

## **Healthcare Supplies Association Annual Conference 1 and 2 November 2001 in Bristol**

**SLIDE 1** Thank you for this opportunity over the next 20 minutes to talk about how NHS Logistics is contributing to delivering for patients now and what we are planning to do.

**SLIDE 2** I would like to start with our current contribution to the NHS. Our current role is to provide and manage the primary supply channel for consumable products into the English NHS.

This year we will have handled £560 million of products. This is ten per cent up on last year and a record level. Thank you to everyone for showing your confidence in this way. This represents 27 million line items delivered per year, or around 100,000 every day.

We are the transaction manager for 75 per cent of all trust supplies activity on products – a feat that can only be achieved with the integrated suite of systems we provide to all trusts, with full electronic ordering and billing processes, interfacing directly with any trusts' financial system.

This operation is achieved with a modern distribution centre infrastructure; fleet of over 200 delivery vehicles and 1,500 dedicated and experienced personnel.

All credit must go to my predecessor – Ian Bradshaw – for putting this well-oiled machine into place.

**SLIDE 3** But we cannot and do not stand still. Over the last year we have:

- extended our catalogue range to over 26,000 items. We will continue to work with trusts and the Agency to keep improving this range to meet their needs
- the national catalogue extended range has been made available to all trusts, except in the South and West
- we have entered into a partnership agreement with Exel to build and manage a new distribution centre in Bridgwater, Somerset in order to provide the extended range and improved service to trusts in the South and West.

Services will start from this new distribution centre in mid-January 2002 and progressively build until it is fully operational in March.

I would like to take this opportunity to thank the people in the five small depots that are being closed, for their commitment in maintaining a high quality service whilst the transition takes place. I am also pleased that a number of these people have already been appointed by Exel.

We have introduced new radio frequency data transmission technology into our distribution centres to reduce processing costs and improve data availability.

Prices in the catalogue have been kept below inflation and in addition £5 million was returned to trusts by way of cheques last December. This figure was a result of benefits generated by the greater throughput – better purchasing leverage and reduction in the cost base.

This year there will again be a savings return, the amounts per trust being confirmed in early December.

One of our key goals is to continually look for ways to reduce our on-cost, which is our cost recovery mechanism. Over the last year this was reduced by around two per cent.

I would now like to move onto current priorities and future initiatives.

**SLIDE 4** Our current service performance is absolutely key and we do not take it for granted at any time.

We listen to what our customers - the trusts - have to say, whether this is via direct feedback or our customer satisfaction surveys – thanks to all of you who have completed the recent survey – the response rate was 42 per cent, but we have not yet had the analysis of results from the research company. You can be assured that we will publish the results and more importantly, the actions we will be taking.

NHS Logistics is a service organisation, which also happens to be in the logistics field. There are many excellent service companies out there and we are in the process of establishing an on-going programme of external benchmarking where we can measure ourselves against the best - regardless of industry sector - identify gaps in performance and adopt best practice to quickly bridge the gaps.

Again, our commitment will be to share these results – the good and the less so.

Suppliers are a whole new area in this respect. How do our actions impact them and in return, what is their service performance?

So what actions are we taking?

- our service KPI of 98 per cent is a fairly industry standard, but it should be taken as a minimum not the target. Two per cent failure on 27 million lines delivered per annum means 540,000 items not arriving when expected. That's not good enough.
  
- we will not develop a 'no failures' position overnight. It will take time and considerable effort, but we still need to do it. We have already made a start by:
  - adjusting our manpower levels and work patterns
  - improving staff quality through the removal of temporary personnel where not appropriate and improving training
  - investing in basic 'tools' eg £750,000 in extra roll cages
  - systematically reviewing and improving our processes and procedures, especially at the interface with other groups – this is where the problems tend to occur
  - the big future target area is our supplier interface and in particular having the right supplier performance measures in place.

**SLIDE 5** Moving on to our service offering – are we effective – are we meeting the needs of the trusts?

Again, we are using a range of specific and general measures. One of the key messages we received was that we were not flexible to meeting new requirements. This is not a criticism of the past – we had a clear role within the NHS and kept our focus – the rules have now changed and so are we.

We have already identified six new potential service offerings and are in the process of defining what we need to do to support the NHS. These are in addition to our current service that will remain our foundation into the foreseeable future.

A remit I was specifically given by the Minister was to provide support, assistance and supply chain leadership to trusts on their local issues.

An exciting new offering is our e-commerce product for ordering – Logistics OnLine.

**SLIDE 6** This product has been developed in conjunction with the Agency as a key first step in the overall e-commerce strategy that they are leading. It provides significant potential to move the e-commerce agenda forward across the NHS. This product, I believe, is equal, if not better, than any commercially available similar product.

Many of you may have seen the demonstrations we have organised or even been hands-on in one of the three pilot trusts. I therefore only intend to highlight the key features:

- on line catalogue will full search and browse
- customer defined catalogues at trust, department or even ward level; ability to mask items that directly supports clinical governance activities
- user-friendly 'shopping basket' type ordering with full real time requisition tracking. Through our IT infrastructure when your item is physically picked in our distribution centre, your requisition will be updated immediately.
- use set favourites lists – makes repeat/standard orders very simple
- you set your own authorisation levels and hierarchy particular to your trust.

This totally cuts out the 'paper chase' and the inherent delays. I am sure you can immediately start to think about the opportunities and benefits this can bring.

For those of you who have got involved in e-commerce, I am sure you will have found that it is not as easy as described, or the facilities you want are always in the next software release. Logistics OnLine is tried and tested in three trusts, it's available now as part of our total service and roll-out will start for new users towards the end of the year – supported by our implementation team.

E-ordering builds on the e-billing and e-information services we already offer. I have to say that the e-information system is in my experience world class and yet only about 30 per cent of trusts use it regularly. Why? Can we help you?

**SLIDE 7** Moving on to the future role of NHS Logistics within the NHS.

The Cabinet Office Review identified dual roles:

- the one you know us as – the provider of the primary supply channel for consumable products
- but also a new role as supply chain manager for the NHS – creating value by bringing order to the many different and complex channels of supply into the NHS

In order to establish this new role, we have initiated a strategic review, together with the Agency and trust representatives.

This review will:

- look at best practice elsewhere to determine how this role will operate
- most importantly, identifying the potential benefits to the NHS
- will report back in March next year for Ministerial approval

**SLIDE 8** The role of NHS Logistics is already changing. At the beginning of this presentation, we identified our key role as 'provider of the primary supply channel for consumable products into the NHS.

**SLIDE 9** But assembling the various new roles I have mentioned in this presentation and some others, our role now looks like this:

- e-commerce supply chain services
- supply channel manager for chilled and frozen food – managing the transactions and service, but not the product – this is being allotted now
- emergency support services, especially in the aftermath of 11 September
- Support to trusts – providing advice, assistance and supply chain leadership
- and some blanks ready to be defined in the strategic review

**SLIDE 10** I would like to finish my presentation on the subject of people and relationships – the absolutely key area – especially in supply chain matters where we are all only as strong as the weakest link. This is one area what deserves close attention.

We are systematically looking at all our relationships and I should like to share a few thoughts.

NHS Logistics – we have already initiated a programme of wider managerial and staff involvement, team working, encouraging personal initiative and accountability.

NHS Purchasing and Supply Agency – It is key that we work ‘hand in glove’. We have already agreed and put in place a new joint approach, including for example, joint executive meetings every quarter. In addition, we have initiated a joint review of national processes.

Suppliers – we are only just starting the journey of working together. We will need to build relationships and look for value adding initiatives and innovation.

Contractors – we have our new partnership with Exel, a chance to learn from each other. With Taylor Barnard, our distribution partners, we have established driver’s forums – a simple but effective means of working together to improve the customer interface.

Other service providers – other players – wholesalers, distributors, etc all have a part to play in supply to the NHS, but we jointly have a responsibility to ensure we are working cooperatively for the benefit of the NHS. I will be inviting discussion with all these groups.

NHS trusts – finally, we have the trusts. We have existing joint initiatives, like the three pilot trusts for e-ordering. We would welcome other opportunities to work together on joint initiatives, ideas to improve how we work together etc. I would welcome any ideas.

Thank you for your time – I look forward to working with you.

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