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The theme of the conference is "Delivering for patients".

So, 18 months into my post, it is an opportunity to give views on how I see the potential for purchasing and supply to contribute to the achievement of NHS priorities and how far we are away from delivering at this stage.

Clearly, my views are based on my experience in England, but I will resist being too self-indulgent in the short time I have available, by referring over much to my own Agency, as I am aware that the audience here today represents a wider geographical base.

Also, please recognise that in the time available I can only make superficial reference to issues.

But, happy to engage in 121 dialogue with anyone interested in any aspect over the next 2 days.

What are the challenges that lie ahead –

The NHS spends at least £11bn on goods and services from external suppliers. The way the NHS spends this money not only affects the country's GDP but also has a major impact on the economy. This makes it very important in the modernising government agenda (NB does £11bn exclude PFI schemes).

What, therefore, is the role of purchasing and supply management in addressing this very important issue? Is it merely to ensure this money is spent wisely, through consistent processes, ensuring we extract 'VFM' and all rules of regulation, probity and accountability are adhered to? Or is it to ensure the NHS is able to use this money to treat more patients more efficiently an effectively? If it is, how do we make the connection i.e. demonstrate that effective strategic procurement can help the NHS treat more patients more efficiently and effectively? - this is challenge No 1.

I contend that NHS procurement is not just about trying to reduce the £11bn – in fact it is more likely to increase as more innovative solutions are found to utilise the private sector in healthcare delivery (e.g. PPP/PFI) and with the rapid development of technologies.

The key is how we think about this strategically.

But this means moving our profession from being seen as a reactive, adversarial process-driven function which concentrates merely on managing inputs to one that focuses on the whole supply chain including the NHS' outputs and is seen as essential in contributing to the development of NHS business strategy at all levels.

The development of what is now known as supply management has come a long way in the last 10 years – enhanced by the 'catching up' of academic thinkers who are now driving forward the notion that strategic supply management is an important feature of providing competitive advantage for organisations.

It is recognised by leading organisations that the future of the purchasing and supply profession is going to be about:

- Adopting a total supply view of cost management (internal as well as external)
- Recognising the need to manage networks of supply relationships (internal and external!) rather than just the buyer/seller relationship or the physical supply chain
- Thinking about what is core to the NHS and what therefore may be outsourced and
- Thinking differently about where the boundaries are at all levels.

But if this is where the profession is going then we need to develop the appropriate techniques and skills to undertake these tasks and to elevate the function to one that is aligned with the strategic imperatives of the NHS at all levels – however difficult that may be in a complex organisation such as the NHS!

The second key challenge we face is the impact of modern technology such as 'e' commerce, which is likely to take care of many of the routine functions – so what then would be left for the procurement function? If we don't become the strategic focus for managing external resources then what is left? This is probably our greatest challenge – we have to demonstrate that strategic management of external resources is our domain and that it has a direct impact on the bottom line i.e. clinically and cost effective healthcare delivery.
And then of course there are the advances in technology. Technology provided by external resources which will have a major impact on the way healthcare is delivered – more and more we will see technology radically change the way the NHS does things.

This is the 3rd challenge – the future strategic supply managers of the NHS will need to be aware of these developments and understand how they will help to improve the delivery of healthcare.

Many other qualified people will feel they equally have some ownership of all of this – I believe we have a central role to play here by coordinating, facilitating and networking all of the internal and external players to ensure resources are managed effectively – and particularly as the boundaries between the NHS and private sector become more blurred.

Having said that, I would now like to refer to some specific issues –

- some are references to my Agency's role and current work and plans

- some are intentions and views on changes needed within the NHS.

The Agency's first Corporate Plan was agreed by Ministers and published earlier this year and contains some very ambitious targets which are all aimed at moving the purchasing and supply agenda forward.

These have all been well published and debated and many here have heard them presented, so do not worry, I am not going to launch into the detail but only refer to particular aspects as I make my presentation.

As I said in my introduction, purchasing and supply has to make, and be seen to be able to make, a contribution to the wider direction of the organisation as a whole.

One of the reasons the Cabinet Office Review recommended the need for a national body responsible for purchasing and supply in the NHS positioned with the Department of Health was to carry out this function.

It has therefore been a major priority for the Agency and me during our first 18 months.

A focus clearly has been the NHS Plan and ensuring what we do is consistent with and contributes to the delivery of the Plan.

The detail of this has again been presented to the NHS and is available on our website.

Selected examples are:

Cancer
- the purchase of scanners and liner accelerators
- the establishment of the National Fruit for Schools scheme.

Coronary heart disease
- purchase of automated electronic defibrillators
- implementing a new process for the purchase of implantable cardio defibrillators as called for by NICE.

Services for older people
- integration of community equipment services.

Cutting waiting times
- electronic patient records
- recruitment and retention of staff.

Fundamentality of care
- implementation of NHS better hospital food menu.

These are examples directly relating to the NHS Plan but there are others where purchasing and supply is engaged at the policy level nationally.

The purchase of health care from the private sector and overseas

- the concordat

Decontamination – the implementation of plans to improve the standard of sterile services

Purchase of single use instruments

and, I find particularly pleasing, and I would like, and I am sure will develop more, are where we are engaged in improving the quality of product and services directly to patients.

Orthotic services – led and instigated by us in conjunction with suppliers and now embraced and promulgated by the Modernisation Agency.

Digital hearing aids – the move to provide modern technology and more efficient service provision.

New born screening programme to identify hearing impairment.

The review of prosthetic services to shape future provision, including guidelines for amputee care and the introduction of silicone cosmesis products.

Hand washing – new products to help to eliminate infection.

Introduction of safer syringes and needles.
Enough on the national level, if I can now move into where the action really is - the NHS – and give my assessment of the current state of play and some of the challenges that need to be addressed.

One particular aspect of the Corporate plan is the determination and agreement of the correct level of purchasing activity in order to ensure best value for the NHS, and following on from that, ensuring that the national level is where it should be then there will be commitment from the NHS.

This is an area where Ministers ask for specific feedback.

A principal part of my job is setting the environment of involvement, communication and process with all parts of the NHS that will deliver this objective.

Thank you to those who have responded to this aspect of our work.

I would stress - and am adamant - that this is not a National v The Rest competitive situation. Far from it.

At the moment, my organisation only covers around 20% of non-pay expenditure.

The target is to increase that to 34% - a lot of which will be the result of national allocations for equipment or services.

Obviously, that still leaves the remainder to be contracted for within the NHS itself.

I will refer to this later, particularly as the evidence is that a great deal of that remaining percentage is not being subjected to purchasing processes by anyone.

We cannot afford to use scarce managerial resource on duplication of effort.

Another objective of the Agency is to do those things once only for the NHS in order to remove duplication of effort and reduce the bureaurcracy for suppliers - a particular plea that was made by suppliers when I was involved with the Cabinet Office Review.

- To avoid different versions of documents.
- To have standard Terms and Conditions.
- To make available three year financial accounts.

We know it’s a problem – but we need YOU to help to sort it out.

I am dedicating specific resources to this issue.

The way forward is employing website technology – putting this information on your website will save us asking for it.

Some big issues can be handled once only.

- Environment

- refer to questionnaire exercise
- Government objective “Greening Government”

- Risk management - need to ensure we are dealing with responsible suppliers

- In contingency planning – we need support of industry

- In best practice, benchmarking – need to engage with industry and share knowledge.

- We continually need to improve how we communication with industry.

- We are holding major conferences in March 2002.

- We want to get other industry sectors to same level of relationship as we have with ABHI.

A great deal is happening.

In preparation for this presentation, I was studying the accumulation of good and innovative practice that is being collected by my Agency for dissemination through the NHS.

- An impressive list of collaborative/joint contracting and purchasing
- Supplier and contracts management
- Training and development initiatives
- Inventory and materials management systems
- Medical equipment libraries
- Product and standardisation and rationalisation
- Innovative approaches to customer involvement.

I have not named the Trusts, both because time does not allow and I would be bound to upset someone I did not refer to.

However, some of the Trusts involved are represented here today.

Having made mention of areas of good practice, I must also say that over the NHS as a whole in respect of purchasing and supply management, there is a long way to go before I can assure Ministers and the others above me that purchasing and supply management in the NHS is in good shape.

We will hear in the lasts session tomorrow from the Audit Commission on the work they are doing jointly with PASA on performance measurement, and I will not steal their thunder, but early indications will show that many Trusts are a long way from having a comprehensive supply strategy covering a major part of their non-pay expenditure.

A good percentage of expenditure in many Trusts would appear not to be subject to best value scrutiny or competitive processes.

Other areas for potential improvement will be revealed when the work is finally released.

Aside from the performance indicator scrutiny, there is no doubt whatsoever that in many Trusts purchasing and supply is not contributing to wider strategic and policy development.

There is also no doubt that in ENGLAND the NHS does not have available sufficient numbers of the right quality of supply manager.

A major task to change this.

One consequence of this position will be the promulgation from me of the need for inter-Trust supply management.

This is beginning to happen in some areas, driven by the shared-services initiative, the new health authority boundaries, or Trust mergers, and/or the development of PCTs with their merged budgets which give opportunity for best value across historic structural boundaries.

There are many reasons why inter-Trust organisations will be beneficial:

- Access to experienced supply management
- Sharing of specialist expertise
- Joint commitment contracts for some commodities of services, in other words, purchasing leverage
- A better career structure for supplies managers

and many others…

Development along these lines will be a major aspect of my and part of my organisation's work, and I am actively structuring to try to support those parts of the NHS who have already indicated they want to go down this path sooner rather than later.

From these developments we will learn and prove the advantages to be gained and the different organisational models that can be used.

One point to stress however – whatever inter-Trust organisation is put in place, it will not take away from individual Trusts the responsibility for assuring themselves that their non-pay spend is being used effectively.

One other benefit to be gained from an inter-Trust approach will be the management of the introduction of e-commerce – my final subject.

e-commerce

No presentation on the future of supply management would be complete without reference to e-commerce – a major area of development for my organisation.

Again, not the time or the purpose of this session to deal with this in its entirety.

It is the subject of many conferences, meetings and presentations as we determine how and what it is and how it should be implemented in the NHS in England.

Thank you to those, many here today, who are assisting in developing the right solution.

The e-world has been a turbulent one as we all know.

It has not proved to be the panacea – the quick fix to solve all our problems and save us a great deal of money easily and quickly – despite what some may have told us.

However, I would congratulate those who have been prepared to be innovative and move into this area of change even though it may have gone wrong for whatever reason.

It is only by doing this that we will develop the longer term solution.

The benefits to be gained from e-commerce are considerable.

Not least, bearing in mind that theme of the conference, is the need to give a better, more efficient, service to those providing care.

A system that can take the bureaucracy out of the demand and supply process.

Work we have done shows, on average, that it takes 19 days for a requisition to move from the person completing it, through the authorisation stages to the supplier's organisation.

This cannot be good enough.

We need electronic processes that enable choice and demand to be made immediately by the user.

The performance indicator/Audit Commission study shows that a very high percentage of demands are very low value, but consuming the majority of managerial and administrative time. We need to change this, so supply management time can concentrate on the higher value, strategic issues.

This is one of the main benefits that the leading exponents of electronic commerce in the private sector have realised.

Demand patterns, market information, supply networks, product innovation – all this information is crucial when purchasing decisions are made at both the local and national levels.

This information must be collected nationally so that decisions can be made on the appropriate level at which purchasing should take place: local – inter-Trust or national.

Obviously, e-commerce will affect supplier relationships and, in developing the solution for the NHS, a great deal of dialogue will be needed with trade associations and individual suppliers. This has already started and will continue.

A co-ordinated strategy and implementation plan for e-commerce in England is well developed – and business cases are currently under consideration in the Department of Health and Treasury.

The timetable for this has been well publicised.

In the meantime, a great deal can happen in order to move the NHS into the electronic age and thank you to those who have been prepared to put themselves forward to pilot developments.

Leeds, Plymouth, Addenbrookes and Durham working with – in different instances – Global Health Exchange, Vamedis and Medipurchase.

If I have missed anyone then please let me know for future presentations.

But we do need more sites who are prepared to put the resources into trialling different aspects of e-commerce with the major commercial partners.

Please see Eric Jackson.

On top of these trials the situation will also be informed by the Shared Financial Services pilot sites in the South and West and in West Yorkshire, where IT system contracts should be awarded in early December.

Other e-commerce developments will continue, such as working with OGC on e-tendering and a national e-catalogue.

The other development on which we will build is the NHS Logistics Authority electronic system, which can deliver some of the facilities I outlined earlier.

Certainly, in health care, this is as advanced as anything I or others have seen in operation, including the USA, and has great potential.

I will say no more on this as it is now almost time for me to hand on to Barry Mellor.

I have made no mention in my presentation of the change needed in the area of the supply chain and the delivery of more order into how we move goods into and around the NHS, as called for by the Cabinet Office Review.

This is because it is the responsibility of Barry to explain how this is to be actioned.

So, finally Ladies and Gentlemen, thank you for listening.

Progress is being made in delivering better purchasing and supply into the NHS in England, but a tremendous amount more is needed and will happen over the next two to three years.