

**NHS Wales**  
**Procurement Fitness Check 2014**

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## 1 Background

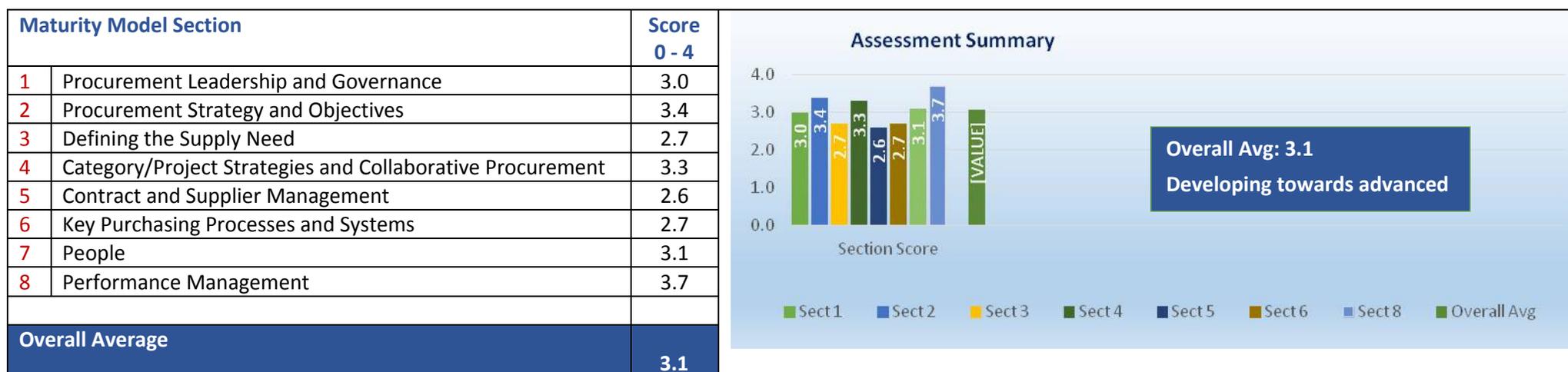
The Wales Procurement Policy Statement requires Welsh public bodies to undertake regular procurement fitness checks. A Procurement Maturity Model was developed in consultation with Welsh public sector organisations to illustrate incremental progress in the development of a public sector procurement function. The Maturity Model enables organisations to identify current strengths and weaknesses in relation to the incremental standards set out in the model for the purpose of conducting the fitness check. The resultant action plan is used to develop procurement capability to an appropriate level for each organisation.

PMMS was appointed in June 2013 to undertake the first fitness checks for the health, higher education and further education sectors and was instructed to proceed in January 2014 following completion of the local government fitness checks by KPMG. The planned methodology was amended to accommodate use of the questionnaire used for the local authority fitness checks in line with Welsh Government wishes. The questionnaire was tailored to reflect organisation structures in each of the sectors being reviewed but was not changed fundamentally.

## 2 Executive Summary

A tailored version of the questionnaire used for local government fitness checks was used to gauge staff views of current procurement practice in relation to the standards set out in the Value Wales Maturity Model. Where necessary, responses were validated through further dialogue and review of relevant documentation. Senior management and stakeholder views were obtained via interviews.

Our assessment against the eight sections of the maturity model is summarised below:



Detailed findings are summarised in Section 5 along with related recommendations. There is some duplication of recommendations because, occasionally, one recommendation will address a number of findings. Consolidated recommendations are listed below:

1. Review PSS involvement in new construction procurement to identify areas where enhanced engagement is likely to be beneficial to Boards and Trusts.
2. Review the PSS role and remit to ensure that the initial definition of procurement need (what is to be procured) benefits from a full understanding of supplier/market capability in order to influence Health Board/Trust demand and minimise the risk of inadvertently ruling out beneficial procurement options.
3. Trial use of process and practice improvement reviews by internal audit as part of the annual audit programme.
4. Review the potential for greater use of community benefit contract clauses in relation to each category of spend and report progress and outcomes achieved routinely to the Shared Services Partnership Committee (SSPC) and PSS staff.
5. Review the PSS role and remit in relation to efficiency and effectiveness of service delivery to identify areas where enhanced engagement is likely to be beneficial and would sustain benefit delivery beyond the initial period of consolidation of demand across Boards/Trusts. The review should address the potential for PSS to act as an agent of change, particularly in relation to decisions about what is to be procured (the procurement need), and, if beneficial, how this could be encouraged and supported by the SSPC.
6. Explore the potential for further mutually beneficial collaboration with other public, private and third sector organisations.
7. Raise procurement staff awareness of the Value Wales Procurement Route Planner (PRP).
8. Review the means of communicating PSS plans, performance and achievements in order to ensure an accurate and consistent view across PSS staff and customers.
9. Review documented process and guidance relevant to the use of the category management approach to procurement to ensure consistent application across all categories under PSS management taking the PRP into account.
10. Ensure that post procurement reviews address a comparison of forecast and actual outcomes in addition to lessons learnt from conducting the procurement process.
11. Enhance process documentation to include guidance on how to use the full range of analytical techniques to optimise sourcing strategy and specifications for each category of spend, including market and supply chain analysis, cost of supply, risk and sustainability in particular, and guide subsequent contract management.
12. Develop a process and supporting systems to encourage, facilitate and record dialogue with suppliers in order to support continuous improvement of PSS and supplier capability. The process should address the use of supplier relationship management plans and circumstances when they are likely to be beneficial.
13. Explore the costs and benefits of further integration of 'all Wales' e-procurement systems and the ORACLE finance system and adopt if cost beneficial.
14. Consider ways of improving the receipt and payment process to achieve a first time match rate of over 90% and associated level of automated payment without compromising reliability and responsiveness of supply to customers and Board/Trust cash flow.

15. Assess the costs and benefits of early payment discounts and adopt if cost beneficial.
16. Extend the quality management system to cover systematic monitoring of supply chain performance where necessary and/or cost beneficial. Issues to be considered include, for example, risk, cost, legal obligations and payment performance.
17. Consider enhancing the staff appraisal process to address succession planning, development of a skills matrix linking roles to skills and training/development solutions and measurement of the effectiveness of the competency framework in supporting development of PSS procurement capability.
18. Review the need for training to ensure compliance with procurement process across the organisation on a need to know basis.
19. Ensure that evidence of application of key Welsh Government procurement policies is recorded in personal appraisal reports and PSS performance reports, the information is used to guide improvement and that anonymised summary information is shared with Welsh Government.
20. Consider extension of the existing price benchmark process to encompass comparison of all aspects of measured performance with other comparable organisations.

### 3 Methodology

The fitness check methodology comprises the following key steps:

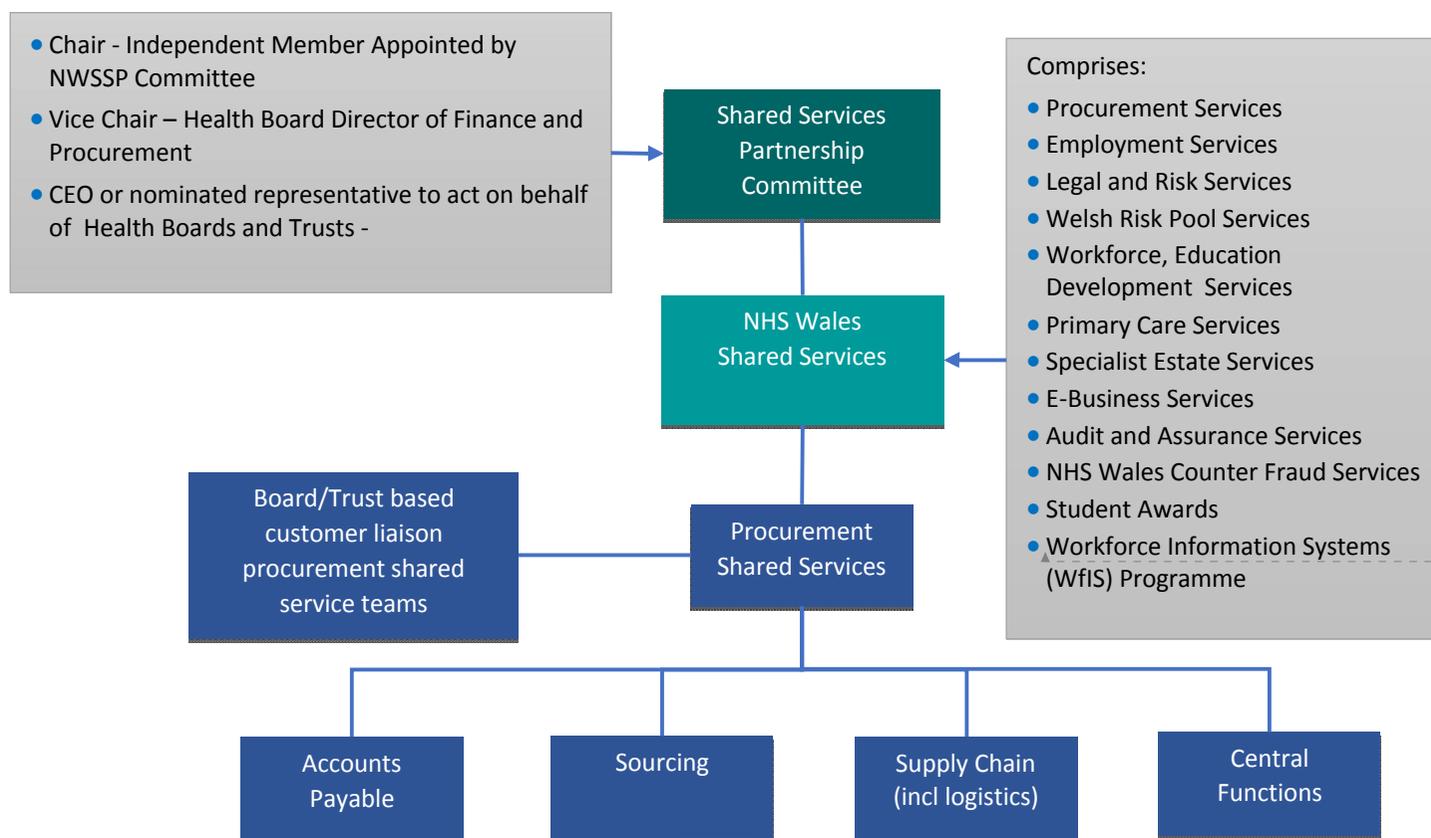
- Use of a questionnaire to gauge procurement staff views of current practice in relation to the Welsh Government Procurement Maturity Model.
- Tailoring of the questionnaire to maximise relevance to each sector reviewed.
- Completion of the questionnaire on line by a representative cross section of staff involved in procurement activity.
- Mapping of the responses to the Maturity Model to gauge the perceived position of the organisation in relation to the standards set by the model.
- Validation of the responses by reference to documented procedures, illustrative case studies and dialogue with the Director of Procurement Shared Services.
- Interviews to gauge stakeholder and customer perception of procurement capability.
- Assessment and agreement of organisation position in relation to the Maturity Model taking account of findings from the questionnaire, validation process and interviews.
- Formulate a recommended action plan to help the reviewed organisation move from its current position to an agreed target position appropriate to its needs.
- Draft, agree and publish final report for distribution to the reviewed organisation and Welsh Government.

The tailored questionnaire opened on line on 14 April and was completed by fifty Procurement Shared Service staff. Respondents of varying seniority were drawn from a variety of roles and locations to provide a representative view of the 468 strong procurement shared service function.

Stakeholders were drawn from the Shared Services Partnership Committee, the shared services management team and individual health boards. The five stakeholders interviewed provided a strategic view of the future development of the shared service function and a customer view of the service currently provided. The Director of Procurement Shared Services provided insight of the long and short term issues to be managed in the delivery of the service.

### 4 Procurement Shared Service Governance, Organisation Structure and Role

Procurement is one of twelve main service areas provided to Health Boards and Trusts by NHS Wales Shared Services Partnership. Policy and strategy are set by NHS Wales Shared Services Partnership Committee which also has oversight of the service provided to Boards and Trusts.



Accountability for the development, operational management and performance of the shared services is delegated to the Managing Director NHS Wales Shared Services. The Director of Procurement Services is one of 9 senior managers reporting to the Managing Director who together comprise the shared services management team.

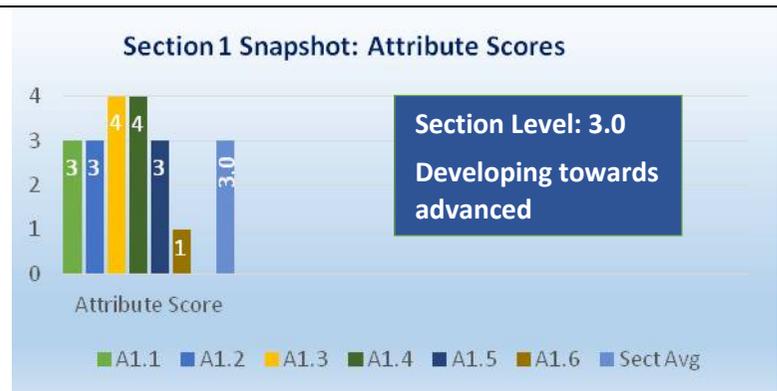
The procurement shared service (PSS) is responsible for most procurement activity across Health Boards and Trusts and employs about 468 staff. The service puts in place contractual arrangements on behalf of Boards and Trusts and also provides access to similar arrangements established by the Welsh National Procurement Service and the wider NHS. Contracts cover a wide range of commonly used goods and services including pharmaceuticals, medical consumables, utilities and food and also capital equipment.

PSS is responsible for the management of supply logistics across the Welsh NHS and operates 3 regional stores plus inventory sites at Cardiff and Vale and Hywel Dda Health Boards. It is also responsible for processing of payment to suppliers.

## 5. FINDINGS AND RECOMMENDATIONS

**PROCUREMENT LEADERSHIP AND GOVERNANCE: SECTION 1**

Is there active and visible senior level direction and support for procurement activities within the organisation; as well as controls and measures in place to monitor performance and compliance when executing commercial dealings?



**Recommendations**

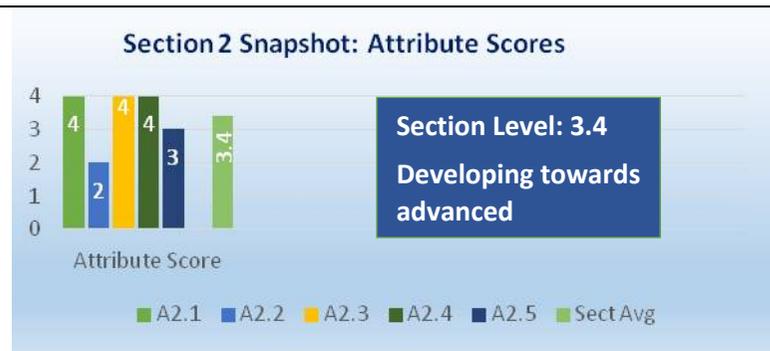
- Review PSS involvement in new construction procurement to identify areas where enhanced engagement is likely to be beneficial to Boards and Trusts.
- Review the PSS role and remit to ensure that the initial definition of procurement need (what is to be procured) benefits from a full understanding of supplier/market capability in order to influence Health Board/Trust demand and minimise the risk of inadvertently ruling out beneficial procurement options.
- Trial use of process and practice improvement reviews by internal audit as part of the annual audit programme.
- Review the potential for greater use of community benefit contract clauses in relation to each category of spend and report progress and outcomes achieved routinely to the SSPC and PSS staff.

Sect	Maturity Model Attribute	Score	Summary of Findings
1.1	Does the organisation provide clear leadership of the procurement activity, in line with the Wales Procurement Policy Statement?	3	Director of PSS (DoPSS) is a member of the NHS Wales Shared Services (NWSS) management team and is responsible for providing procurement services to all Welsh health boards and trusts, a responsibility recognised by 98% of procurement staff. For pharmaceutical procurement, PSS is responsible for establishing contracts/frameworks with individual purchases authorised by nominated pharmacists. PSS has no involvement in new construction procurement which is the responsibility of the Facilities Services arm of NWSS.
1.2	Is the procurement function responsible for the effectiveness and quality of sourcing activity across the organisation?	3	Excluding new construction, PSS leads all sourcing activity across boards and trusts. As a service provider, make or buy decisions, identification of need and outsourcing of services are considered to be outside the PSS remit. 41% of procurement staff do not believe that PSS is responsible for all spend with suppliers.
1.3	Does the procurement function effectively manage relationships with internal stakeholders?	4	PSS works closely and effectively with stakeholders in Boards and Trusts through locally based and professionally qualified liaison teams. Stakeholders are often customers and have oversight of PSS through the Shared Services Partnership Committee (SSPC). Formal stakeholder engagement plans are used by 88% of procurement staff. Some stakeholders expressed strong support for the work of the local teams but also expressed concern that further centralisation may erode their role thereby undermining responsiveness of the procurement service and essential engagement with clinicians.
1.4	How clear is the process of delegation and authority for	4	95% of procurement staff believe that governance structures and roles and responsibilities are clearly defined, understood and adopted. Delegated authorities are embedded within the

	procurement?		finance system.
1.5	Does internal audit provide assurance that the organisations internal control systems for procurement are adequate and effective?	3	There is a comprehensive audit plan focussed on compliance with documented process and risk management rather than process and practice improvement. 95% of staff are aware of the annual audit plan.
1.6	Is the delivery of added value through the application of the Community Benefits policy and appropriate use of the Community Benefits approach an integral consideration in all procurement expenditure, supported by clear organisational leadership on Community Benefits?	1	Community benefits policy and guidance is referenced in PSS policy, strategy and process documentation and there are examples of beneficial application. However, 39% of procurement staff do not believe that all procurements include proportionate consideration of community benefits. Community benefits do not appear to feature strongly in performance reports to the SSPC. We understand that scope to achieve community benefits is limited in relation to the bulk of NHS expenditure with suppliers.

**PROCUREMENT STRATEGY AND OBJECTIVES: SECTION 2**

Is there a clearly defined, communicated and understood plan of action designed to achieve the organisation’s procurement goals, which aligns with the broader strategic objectives of the organisation?



**Recommendations**

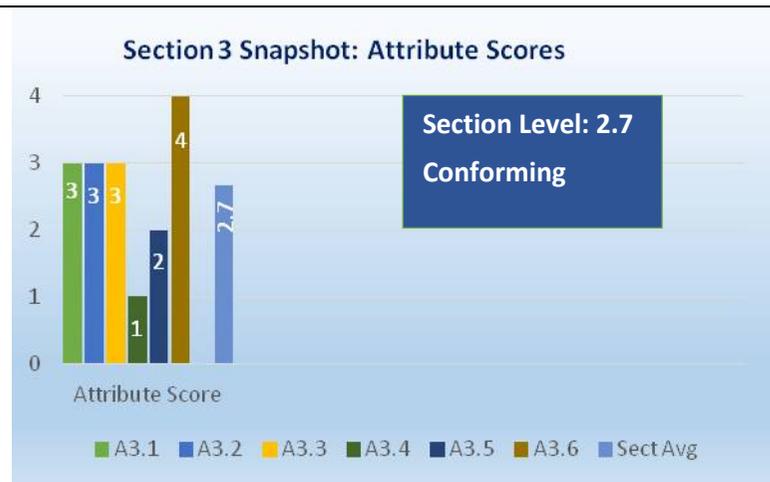
- Review the PSS role and remit in relation to efficiency and effectiveness of service delivery to identify areas where enhanced engagement is likely to be beneficial and would sustain benefit delivery beyond the initial period of consolidation of demand across Boards/Trusts. The review should address the potential for PSS to act as an agent of change, particularly in relation to decisions about what is to be procured (the procurement need), and, if beneficial, how this could be encouraged and supported by the SSPC.
- Explore the potential for further mutually beneficial collaboration with other public, private and third sector organisations.

Sect	Maturity Model Attribute	Score	Summary of Findings
2.1	How developed is the organisation’s procurement strategy?	4	PSS strategic plan covers the period 2011-14, is fully aligned with the development of the wider shared service function and supported by the SSPC. 95% of procurement staff believe PSS strategy is consistent with the values and goals of Boards/Trusts. The strategic plan incorporates the Wales Procurement Policy Statement.
2.2	Is there a clear process for procurement involvement in strategic reviews of service provision?	2	83% of procurement staff believe that PSS is involved in service provision reviews but only 66% believe there is a documented process for the conduct of such reviews. There are good examples of such involvement pursued on a largely ad hoc basis but not supported by documented process or governance. Stakeholders highlighted invest to save opportunities which are difficult to implement but where PSS could add value as an agent of change. The example quoted was more extensive use of key hole surgery where reduced bed occupancy would outweigh higher operating costs but where change would create budgetary and demand management issues/barriers.
2.3	How well is the procurement strategy supported by senior management within the organisation?	4	PSS is strongly supported via the SSPC which receives regular performance and capability development reports from PSS and the wider shared services function. 90% of procurement staff believe that application of the procurement strategy is visible in leadership decisions and actions.
2.4	Has the Procurement Department developed and acted on an improvement plan for the organisation?	4	Planned improvements are set out in the 3 year strategic plan and the procurement process is subject to long term continuous improvement through the accredited quality management system. Delivery of targeted and ad hoc improvement is reported regularly to the SSPC. However, only 68% of procurement staff and 70% of all PSS staff believe that stakeholders are

			formally engaged in review and development of planned improvements and 27% of procurement staff would like training in this area.
2.5	What level of external collaboration exists to identify and adopt good procurement practice and Welsh Government procurement policies?	3	PSS collaborates with Value Wales, NPS and relevant NHS organisations across the UK and makes use of contracts and frameworks established by these organisations when beneficial. PSS also gives access to collaborative contracts and provides some logistics services to Ty Hafen Hospice and St John Ambulance Service. 93% of procurement staff believe they share lessons learnt with colleagues and others but only 68% believe there is a process to facilitate such collaboration. The DoPSS is involved in the procurement best practice academy at the University of South Wales but there does not appear to be proactive engagement in facilitating and promoting improved procurement performance across other organisations.

**DEFINING THE SUPPLY NEED: SECTION 3**

Is there early and ongoing engagement with internal stakeholders to understand their requirements in order to achieve the most efficient and effective commercial outcomes and satisfaction of user demand?



**Recommendations**

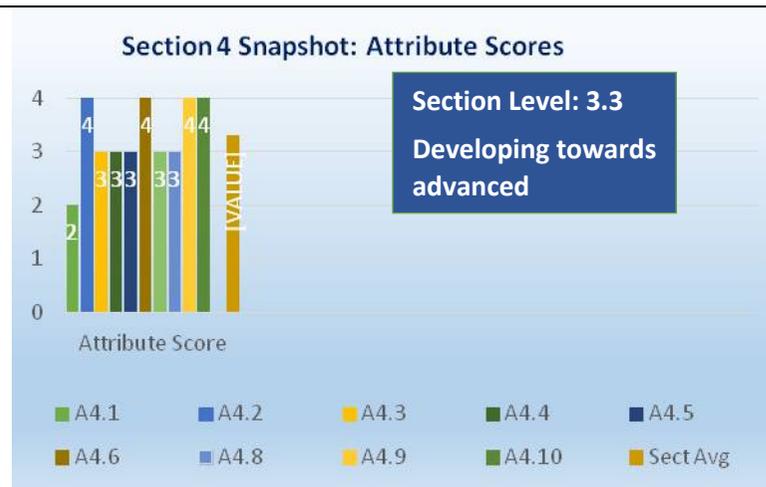
- Review the PSS role and remit to ensure that the initial definition of procurement need (what is to be procured) benefits from a full understanding of supplier/market capability in order to influence health board/trust demand and minimise the risk of inadvertently ruling out beneficial procurement options.
- Enhance process documentation to include guidance on how to use the full range of analytical techniques to optimise sourcing strategy and specifications for each category of spend, including market and supply chain analysis, cost of supply, risk and sustainability in particular.
- Review the PSS role and remit in relation to efficiency and effectiveness of service delivery to identify areas where enhanced engagement is likely to be beneficial and would sustain benefit delivery beyond the initial period of consolidation of demand across Boards/Trusts. The review should address the potential for PSS to act as an agent of change, particularly in relation to decisions about what is to be procured (the procurement need) and, if beneficial, how this could be encouraged and supported by the SSPC.

Sect	Maturity Model Attribute	Score	Summary of Findings
3.1	Are specifications for the procurement of goods and services designed to maximise value for the organisation and its customers?	3	98% of procurement staff believe they can demonstrate maximised value for the contracts they are responsible for and only 5% would welcome related training. PSS uses a mix of output and input specifications and there are examples of well executed high profile contracts. However, documented process does not provide comprehensive guidance on how to use the full range of analytical techniques to conduct research to optimise sourcing strategy and specifications for each category of spend.
3.2	How early and to what extent is the procurement function involved with internal customer teams in the early planning, service design and decision making to support delivery of over-arching objectives?	3	24% of procurement staff do not believe that PSS is involved from the outset of business planning to drive demand and only 61% believe PSS involvement is mandatory in all sourcing activity. Stakeholder feedback suggests that in most cases PSS has very early involvement through the Trust/Board based teams, a perception supported by documented processes but this does not extend to make/buy decisions or fundamental choices about what is to be sourced.
3.3	To what extent is the development and management of category strategies and the rationalisation of goods, works and services based on reliable and robust information?	3	The Government National Supplier Vocabulary (nsv) codes are used to classify expenditure at line item detail within the finance system and coding is linked to category groups. The system is capable of providing detailed management information and 76% of procurement staff believe category strategies are updated periodically using internal and external data.

3.4	Is there effective Demand Management early in the procurement process?	1	Comprehensive consumption data is available from a variety of sources including the finance system which addresses the purchase to pay process and stores inventory management. 90% of procurement staff believe they consider how to manage demand during the procurement process but 24% would welcome further training. Documented process has little to say about how to assess and manage demand. PSS seems to be configured to identify and satisfy demand with very little emphasis placed on shaping and control of demand based on an understanding of external market capability.
3.5	To what extent is detailed supply market analysis and stakeholder feedback used to drive strategy development?	2	Documented process does not provide comprehensive guidance on how to use the full range of analytical techniques to conduct research, particularly market research and cost analysis, in order to optimise sourcing strategy for each category of spend. 98% of procurement staff gather relevant information from stakeholders with 90% believing that stakeholder feedback informs their approach to procurement. Stakeholders highlighted supply rationalisation opportunities that had been promoted by PSS but which require action at the NHS Wales level in order to be progressed. Stakeholders also highlighted invest to save opportunities which are difficult to implement but where PSS could add value as an agent of change. The example quoted was more extensive use of key hole surgery where reduced bed occupancy would outweigh higher operating costs but where change would create budgetary and demand management issues/barriers.
3.6	Are mechanisms in place to encourage new suppliers, make contracts open and accessible, make it easier for suppliers to bid whilst ensuring a transparent and proportionate approach?	4	Contracts are advertised openly in line with Welsh Government policy using Sell2Wales and other relevant portals and journals. PSS engages with the market and has a good knowledge of leading suppliers and their capability. 90% of staff believe they go to the market to seek advice on how best to undertake specific procurements.

**CATEGORY/PROJECT STRATEGIES & COLLABORATIVE PROCUREMENT: SECTION 4**

Is the procurement team driving strategic sourcing decisions through category management; utilising forecasting and planning processes, formal selection, performance management and alignment to overall strategic objectives to drive commercial outcomes for the Welsh Government?



**Recommendations**

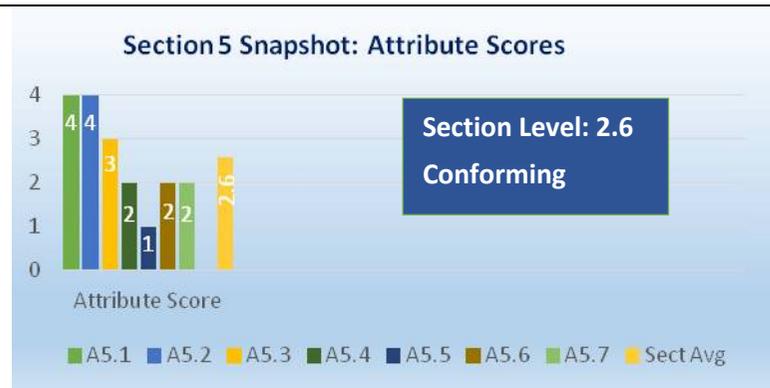
- Raise procurement staff awareness of the Value Wales Procurement Route Planner (PRP).
- Review the means of communicating PSS plans, performance and achievements in order to ensure an accurate and consistent view across PSS staff and customers.
- Review documented process and guidance relevant to the use of the category management approach to procurement to ensure consistent application across all categories under PSS management taking the PRP into account.
- Enhance process documentation to include guidance on how to use the full range of analytical techniques to optimise sourcing strategy and specifications for each category of spend, including market and supply chain analysis, cost of supply, risk and sustainability in particular.
- Ensure that post procurement reviews address a comparison of forecast and actual outcomes in addition to lessons learnt from conducting the procurement process
- Explore the potential for further mutually beneficial collaboration with other public, private and third sector organisations.

Sect	Maturity Model Attribute	Score	Summary of Findings
4.1	Are category strategies and business cases for local contracts, and mini-competitions for national or sector contracts developed in line with good practice in the Procurement Route Planner?	2	49% of staff believe they could show that category strategies are developed in line with the Procurement Route Planner (PRP) whilst 85% believe that category strategies exist and address both short and long term perspectives. The PRP is referenced in PSS documented and ISO 9000 accredited processes but these are targeted at discrete aspects of the procurement process and do not provide a comprehensive and structured approach to the creation and updating of category strategies.
4.2	To what extent are the requirements developed as part of a cross functional team when demand crosses departmental boundaries?	4	90% of procurement staff believe that there is collaboration across Boards/Trusts to combine spend and/or requirements on some categories but only 66% believe this extends to all categories. Stakeholder feedback suggests there is close collaboration and use of multi functional teams, a view supported by documented process.
4.3	How much of the overall influenceable spend is covered by signed-off commodity / project strategies?	3	59% of procurement staff believe that category strategies exist for all spend under procurement management with 17% believing this not to be the case. 44% of procurement staff do not believe that category strategies are mandatory but we understand that more than 90% of influenceable spend is through PSS contracts and frameworks.

4.4	How does the organisation take account of sustainability, economic, social and environmental impacts in its procurement activity?	3	Use of Welsh Government sustainable procurement tools is addressed by PSS process documentation and 95% of procurement staff believe they could demonstrate consideration of sustainability impacts for their contracts. We understand the SRA is used extensively and related provisions are included in contracts where appropriate although this does not have a significant impact on most contracts. Tender examples provided do not make significant provision for sustainability and the examples of performance reports provided prioritise savings heavily.
4.5	How does the organisation manage and mitigate risk during the sourcing process?	3	A fraud team has been established and the requirement to conduct risk assessments is addressed by process documentation and business plans. Outside the SQuID and SRA tools, there is little guidance on how to conduct risk assessments, particularly market and supply chain related risk assessment. However, 88% of procurement staff believe they manage risk pre and post contract award.
4.6	How are suppliers selected within the organisation?	4	Only 2% of procurement staff would welcome training in this area and over 90% believe that PSS operates proportionate selection processes which address supply risk, sustainability and the burden imposed on suppliers. SQuID approach is embedded in process documentation.
4.7	Do post procurement reviews take place to identify lessons to be learned from the process and to determine whether planned benefits and Value for Money were achieved?	3	Post procurement reviews are addressed by documented processes and 93% of procurement staff confirm that these are undertaken. Reviews for all procurement focus on lessons learnt from conducting the procurement process rather than a comparison of forecast and actual outcomes.
4.8	How is the organisation identifying appropriate opportunities for increasing its sectoral and regional collaborative procurement with other public bodies?	3	Facilitation of collaboration across Boards and Trusts is a very substantial part of the PSS remit and 93% of staff confirm that initiatives are in place to foster such collaboration and knowledge sharing. Outside the health sector, PSS is beginning to work with NPS on commonly bought goods and services but engagement with other parts of the Welsh public sector is limited.
4.9	Is the organisation working with sectoral consortia and/or Value Wales on collaborative procurement?	4	PSS is, effectively, a health procurement and logistics consortium with a very close relationship with Boards/Trusts. Historically, it has worked closely with Value Wales and is also now building links with NPS.
4.10	Appropriate evaluation criteria used during procurement exercises?	4	98% of staff confirm that standard evaluation criteria are amended to suit individual sourcing requirements and only 2% would welcome training in this area. Appropriate application and thorough assessment is evident in the evaluation and selection report for the Mental Health & LD Services from Independent & non NHS Wales Hospital contract which was provided as an example of current practice. Documented process covers supplier selection and contract award.

**CONTRACT AND SUPPLIER MANAGEMENT: SECTION 5**

Does the organisation seek to drive good commercial outcomes through formalised contracts and seek to collaboratively work with suppliers to manage contract performance, end-user requirements and ongoing relationships?



**Recommendations**

- Enhance process documentation to include guidance on how to use the full range of analytical techniques to optimise sourcing strategy and specifications for each category of spend, including market and supply chain analysis, cost of supply, risk and sustainability in particular, and guide subsequent contract management.
- Develop a process and supporting systems to encourage, facilitate and record dialogue with suppliers in order to support continuous improvement of PSS and supplier capability. The process should address the use of supplier relationship management plans and circumstances when they are likely to be beneficial.
- Explore the costs and benefits of further integration of 'all Wales' e-procurement systems and the ORACLE finance system and adopt if cost beneficial.

Sect	Maturity Model Attribute	Score	Summary of Findings
5.1	How does the organisation ensure that its influenceable spend is on contract?	4	95% of procurement staff confirm that a technology enabled solution is in place to manage supplier contracts and 90% confirm that data can be accessed easily, quickly and efficiently. Where feasible, electronic catalogues are used within the finance system to enable purchasing of specified products at tendered prices.
5.2	Does the organisation have a clear understanding of its contract coverage?	4	93% of procurement staff confirm that all contracts are stored centrally and electronically and only 5% would welcome training in the use of the system to access contract data. We understand that more than 90% of influenceable spend is through PSS contracts and frameworks. Currently, contract data is transferred manually from the 'all Wales' Bravo Solutions e-tender system to the 'ORACLE' finance system.
5.3	How are contracts and suppliers managed across the organisation?	3	Contracts and projected benefits are monitored routinely and systems are in place to allow contract users to provide feedback on performance and raise complaints and commendations. Evolving best practice is shared but relationship management plans based on mutually agreed targets and generic performance standards are not used. 90% of procurement staff confirm that a formal contract management policy and process is in place; 98% confirm that all contracts have a designated contract manager but only 63% believe that contract management and other procurement management information is integrated within a common IT application.
5.4	Does the organisation manage supply risk during the life of the contract?	2	51% of procurement staff believe that all risks in relation to major suppliers are assessed routinely and 20% would like further training in this area. Documented guidance is relatively

			light on risk assessment and does not explain how to undertake risk assessment. We have no evidence of segmentation/ranking of suppliers to help identify proportionate risk management measures and we understand that risk reviews are not done formally. However, we understand that there are very few instances of supplier failure and that supply risk is considered to be well managed via multi supplier frameworks.
5.5	Do suppliers have an opportunity to provide structured feedback to the organisation during the life of the contract?	1	Supplier feedback is not addressed by documented process although 71% of procurement staff believe that a mechanism is in place and that action is taken to address feedback received. However, only 54% of staff believe that suppliers would say that PSS takes account of their feedback.
5.6	How are supplier and organisational processes developed during the life of the contract?	2	No formal development mechanism in place but we understand that processes are reviewed and developed where the need becomes evident through contract review meetings, a position confirmed by 95% of procurement staff. There is no supplier development programme or investment in supplier capability although 71% of staff confirm that a requirement for continuous improvement is addressed by documented process.
5.7	Is supplier engagement used to inform procurement approaches, to develop the supply base and to deliver optimum value for money?	2	93% of procurement staff believe that ways of improving procurement outcomes are discussed with suppliers and 73% of staff believe that supplier views are used to improve category strategies and contract outcomes. However, supplier feedback is not addressed by documented process.

**KEY PURCHASING PROCESSES AND SYSTEMS: SECTION 6**

Does the organisation have efficient and robust business processes and systems to support advanced procurement activity?



**Recommendations**

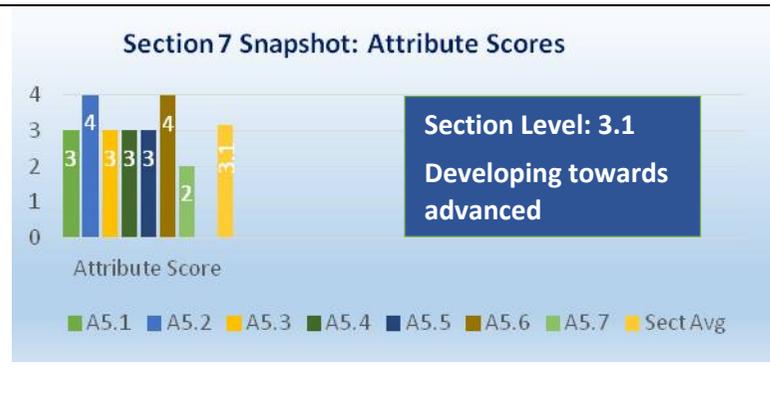
- Explore the costs and benefits of further integration of ‘all Wales’ e-procurement systems and the ORACLE finance system and adopt if cost beneficial.
- Consider ways of improving the receipt and payment process to achieve a first time match rate of over 90% and associated level of automated payment without compromising reliability and responsiveness of supply to customers and Board/Trust cash flow.
- Assess the costs and benefits of early payment discounts and adopt if cost beneficial.
- Extend the quality management process to cover systematic monitoring of supply chain performance and risk where necessary and/or cost beneficial. Issues to be considered include, for example, risk, cost of supply, legal obligations, payment performance and sustainability.

Sect	Maturity Model Attribute	Score	Summary of Findings
6.1	Are suitable e- procurement technology-based tools in place and used?	3	E-procurement tools are used for sourcing, trading and payments, a position confirmed by about 90% of all PSS staff. There is a high but incomplete degree of integration between systems and all of accounts payable staff confirm that invoice exceptions are dealt with manually.
6.2	How effective is the process for receipting goods, services and works in order to authorise payment? Operation of a 2 way or 3 way match process	1	We understand that the ORACLE finance system is capable of delivering a first time match rate of 100% on a 3 way match enabling automated payment. In practice, however, we understand that the match rate is less than 50% on a 2 way match due mostly to failure of staff in Health Boards/Trusts using goods and services to record receipt within the ORACLE system.
6.3	What is the organisation's performance in terms of payments made to suppliers?	2	All accounts payable staff confirm that more than 90% of invoices are paid on time but more than half of procurement staff are unaware of payment performance and 32% would welcome training in this area. Payment performance throughout the supply chain is not monitored, early payment discounts are not used and the payment process often requires manual intervention.
6.4	How established is quality assurance in the procurement process for goods and services?	3	PSS operates an accredited procurement quality management system which covers all PSS activity. We were provided with an analysis of a sample of meat to illustrate critical product testing but we could not find documented ISO 9000 processes covering a systematic approach to supply chain monitoring to minimise the risk of the end of line sample failing a test e.g. monitoring to give assurance that meat has been kept at the right temperature throughout the supply chain or that contamination with other product could not occur at relevant points in the chain. In the case of food, a specialist supplier, STS Ltd, is contracted to conduct audits of food suppliers, but internal NHS procurement process does not address this issue generically for either the food supply chain or other chains with a similar risk profile. 88% of all PSS staff

			confirm use of the documented quality management system with 10% seeking training in this area.
6.5	How does the organisation ensure that products and services are correctly and consistently financially coded, that prices are correct and updated in a timely manner and that this information is available in the general ledger/finance system?	4	We understand that drop down menus within the ORACLE finance system are used in conjunction with catalogues established through framework agreements to ensure correct coding and prices for catalogue items. We understand that over 90% of influenceable spend is via contracts and frameworks established by or with the close support of PSS.
6.6	Has the organisation assessed its procurement process automation and information requirements and implemented a strategy to meet them?	3	We understand that procurement, finance and stock control is done through the ORACLE finance system with only the transfer of contract data from the 'all Wales' Bravo Solutions e-tender system and the invoice to payment process not being fully electronic. However, 100% of accounts payable staff and 83% of procurement staff believe that the finance and procurement systems are fully integrated.

**PEOPLE: SECTION 7**

Does the organisation have efficient and robust business processes and systems to support advanced procurement activity?



**Recommendations**

- Consider enhancing the staff appraisal process to address succession planning, development of a skills matrix linking roles to skills and training/development solutions and measurement of the effectiveness of the competency framework in supporting development of PSS procurement capability.
- Review the need for training to ensure compliance with procurement process across the organisation on a need to know basis.
- Ensure that evidence of application of key Welsh Government procurement policies is recorded in personal appraisal reports and PSS performance reports, the information is used to guide improvement and that anonymised summary information is shared with Welsh Government.

Sect	Maturity Model Attribute	Score	Summary of Findings
7.1	How proactive is the Organisation in terms of planning future procurement resources?	3	PSS is considered to be a procurement centre of excellence by Boards/Trusts and leads cross functional teams where appropriate. A formal staff appraisal process is in place which identifies personal development needs in relation to the needs of the organisation. Skill gaps are addressed when they arise or when predicted. There is no evidence of a formal approach to succession planning and 58% of all PSS staff are not aware of a succession plan for PSS.
7.2	Do Procurement Professionals contribute to initiatives to improve procurement efficiency and effectiveness?	4	Procurement professionals are engaged in and instigate efficiency initiatives, a position confirmed by 80% of all PSS staff. Opportunities for further and more proactive engagement were highlighted by some stakeholders as set out in sections 2.2 and 3.5.
7.3	Do people involved in procurement have their competency levels assessed using the Welsh Procurement Competency Framework?	3	Competency levels are assessed through the corporate appraisal process against the NHS competency framework and this is used to identify development needs. We are not aware of any mechanism to measure the effectiveness of the competency framework in supporting development of PSS procurement capability.
7.4	How well established are the training and development support structures for staff involved in procurement. Is there a designated budget for procurement training which is proportionately equivalent to the training budget allowed for other specialist areas?	3	We understand that there is a specific budget for procurement training which is consistent with other training budgets. PSS provides training to satisfy internal and professional development needs and to ensure that staff are aware of relevant Welsh Government policies and guidance. We are not aware of a skills matrix formally linking roles to skills and training/development solutions. 80% of procurement staff are aware of the Value Wales short course training programme and 46% have benefitted from it.
7.5	Is there a process in place for ensuring that non-procurement staff who have authority to procure have	3	We understand that, excluding new construction and the administrative tasks involved in buying off frameworks and contracts, all procurement activity is led and conducted by PSS procurement

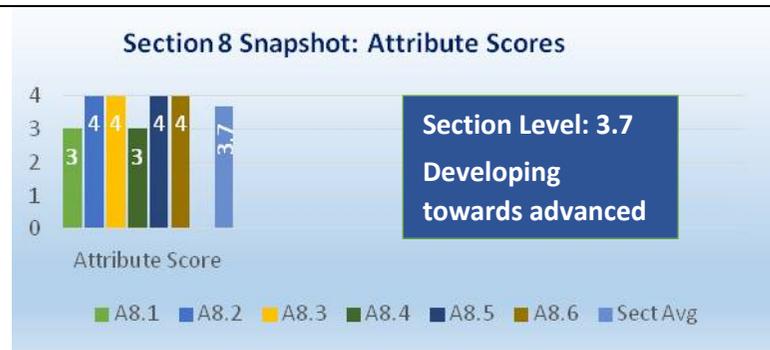
	the appropriate competency levels?		staff. All new procurement staff have procurement induction training and only trained staff have procurement authority and access to systems. However, only 49% of procurement staff believe that procurement training is included in compliance training across the organisation.
7.6	How proficient with Public Sector Procurement Legislation are the Procurement Professionals and Officers within the organisation including those with delegated purchasing authority?	4	All procurement staff are aware of public procurement legislation; 93% believe they could demonstrate compliance with legislation and 7% would welcome training in this area. Documented process addresses the principal requirements of legislation and legal advice is available from within PSS.
7.7	How proficient with Welsh Government policies on SME access, Community Benefits, Collaboration and electronic trading are the Procurement Professionals and Officers within the organisation including those with delegated purchasing authority?	2	98% of procurement staff are aware of Welsh Government SME access policy; 78% believe they could demonstrate application and 15% would welcome training in this area. Welsh Government policies and guidance are referenced in documented process but application does not appear to be monitored and recorded systematically.

**PERFORMANCE MANAGEMENT: SECTION 8**

Performance management pertains to the Procurement function and to suppliers.

Are formal metrics in place and are they regularly reviewed, to measure procurement performance and is there a formal process for sharing information with key internal stakeholders, demonstrating value to the organisation?

Are formal metrics in place and are they regularly reviewed, to measure supplier performance and is there a formal process for discussing these metrics with suppliers and key internal stakeholders, demonstrating value to the organisation and continuous improvement?



**Recommendations**

- Consider extension of the existing price benchmark process to encompass comparison of all aspects of measured performance with other comparable organisations.
- Develop a process and supporting systems to encourage, facilitate and record dialogue with suppliers in order to support continuous improvement of PSS and supplier capability. The process should address the use of supplier relationship management plans and circumstances when they are likely to be beneficial.
- Review the means of communicating PSS plans, performance and achievements in order to ensure an accurate and consistent view across PSS staff and customers.

Sect	Maturity Model Attribute	Score	Summary of Findings
8.1	How well embedded are the KPIs?	3	98% of PSS staff confirm use of KPIs to demonstrate performance. PSS maintains a balanced scorecard and SSPC receives regular reports on performance against the scorecard and prominent current issues. We are not aware of any systematic benchmarking of PSS performance against other comparable organisations.
8.2	Do Procurement Officers and relevant managers get appropriate, timely and accurate influenceable spend information?	4	We understand that the ORACLE finance system can provide comprehensive information about influenceable spend. 85% of procurement staff confirm that PSS routinely monitors benefits delivered across all influenceable spend.
8.3	Do all appropriate stakeholders receive, and act on, relevant procurement reports?	4	Boards/Trusts are represented on the SSPC which has oversight of PSS and receives regular performance reports but this performance information does not appear to be shared more widely with customers. Board/Trust based procurement teams maintain local links with stakeholders and customers, a service strongly supported by some stakeholders. There was concern, however, that further centralisation may erode the role of local teams thereby undermining responsiveness of the procurement service and essential engagement with clinicians.
8.4	Is influenceable spend monitored to ensure that it realises its anticipated benefits and savings against	3	Benefits and savings are defined at contract and framework level and aggregated to provide forecast annual benefits which appear to be delivered consistently. We are not aware of a

	targets?		differentiated approach for the management of key suppliers. Stakeholders are complimentary about procurement performance and acknowledge the savings achieved through consolidation of Board/Trust expenditure via frameworks. Some concern was expressed about recent increases in the 'spend to savings ratio' but there was also recognition that there was scope to increase the degree of PSS influence over non pay spend but that this requires action at NHS Wales level.
8.5	How does procurement use customer feedback to improve its performance?	4	98% of procurement staff believe there is a formal mechanism for gathering stakeholder and supplier feedback which is used to improve performance with 90% believing that improvements are communicated back to customers. The Welsh Government SRA templates are used to assess sustainability risk and measured performance is linked to continuous improvement initiatives. Customers, however, do not appear to believe that procurement performance is measured at directorate/functional level saying they had no knowledge of PSS publishing management information on their performance/contribution at a directorate/functional level.
8.6	Does the organisation contribute to analysis of trends in Welsh procurement by supplying relevant information?	4	76% of procurement staff confirm that they have supplied the majority of information/data requested to Value Wales. The DoPSS confirms that PSS has provided all data requested and that data is available to other Welsh public sector organisations for benchmark purposes but is rarely requested.

## **6 Summary of Training Need**

NHS Wales Procurement Fitness Check 2014

Training Need	Maturity Model Section No	% all respondents with training need	% staff (excl accounts payable & supply chain) with training need
VW Procurement Policy	1.1	16%	15%
Internal relationships/stakeholders	1.3	12%	12%
Scheme of delegation	1.4	12%	12%
Controls and regulations	1.5	26%	29%
Controls and regulations	1.5	14%	17%
Community benefits policy	1.6	28%	27%
Procurement shared services strategy & objectives	2.1	0%	0%
Procurement shared services improvement plan and governance model	2.4	24%	27%
Obtaining best value for money	3.1	4%	5%
Working in cross functional teams	3.2	4%	5%
Category strategy	3.3	10%	10%
Demand management	3.4	18%	17%
Demand management	3.4	22%	24%
Category strategy	4.1	10%	10%
Sustainable procurement	4.4	10%	10%
Risk management re suppliers	4.5	18%	15%
Supplier selection process	4.6	4%	5%
Supplier selection process	4.6	2%	2%
Evaluation criteria	4.1	4%	2%
Evaluation criteria	4.1	4%	2%
Data analysis	5.1	2%	0%
Contract management	5.3	6%	7%
Data analysis	5.2	4%	5%
Supplier risk assessment	5.4	18%	20%
Supplier risk assessment	5.4	18%	20%
E-procurement tools	6.1	4%	2%
Purchase to pay process	6.3	28%	32%
Quality management	6.4	10%	10%
Purchase to pay process	6.5	12%	10%
No formal procurement training since commencing current role	7.4	12%	7%
No formal procurement training in the last 12 months	7.4	12%	7%
EU procurement legislation	7.6	10%	7%
SME access policy	7.7	16%	15%
Performance management	8.1	4%	5%