

NHS Supply Chain Target Operating Model Update

What it means for our NHS

Why We're Evolving

Since 2018 the needs of the NHS have evolved and **geopolitical issues and policy changes** – including wars, the Covid-19 pandemic, NHS sustainability goals, the development of Integrated Care Systems, and increasing demand for healthcare in the face of strained government budgets – have brought forth the need to make our supply chain **nimbler and more resilient**.

NHS Supply Chain's vision and purpose are clear: **we are here to make it easier for the NHS to deliver for patients**, helping them save lives and improve health. To do that, we need to adopt our new model, and the proposed new organisational structure is aimed at supporting this.

The process of arriving at this model has been **centered around feedback from our most important stakeholder: the customer**. As a result, our new model is designed to solve some of your biggest pain points. It will ensure that we have and develop the necessary skills and capabilities – as well as standardised, integrated, and data-driven ways of working – to deliver for the NHS.



NHS Supply Chain ensures that stakeholders across the NHS have everything they need to put patients first.

Our aim is to deliver a cost-efficient, resilient supply chain of clinically assured goods and services that meet the needs of healthcare providers. We deliver more than 8 million orders across 17,000 locations annually, helping the NHS provide safe, quality patient care.

NHS Supply Chain has a critical role in the NHS:

Purchases	Purchases and supplies medical devices and clinical consumables to trusts across the NHS landscape home delivery customers
Savings	Supplies ~100% of trusts nationally – delivering £3bn of cumulative savings since 2018
Management	Manages over 600,000 different products (including capital equipment), supply chain resilience, pricing and sustainability
Clinically assures	Clinically assures all our products, and specifies to support equivalence and patient safety

Buy Smart

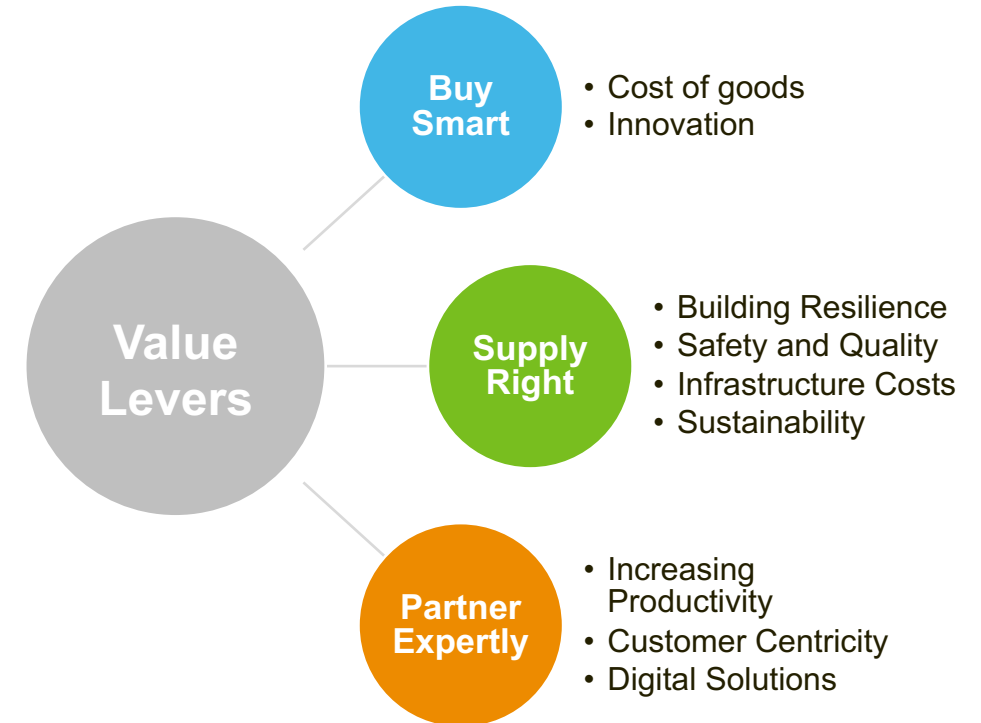
- **Cost of Goods:** Reducing the total cost of goods and services through standard national pricing and Value Based Procurement
- **Innovation:** Supporting compliant and safe early stage testing, enabled by an easy to access dynamic purchasing system

Supply Right

- **Building Resilience:** Monitoring global events and expanding the capacity of our network to improve end to end visibility
- **Safety and Quality:** Our Vision to make it easier for the NHS to put patients first, is underpinned by embedded clinical assurance and safety processes across our frameworks
- **Infrastructure Costs:** Supporting efficiency in patient throughput across the entire NHS through adoption of innovative products to focus on total care pathways creating a 'one stop shop' for our customers
- **Sustainability:** Building Net Zero into NHS procurement, by leveraging the strength of our people, processes and supply chain to drive better health outcomes and create sustainability economic, social and environmental impact for our stakeholders

Partner Expertly

- **Increasing Productivity:** Improving the productivity of healthcare professionals to enable them to spend more time caring for patients, and less time managing and ordering products
- **Customer Centricity:** Strengthening the voice of the customer and acting upon their needs
- **Digital Solutions:** Inventory Management capability will drive visibility providing significant cash releasing benefits



NHS Supply Chain's vision and purpose are clear. Our commitment is:

- To make it easier for the NHS to put patients first
- To help the NHS to save lives and improve health.

This requires us to develop a broader service offering and capability to maximise benefit to the wider health care system – a **'system first' approach** that delivers total health care value.

We will accomplish this through our Strategy of Buy Smart, Supply Right, and Partner Expertly.

Buy Smart

Our Strategy focuses on:

Buying over £4bn of devices and products on behalf of the NHS, embedding **value, innovation** and **patient outcomes** in our approach.

How we will do it

We have expert commercial teams leading NHS procurement across **medical categories, capital categories, and non-medical categories**.



Saving the NHS **£1bn**

Supply Right

Our Strategy focuses on:

Building **resilience, sustainability** and **safety and quality** into our global supply chain, ensuring the NHS gets what it needs, when it needs it, to care for patients.

How we will do it

We oversee three supply routes into the NHS, covering **stock, supplier consolidated shipments** and **direct shipment**, and distribute 40,500 roll cages via 8,500 deliveries each week, to 16,700 delivery locations across the NHS.



Driving supply chain **resilience**

Partner Expertly

Our Strategy focuses on:

Making it easier for NHS trusts to work with us, whilst developing the **care solutions** they need, and building our expertise in **data insight** to improve decision making internally, and generate shared insights for the NHS.

How we will do it

We are investing in an ambitious **transformation programme**, whilst evolving how we work through our **Target Operating Model**.



Working as **One** NHS Supply Chain

Buy Smart:

Value, Innovation and Patient Outcomes

Value

- Delivering savings and lowering the cost of goods through improved product purchasing and adoption, single national pricing, and scaling value base procurement to deliver system benefits Working with
- Integrated Care Systems to optimise how goods flow across the NHS
- Transforming how we work with our stakeholders, from increasing the voice of the Customer through each stage of our procurement activities, to implementing a cross-category approach to ensure better collaboration with our suppliers to deliver more value to the NHS

Accelerating Innovation into the NHS

- Supporting compliant and safe early stage testing, enabled by an easy to access dynamic purchasing system
- Providing appropriate commercial leverage along with wider resilience and sustainability checks
- Enabling and supporting scaled adoption of new ideas, whilst reducing the burden and improving access to the NHS market for innovative suppliers and products

Patient Outcomes

- Accelerating products into the NHS that deliver improved clinical outcomes, reduce the need for further treatment, or reduce the amount of time it takes to treat a patient
- Improving the productivity of healthcare professionals to enable them to spend more time caring for patients, and less time managing and ordering products
- Working with NHS system partners, including NHS Trusts, to ensure patient outcomes are built into each stage of our procurement activities

Buy Smart:

Building Capability Across the Organisation

Our Target Operating Model will ensure we have the necessary skills and capabilities to deliver our strategy. Working as one NHS Supply Chain, we will **bring together expertise from every directorate** to enhance standards and focus on continuous improvement, creating optimal ways of working across the organisation. Our new model will deliver:

One NHS Supply Chain

- Simplification of process makes it easier for customers to work with us
- Insourcing procurement activity will create a simpler, more agile and consistent experience
- Clearer, more consistent communication to build confidence that NHS Supply Chain is the national route.

Improved, standardised ways of working

- Our Commercial Centre of Excellence will ensure world class category management
- The Customer Academy will develop capability across our customer directorate ensuring they are equipped to support the customer and their evolving needs
- Increased capacity across our Supplier Relationship Management team will drive greater supplier performance and innovation, improving customer experience.

Strengthening of the customer voice

- Customer needs will be paramount, ensuring clinicians and healthcare providers are able to influence category and sourcing strategies
- Customers will help inform our digital solutions development ensuring our e-commerce platform and Inventory Management program are built with the customer needs embedded
- Engagement across clinical & non-clinical groups will gather end-user feedback enabling category managers to support new innovations coming to market.

Supply Right: Building Resilience, Sustainability, Safety and Quality

Resilience

In light of today's global supply chain challenges, partnering with suppliers is essential to building a resilient supply chain upon which customers can rely.

Our key areas of focus include:

- **Monitoring global events:** working with suppliers to identify potential supply disruptions
- **Delivered service levels:** working with suppliers to improve performance and develop optimal supply channels across stocked, consolidated supply delivery and eDirect
- **Delivery and inventory data:** developing timely and accurate logistics data to allow effective decision making
- **Mapping supply chains via the NQC Supplier Portal:** identifying and mitigating risk across our global supply chain
- **Supply chain visibility:** working across the end-to-end supply chain to improve visibility
- **Capacity:** growing the capacity of our network to respond to increasing demand

Sustainability

Building Net Zero into NHS procurement, by leveraging the strength of our people, processes and supply chain to drive better health outcomes and create sustainability economic, social and environmental impact for our stakeholders.

Our key areas of focus include:

- **Collaboration with NHS England** on the pilot of the **Evergreen** sustainable supplier assessment
- **Contracts over £5m:** ensuring suppliers publish a carbon reduction plan for their UK Scope 1 and 2 emissions, and a subset of Scope 3 emissions as a minimum where contracts are over £5m (aligning with PPN 06/21)
- **Public reporting:** from April 2027, all suppliers will be required to publicly report targets, emissions and publish a carbon reduction plan for global emissions aligned to the NHS Net Zero target, for all of their Scope 1, 2 and 3 emissions
- **Carbon foot printing:** in 2028, new requirements will be introduced overseeing the provision of carbon foot printing for individual products supplied to the NHS. The NHS will work with suppliers and regulators to determine the scope and methodology

Safety and Quality

Our Vision to make it easier for the NHS to put patients first, is underpinned by embedded clinical assurance and safety processes across our frameworks.

Our key areas of focus include:

- **Safety:** delivering a rigorous quality and safety process, responding efficiently to any product safety complaints
- **Core activities:** from ensuring clinicians and healthcare providers can influence our category and sourcing strategies, to strengthening our resilience so that healthcare professionals have the products they need to care for patients with minimal disruption - patient safety is as our core
- **System collaboration:** working in collaboration with key stakeholders such as the Medicines and Healthcare products Regulatory Agency, NHSE, the Central Commercial Function, DHSC, and the Health and Safety Investigation Branch to ensure patient safety issues are addressed as one system

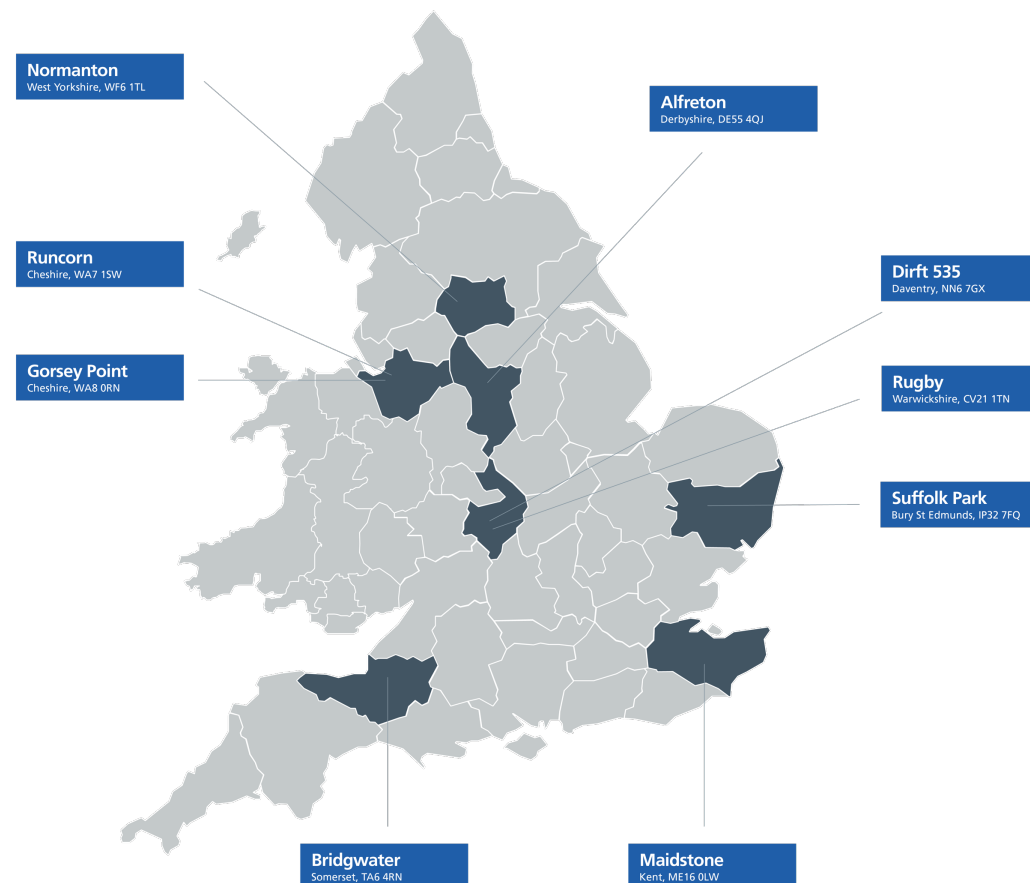
Supply Right: Developing our Infrastructure to Build Resilience

We are investing in our current infrastructure, to improve resilience and prepare for the future.

Current supply chain challenges mean it is more important than ever to have a resilient network, and we need to adapt to support the wider healthcare system in its move to more joined up care.

We operate 7 national and regional distribution centres:

- Normanton
- Runcorn
- Alferton
- Bury
- Rugby
- Maidstone
- Bridgwater



In addition to these...

Gorse Point

- This will open in 2023/2024 to grow capacity from **7,500 pallets to 60,000 pallets**, improving availability of high demand products in busy periods. Increased capacity will also allow us to hold a greater amount and breadth of stock on behalf of customers, reducing their inventory costs.
- Our modernised **Warehouse Management system (WMS)** will be rolled out, providing foundations for future enhancements. This will allow NHS Supply Chain to adapt our capabilities to support customers changing needs.

Davertry

- We will further develop this site to introduce:
- Temperature management control, to hold a broader range of products on behalf of our customers.
- A new mezzanine floor to make better use of our space and enable a larger range of stock to be held.
- This enables greater resilience and capacity to support both acute and non-acute customers from this site in the future.
- We will also be able to stock a larger range of products, allowing us to better serve our customers.

Partner Expertly: Making it Easier for NHS Trusts to Work With Us



Developing new care solutions

- We will develop the capabilities to deliver new care solutions through dedicated in hospital and out of hospital care teams
- By expanding our offering for our customers working predominantly out of the acute setting we will support them in identifying opportunities to drive value, standardise across clinical pathways and remove unwarranted variation

Inventory Management and Point of Care Solutions

- Over 50% of Acute trusts report they do not currently have any inventory management system or stock management capability
- We will roll out a leading solution to 20 NHS trusts by 2025, and to 100 trusts by 2028
- It will enable patient-level tracking to point of care, supported by Scan4Safety and GS1 compliance
- It will also provide significant cash releasing benefits to NHS trusts, whilst providing system wide benefits such as greater resilience and improved patient safety

Data and Insights

- Through our data strategy, we will drive improvements in how we manage and utilise our data to improve decision making internally, and deliver insights externally
- We will provide new suites of data to customers including peer-benchmarking of product utilisation, and take data driven decisions on how to simplify our catalogue and cost structure
- We will also work with data science experts to benefit from advances in predictive analytics to strengthen our resilience, improve our performance, and address upstream challenges that could result in supply chain disruption or price increases

Partner Expertly: Transforming How We Work

Through our Strategy and Target Operating Model, we are transforming how we work, and broadening our value proposition to deliver what the NHS and its patients need. This includes:

Giving clinicians back time

to focus on their patients; e.g. our eCommerce platform will make it easier to search for products, and place an order, freeing up time that would otherwise be spent on direct patient care

Providing real-time, intuitive, product-level data and visibility

on stock and order tracking as well as comparable quality, safety and sustainability information e.g. our Inventory Management System will be rolled out to 20 trusts by the end of 24/25

Delivering cost savings

that can be tracked back to local trust level accounts e.g. reducing total cost of products across different parts of the NHS through **standard national pricing** and Value Based Procurement

Augmenting commercial and supply chain talent and skills

across the entire NHS system to drive more value to our customers through category management, price inflation management, supplier negotiations and data analysis to deliver insights

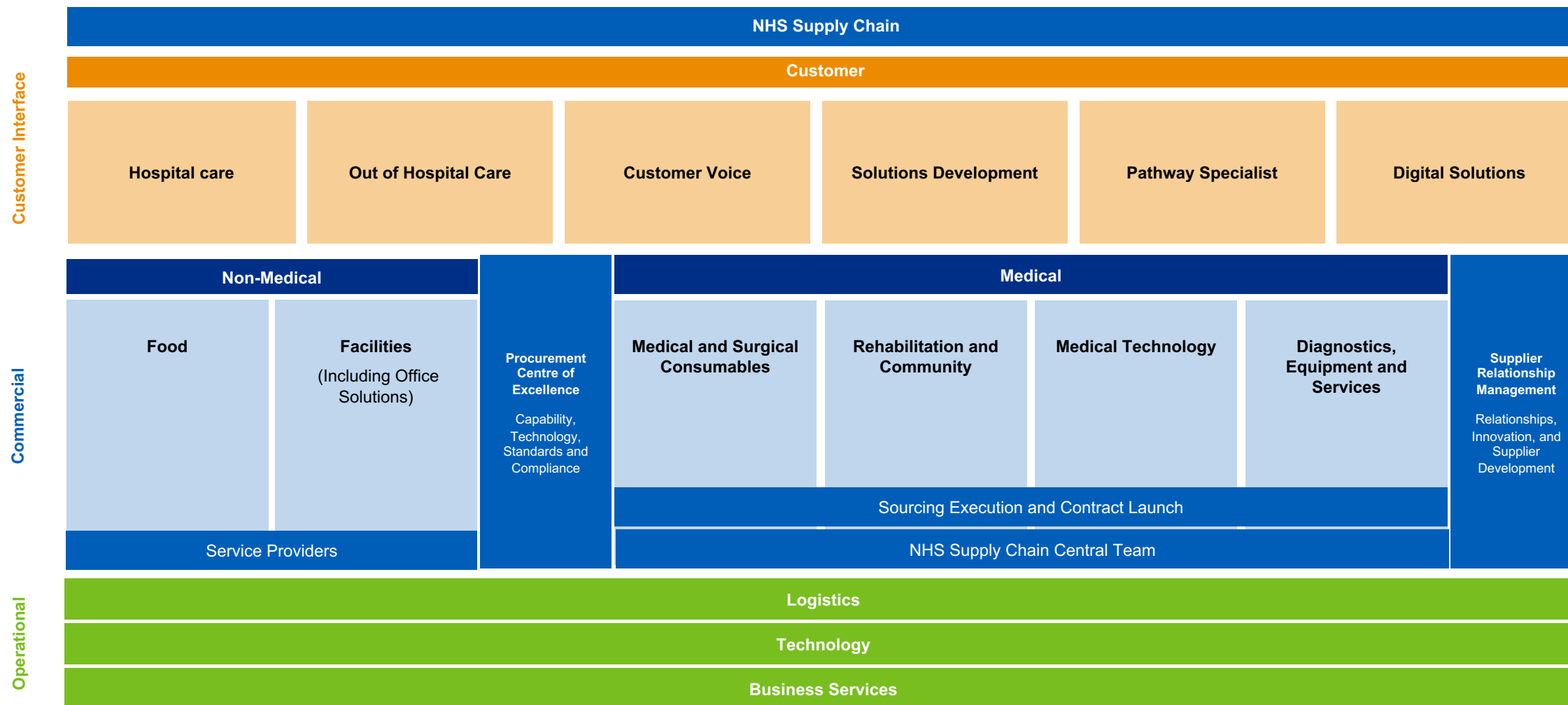
Embedding environmental and social governance

into every product we buy on behalf of the system through our sustainability strategy.

Supporting delivery of local NHS priorities

through our emerging ICS strategy e.g. collaboration with ICB's to improve delivery of wound care prescriptions

The New Target Operating Model



How the Target Operating Model will Support Our NHS

Buy Smart

Excellence in Sourcing

- Insourcing procurement activity will create a **simpler, more agile and consistent experience**
- The Procurement centre of excellence will drive **standardised processes**, enhanced best practise and **talent development**, with increased capability in **Supplier Relationship Management** and **Innovation**
- Clinical skills will be embedded in the category teams providing **enhanced Clinical perspectives**
- **Customer Voice in Category Strategy** will be redesigned strengthening the clinical voice and articulation of need

Supply Right

Excellence in Supply Chain & Inventory management

- Retendering of the logistic contracts allows us to **strategically develop logistic capabilities** to meet future needs e.g. greater support for community and home delivery
- The new structures will drive **greater focus and responsiveness to key customer issues** such as eDirect
- **Sustainability and resilience teams** will be strengthened, with greater focus on planning and forecasting over the medium term, underpinned by technology
- Enabling in trust **Inventory Management & Point of Care** capabilities will help enable greater inventory visibility locally, regionally and nationally

Partner Expertly

Extend our coverage to support wider parts of the Health system

- Reshaping the Customer Directorate **creates capability** to develop Out Of Hospital solutions **broadening our offer to health care providers**
- Customer Directorate will build capability to hold greater **strategic level interactions** with ICS maximising impact
- Our **Voice of the Customer Team** will be expanded to ensure our customers needs are being captured and embedded in our strategy
- A team of **Pathway Specialists** will identify new ways to increase value across the system
- Further focus on **data insight technology and capabilities** will drive improved decision making internally, and generate shared insights

Adding Value to our Stakeholders

We are committed to driving value to our stakeholders through implementing our Strategy, restructuring our organisation and working in the new operating model. Through collaboration with NHS trusts and NHS system partners, we will drive a range of benefits:

NHS Trusts

- Savings channelled back to frontline services
- Released time for core clinical activities
- Greater NHS involvement in procurement decisions
- More effective introduction of new products

Clinicians

- Ability to influence every stage of the procurement process
- Released time to treat patients activities
- Greater assurance of product safety and reduced waste
- Improved access to innovative products

Patients

- Greater assurance of product safety
- Product innovations leading to reduced time in procedures
- Reduced risk of delayed care due to product shortages

Other Healthcare providers (e.g. care homes)

- Access to purchase PPE through the PPE portal
- Capability to deliver more products and services in the future

Suppliers

- Lowered sales and marketing costs
- Single route into national market
- Joined up approach across the NHS
- Clear route for innovative products