes / systems do not currently record specific contract numbers against each order raised and as such we are therefore required to undertake a manual exercise to report on this metric. A key action for our

PTP is therefore to change our existing processes and amend our system to accommodate this additional field (esp. for orders over £25k). If possible we will aim to report on contract compliance automatically from April 2017.

- **Stock Management / Stock Turns** – the Carter Report asks Trusts to provide details on the number of days stock held; though no target has been set. Our current stock holding at 7.5 weeks looks high however this skewed by a few high cost areas where we legitimately need to hold sufficient stock to meet variable patient needs (the majority of ward stocks are replenished on a weekly cycle).
  - It is important to note that six Trusts are taking part in a trial sponsored by the DoH which is looking at different stock management solutions; one aim of these systems is to reduce stock levels. UHL already have a number of these systems in place (e.g. Omnicell, H-trax and Space Trax). We are therefore reviewing the benefits of these systems while at the same time actively following progress with the DoH sponsored trials. We will incorporate any findings in to a new Supplies Strategy which we are developing for April 2017.
- **NHS Standards** – having now achieved Level 1 on the NHS Standards we will become a key regional player in supporting other Trusts in our area to achieve the same. At the same time we will be actively working towards achieving Level 2 accreditation by October 2017. The key actions to achieve this are included in the strategy and highlighted in the rest of this paper.
- **Purchase Price Index Benchmarking** – we were actively involved in the selection of this tool and have been using the chosen system for the last 12 months. Since September this year all 136 Trusts are submitting data to the tool we will now benefit from being able to view a far wider range of data and benchmarks. For example in the last month have saved £30,000 on one product alone.

- **Systems**
  - We already have the right systems in place to deliver the objectives outlined in the Carter report.
    - **E-Procurement:** Our e-procurement and e-financials system (ABS) will soon be updated to version five. This will significantly improve the functionality and user experience for colleagues across the Trust and this change should support a number of the measures (for example contract compliance and catalogue usage). We will also keep under review new and upcoming amazon style front end catalogue solutions which are being trailed elsewhere in the NHS.
    - **Spend analytics:** We have already implemented a spend analytics tool (Bravo) and have been using the nominated national price benchmarking tool (Advise Inc) since January. Our Data Analyst will continue to use these tools to identify and track saving opportunities. As we understand the tool better we will also look to develop a performance measure on this.

- **Materials Management**
  - We are currently developing a separate Supplies & Logistics Strategy which we aim to have in place by April 2017. This strategy will outline key actions required to improve our materials management function and cross site logistics.

- **Supplier Management**
  - We specifically need to work on improving the quality of our supplier management and have already introduced a quarterly tracking process for this purpose.

- Separately we will ensure our top ten strategic suppliers have effective Supplier Relationship Management meetings on an agreed frequency.

Partnerships

- **Communications** – we will continue to improve our communications with our colleagues across the Trust with a view to helping them 'Buy the right way'. For example we will continue to develop and share our 'buy the right way' guides with our colleagues and work to improve the uptake with our e-learning tool and requisitioner training.

- **Collaborations:**
  - We will continue to be an active member of the following: East Midlands Procurement Alliance, North of England Collaborative Procurement Consortium and Midlands Customer Board. We will also continue as one of the 24 'Trusted Customers' for NHS SC for respiratory and suction equipment.
  - We will continue to build on our collaboration with LPT through the recruitment of a joint clinical advisor. We will review the benefits of further integration over the next 12 months. We will also start to develop closer collaboration with other Trusts in the area (for example Northampton, Kettering and Bedford).

- **Supporting the National Agenda –** we are already fully involved in many, if not all, areas of the national agenda. We will continue to offer our leadership, support and guidance across all areas of this (for example the Carter programme, benchmarking tool, future operating model and Trusted Customer programme).

3. Risks and issues

Risk / Issue	Description	Next Step
Issue - Influence on Cost Per WAU and data (WAU = work activity unit)	• The cost per non pay WAU is not purely a Procurement measure. The WAU is influenced by price, consumption, levels of outsourcing and accounting practices. Reducing the cost per WAU on clinical / general suppliers therefore requires actions from across UHL and even then may be influenced by things beyond our control. • For example the insourcing of FM will have a major negative impact on the cost per WAU on general supplies as janitorial supplies were previously bundled in to the service costs of Interserve. They will now feature in the general supplies cost code which will negatively impact the cost per WAU. • A second issue is that the WAU number is produced by NHSI annually and the only number currently available is from 2014/15 and we are therefore not assessing like for like.	- Highlight the two issues identified to DoH / NHSI and agree mitigations if appropriate.
NHS Standards Level 2	• Level 2 on the NHS Commercial Standards reviews the commercial approach across the whole of the Trust (not just Procurement). There is therefore a risk that we will not achieve the standards set if other parts of the Trust do not have the required strategies, plans, policies and procedures in place.	- Identify areas outside of Procurement which are included in the scope of the NHS Standards. - Work with areas to put in place the required

		improvements by September 2017 at the latest.

Appendix 1: Procurement Improvement Plan – Additional Actions

Additional actions:	By When
The Procure to Pay working group (Procurement & Finance) will:	
• Establish a target for the % of transactions going through a PO and work to achieve.	• Establish target by December 16 • Achieve by October 17
• Establish a target for the % of transactions going through our cloud invoicing solution and work to achieve.	• Target agreed December 16. • Target achieved by October 17
• Implement ABS version 5 and review new and upcoming amazon style front end catalogue solutions	• Version 5 implemented by April 17.
Procurement & Supplies will:	
• Develop and gain approval for UHL Supplies Strategy	• Completed by April 2017
• Attain NHS Standards level 2 accreditation	• Attained by October 2017
• Ensure if possible that contract numbers are captured on all POs as appropriate. • Enable an automatic report to be run to capture contract usage and work towards achieving the 90% target.	• Report produced April 17 • Target achieved September 18