



NHS supply chains in a disrupted world

Foreword



The NHS supply chain is a complex machine indispensable to the delivery of patient care. With a clinical consumables bill that alone surpasses the budget of several government departments, it is vitally important that the system is able to meet the challenges of an increasingly disrupted world.

As a longstanding NHS partner, Ligentia is well placed to examine and reflect on these challenges. As one of the UK's leading logistics businesses, we have harnessed artificial intelligence and machine learning to help deliver vital supplies to frontline NHS services. During the pandemic alone, we chartered planes and ships to help deliver 400,000 items of PPE at the height of global shortages.

The pandemic revealed just how crucial adaptable and resilient supply chains are to ensure the continued delivery of critical goods for society. Across the globe, governments raced to access finite supplies, which drove up prices and, in some cases, led to the delivery of substandard goods. Policymakers will understandably never want to find themselves so exposed again.

Even recently, supply chain difficulties have continued to cause shortages of goods that we previously took for granted — from staple foods to test tubes. But as the country recovers, it will be crucial to make sure that current problems are resolved and that vital goods and industries are insulated as far as possible from future shocks.

This report — which draws on interviews with procurement leads from across England — looks to set out the challenges facing the profession and the health systems they work to support. The report reflects on the structural changes seen in NHS procurement and supply chain management over the past decade, and sets out how the profession can continue its vital work to keep the health system fully operating.

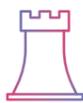
I am immensely grateful to the NHS staff, procurement specialists and national experts who gave their time to help with our drafting. This report is just part of our commitment to understanding the challenges facing the NHS, and supporting staff in delivering vital services.

DAN GILL,
Chief Customer Officer



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Key findings



NHS procurement should be seen as a strategic, not merely operational, function. NHS procurement professionals are facing a perfect storm of pressures. External pressures from supply chain disruption, inflation and energy prices, combined with renewed internal cost-cutting pressures, have emphasised the need for a more strategic approach to procurement and supply chains.



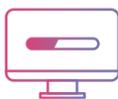
Some trusts are facing procurement staff shortages due to a spike in demand across industries post-pandemic. A long-standing perceived lack of appreciation for the role and importance of NHS procurement professionals and the procurement function by senior leaders has contributed to low morale and difficulty in recruitment.



Integrated Care Systems offer an opportunity to embed procurement in high-level decision-making. NHS procurement professionals feel distant from NHS England, which largely reflects the absence of senior procurement managers in high-level NHS discussions. Thus, ensuring procurement is routinely embedded in decision-making forums would make planning and delivery more coherent.



NHS procurement professionals want more operational support to deliver NHS strategies. There is a perception that NHS strategy can overlook the critical role of procurement teams, both in terms of delivering on targets and ensuring sufficient resource and investment.



There is a widespread view among procurement professionals that technology systems need updating. Some NHS systems are 20 years old, but NHS procurement professionals believe there has been a lack of prioritisation of upgrading technology, which could drive cost-saving and improve efficiency. Some hoped a less bureaucratic approach taken during the pandemic would be carried forward.





The supply chain and procurement challenges facing the NHS

AN NHS UNDER PRESSURE

Covering everything from the most advanced medicines and medical devices through to swabs, scissors and scalpels, the NHS supply chain is a complex machine indispensable to the delivery of patient care. The system itself has seen significant change over the past decade, in part driven by government reform and legislation, but equally from technological advances and, most recently, the impact of the Covid-19 pandemic.

The NHS faces a decade of acute uncertainty and challenge. Systemic workforce and capacity challenges, coupled with constrained funding, will continue to fuel calls for reform across the breadth of the service. Equally, the NHS as an organisation stands exposed to economic shocks (most notably inflationary pressures) and geopolitical uncertainty, cast in stark relief by Russia's invasion of Ukraine.

Change is also being driven by government policy. After nearly 30 years, the NHS's internal market – based on the purchaser-provider split – is being largely dismantled, making way for a new ethos of collaboration and shared decision making. For those involved in purchasing NHS goods, this presents a new challenge, but equally an opportunity to leverage national and regional talent with a view to driving greater value for money, quality and resilience across the system.

DEVELOPMENTS IN NHS AND GOVERNMENT POLICY

NHS procurement spend dwarfs that of other UK government bodies. For goods procurement, the NHS spends more than £18 billion a year on medicines and £6 billion on clinical consumables, while NHS Supply Chain is responsible for 8 million orders per year, across 94,000 order points and nearly 18,000 locations. As an entity, it has supplied 28 million lines of picked goods, consolidating orders from nearly 1,000 suppliers. The clinical consumables bill alone surpasses the annual total managed expenditure of several government departments.

While services are purchased by Integrated Care Boards (ICBs), goods are namely purchased centrally by NHS Supply Chain, with some trust teams and hubs continuing to exercise purchasing responsibilities according to local needs. NHS Supply Chain has developed a greater share of responsibility over the procurement system since 2015, most notably as part of efforts to drive system-wide procurement savings and reduce unwarranted price variation, alongside more recent social impact concerns. Lord Carter's 2015 review — 'Productivity in NHS hospitals' — highlighted "considerable variation between trusts on the value they extract from ... non-pay spend", along with a "systematic failure to capitalise on the national nature of the NHS." Citing examples such as price variation of more than 100% in hip prostheses, and spend disaggregation across 26 brands and 11 suppliers for drug eluting stents, Lord Carter recommended significant changes to the NHS procurement model, focusing on centralisation and cost containment.

In the aftermath of the 2012 Health and Social Care Act, this theme of centralisation of functions has also been applied to healthcare commissioning. The 2022 Health and Care Act placed 42 Integrated Care Systems (ICSs) and Integrated Care Boards (ICBs) on a statutory footing as of July 2022, replacing Clinical Commissioning Groups (CCGs). As part of this policy development, NHS England has directed ICSs to appoint a regional procurement director, drawing on local expertise and meeting regions' unique purchasing requirements. Nevertheless, implementational challenges remain as ICSs continue to establish themselves.

ECONOMIC IMPACTS

In the aftermath of the pandemic, and amid new geopolitical and policy uncertainties, global health systems are facing acute challenges, threatening their sustainability and presenting barriers for patient access to care.

Driven in part by supply chain frictions in east Asian markets, post-pandemic demand spikes and global conflict, inflation has surged across the world, with the UK exceeding 10% in September. These inflationary pressures are already being felt across the health service. According to NHS England, inflation has already added £1.5 billion to its spending for 2022/23, with energy costs and social care costs set to rise by £485 million and £350 million respectively. These pressures have also affected NHS goods procurement, with medical supplies, food and estate management costs pushing NHS England's spend up by £285m in 2022/23. Although bulk ordering is likely to increase to counteract these pressures, increased storage costs will likely continue.

Inflation has naturally presented challenges for a health system – and a Treasury – keen to gain greater control over finances following pandemic-driven spikes in expenditure. Amid changes in the configuration of procurement responsibilities, local systems are likely to come under increased pressure in the short to medium term to cover the cost of inflationary pressures from existing budgets. Given the post-pandemic treatment backlog and the significant impact this has had on workforce and operational capacity, it remains likely that much of this burden will fall on procurement spend.

SUPPLY CHAINS AND RESILIENCE

In August/September 2021, increases in worldwide demand for raw materials, coupled with logistical challenges such as limited road and ocean freight capacity, led the NHS to introduce limits on the use of the vials, directly affecting patient access to care. This is just one example of the serious impact that supply chain disruption can have on frontline NHS services.

Sadly, such instances are only likely to increase in frequency. As highlighted in Ligentia's March 2022 report — 'Supply chain resilience in a disrupted world' — the Covid-19 pandemic, along with Brexit, challenges in East Asian manufacturing centres, geopolitical tensions, labour shortages and 'black swan' events such as the blockage of the Suez Canal, have created and will continue to create significant supply chain resilience challenges. Whereas policymakers had focussed on cost and efficiency, delays and shortages have now placed a greater emphasis on resilience and surety of supply.





The view from NHS procurement professionals

To inform this report, Ligentia partnered with an independent consultancy to gather critical insights from senior stakeholders in the NHS procurement landscape.

Those who we interviewed for the report spanned NHS trusts, ICSSs and national bodies, covering both the supply and recipient sides. In our interviews, we sought to understand the current challenges in NHS procurement and supply chains, discussing the transition to ICSSs, support from central NHS bodies and the role of technology in supporting the procurement landscape going forward.

CURRENT CHALLENGES

Global supply chain disruption, inflation and the energy crisis — exacerbated by the war in Ukraine — were unanimously identified as the major challenges facing NHS procurement teams. The extent of supply chain disruption, initiated during the pandemic and made worse by China's repeated lockdowns, are at unprecedented levels, affecting areas previously untouched, such as blood-collection tubes. A leading trust-based procurement lead noted that cost-cutting in the NHS post-pandemic has brought "the hatches back down really quickly financially", which is now superimposed on one of the worst inflationary spikes in recent decades and skyrocketing energy prices. Altogether, this emphasises the critical need for more resilience in the NHS supply chain, such as by developing forward-looking capability into potential supply chain disruption.

Other challenges include staff recruitment and retention, especially at mid to senior levels, declining recognition of procurement departments and fragmentation across the NHS system. The first two issues are inter-related. One stakeholder said that while Covid has increased the demand for supply chain professionals by 30%, the many challenges confronting the procurement landscape, combined with a lack of recognition, particularly at higher levels, have made staff recruitment like "fishing in a shark-infested sea".

Furthermore, seven years on from the Carter review, interviewees noted that a fragmented approach to procurement continues to cause large price variation between contracts across Trusts, although the Spend Comparison Service aims to maintain central oversight of this issue. A lack of comprehensive oversight of the entire supply chain exacerbates this problem.

THE ROLE OF INTEGRATED CARE SYSTEMS

The transition to ICSs presents an opportunity. However, at the time of the interviews, the view among local and national stakeholders we engaged with was that, although procurement plans were currently under discussion, it was unlikely that detailed plans would be implemented in line with the statutory establishment of ICSs. One senior interviewee at the NHS noted that procurement plans were not a priority, and thus procurement was not on the agenda at the time. This was again attributed to the perceived lack of importance of procurement within the wider NHS system. Furthermore, despite the ambition to consolidate NHS structure with the new 42 ICSs, stakeholders noted that there is a "messiness" in where ICSs fit geographically, with substantial regional variation. One stakeholder in a high-level position within an ICS highlighted the lack of presence of procurement and supply chain staff in strategic planning discussions. Reflecting on our experiences from the commercial sector, it is vital that ICSs include procurement and supply chain professionals in strategic senior-level discussions to provide critical data and knowledge to inform strategy.

Stakeholders also highlighted a long history of regional collaboration between procurement teams. However, large gaps in capacity between regions often frustrated such efforts. Stakeholders looked to the roll-out of ICSs to expand local purchasing power by consolidating procurement teams within an ICS region, at least for some purchasing functions.

THE ROLE OF NHS ENGLAND

In general, stakeholders are dissatisfied with current central support from NHS England, citing a "big disconnect on what can really help on the ground". The perception among senior procurement leads is that, although the centre has the resources and external consultancy support to continuously churn out new work and plans, implementation and delivery lack resources and support. One stakeholder said that the "centre may as well not exist", indicating the extent to which this lack of direct engagement with Trust procurement teams impacts delivery and operations on the ground.

NHS Supply Chain is perceived more positively due to it being "reputable and effective". Independent procurement by local Trusts aims to complement but not replace central supply. While the latter acts as baseline, the internal flexibility of independent procurement is used in tactical ways to fill in remaining gaps. The supply crisis in personal protective equipment (PPE) during the pandemic especially highlighted the importance of this operational structure, leading one stakeholder to claim that they would "never ever get rid of the [regional] facility because we will never go back to that 'Armageddon'". Overall, as ICSs develop, stakeholders emphasise the need for increased communication to bridge the gap between the centre and operations on the ground in order to provide better cohesion between high-level policies and implementation capacity.

THE ROLE OF TECHNOLOGY

There was strong agreement among stakeholders interviewed that NHS procurement and supply chain technology is outdated. One stakeholder pointed to some of the existing procurement technology platforms being more than 20 years old and believed that updated and integrated technology must be on the central NHS agenda. While there is a push at local levels for technology improvements and standardisation, logistics and management have "drifted in and out of fashion", hindering progress. The absence of appropriate tools contributes to a lack of insight and proactive delivery, highlighting this as an area of potential cost-saving and increased workforce efficiency. Another stakeholder commented on the need for improved communications technology over diagnostics. They viewed the integration of innovative communications technology as critical for social care, which would help alleviate current backlogs by moving patients out of hospital without compromising access to and quality of care.

Another stakeholder cited the crystallising effect of the pandemic on accelerating progress of technological advancements and adoption. For example, while remote consultancy had been available for the past 20 years, the pandemic enforced a widespread adoption within just four weeks in a major Trust in the south of England. They hoped that the "just get on with it and do it" attitude would continue, alongside guaranteed funding and common goals, which catalysed effective mobilisation.

Conclusion and recommendations



The sheer scale of NHS procurement means that it will be crucial to the delivery of the NHS's wider strategies and targets.

Seeking to rationalise NHS procurement has been a long-running, if stop-start, preoccupation of senior NHS leaders. The development of ICSs presents an opportunity to reconsider the role of the NHS procurement function in wider NHS structures, and provide senior procurement leads with a more prominent voice in strategic discussions.

As a leading UK logistics business, the comments from NHS procurement professionals firmly aligned with our experiences from the commercial world. Based on our experiences and discussions, we therefore recommend the following:

01

Procurement professionals must have a central presence in key strategic discussions to ensure that targets and reforms are delivered efficiently and effectively. Resilience is the key priority highlighted by NHS procurement leads; they see their role as central to delivering that resilience, but often feel detached from the centre of the NHS system. Given persistent cost pressures, and major geopolitical and macroeconomic risks, it is Ligentia's view that ICSs and Trusts must ensure that a more prominent role is given to their procurement teams in strategic discussions. The establishment of Integrated Care Systems offers an opportunity to embed procurement in high-level decision-making.

02

Equally, trusts should aim to preserve procurement teams' autonomy and ensure a strong talent pipeline to support their vital operational functions. Teams are also facing their own pressures in terms of finding and attracting talent, given a spike in demand across the economy following the pandemic. There is a balance to be struck between better embedding procurement teams within wider strategic discussions and retaining sufficient autonomy at Trust level to adapt to local need.

03

The Department of Health and Social Care should prioritise the updating of procurement technology systems to help deliver resilience and financial savings. As a firmly tech-driven logistics firm, we have long advocated the deployment of AI and machine learning based systems across the public and private sectors. With some existing NHS platforms more than 20 years old and barely fit for purpose, we strongly recommend investment to create a strong tech baseline across central and regional NHS procurement.



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