



CONTRACTING AND PROCUREMENT STRATEGY 2014-19

Updated Version Approved by Finance, Contracting & QIPP Committee
29th February 2016

1.0 INTRODUCTION

Walsall CCG commissions healthcare services for the population of Walsall to the value of £280m and in the majority of cases, such services are delivered through formal contracts with over 300 providers. In line with national policy, these providers are increasingly being determined by the conduct of formal procurement processes. It is therefore clear that contracting and procurement forms a key component of the CCG's overall strategy and therefore it is essential that the CCG sets out its approach to this activity.

Accordingly a Contracting and Procurement Strategy was presented to Finance, Contracting and QIPP Committee in August 2014 (replacing the previous PCT policy) which was subsequently updated to reflect the comments of the Committee and this Strategy has subsequently been applied to the conduct of contracting and procurement activity.

Although this Strategy took account of the CCG's Strategic Plan 2014-19 and the Operational Plan 2014-16, given subsequent changes within the commissioning environment including: the introduction of the Five Year Forward; the development of the CCG's Operational Plan for 2016-17 and Sustainability and Transformation Plan (STP) based on the wider Black Country and West Birmingham footprint; and the issue of the 2015 Public Procurement Directives; it is appropriate for the Strategy to be updated to reflect these changes.

2.0 OVERVIEW - A PUBLIC VALUE APPROACH TO CONTRACTING AND PROCUREMENT

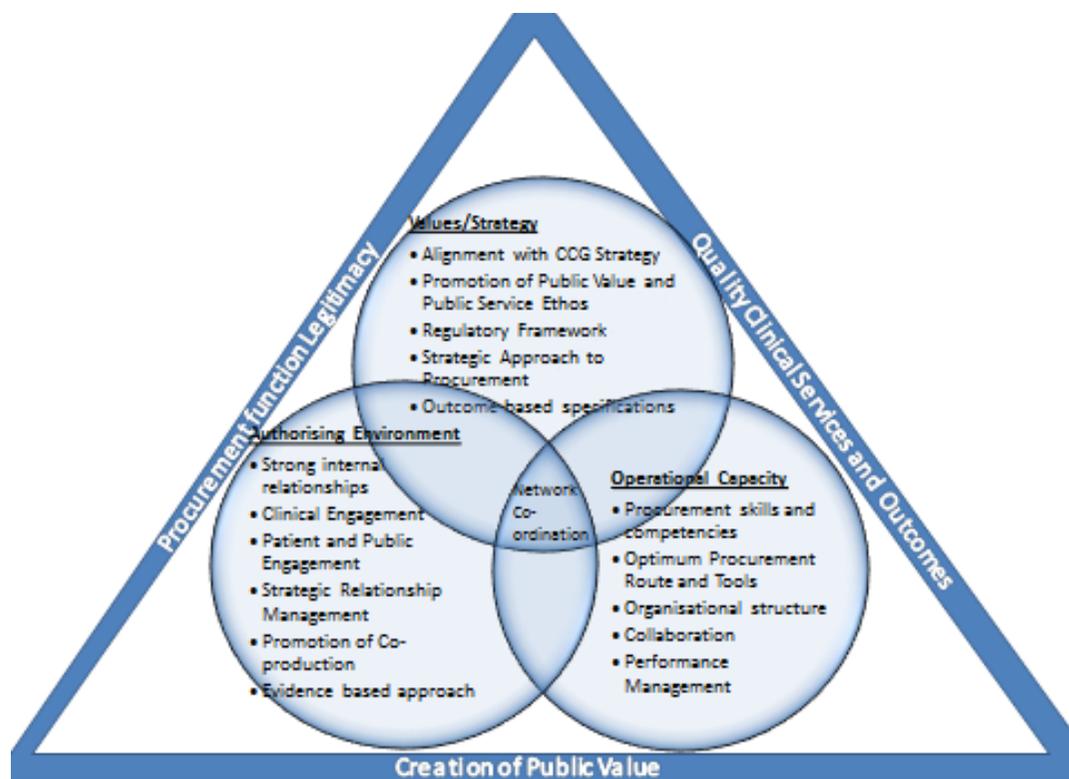
The CCG has adopted "*the creation of public value*" as one of its core values and to "*Secure best value for the Walsall pound and deliver public value*" as one of its four objectives and this approach therefore needs to be reflected in the Contracting and Procurement Strategy and accordingly this new strategy is based on the Public Value Healthcare Procurement Framework (PVHPF) devised by the CCG's Head of Contracting and Procurement (now Programme Director for Contracting, Procurement & QIPP). The foundation for this was academic research which therefore helps to provide a strong evidence base. Indeed, this work has itself been instrumental in influencing the public value approach within the Strategic Plan.

This approach is summarised in **Figure 1**, the Contracting and Procurement Strategy on a Page which illustrates that this is designed to have a three-fold impact:

1. To increase the legitimacy of the contracting and procurement function within the CCG so that it is regarded as a strategic function which is fully embedded into the business processes of the CCG.
2. To ensure that resultant contracts provide high quality clinical services and produce specified clinical outcomes.
3. To produce public value in terms of making a broader contribution to the local community by focussing on the needs of the public as citizens as well as consumers.

In summary, the strategy seeks to demonstrate how contracting and procurement can be utilised to drive improvements in healthcare for the population of Walsall.

Figure 1 - Contracting and Procurement Strategy on a Page



Key features of this strategy are:

- The strategy is based around the Strategic Triangle comprised of the three essential components needed to deliver public value: strategic direction and core values; an authorising environment providing political legitimacy from stakeholders; and appropriate operational capability in terms of resources and skills.
- Contracting and procurement activity is driven by the overall strategy, objectives and priorities of the CCG.
- All procurement activity is clinically driven and aims to deliver the commissioning priorities of the CCG for the benefit of the local population.
- NHS and Walsall CCG values are at the core of procurement activity including their use in the selection and evaluation of bids and the general promotion of a public service ethos by providers.
- Providers are encouraged to deliver broader public value to the local community, such as economic, social and environment benefits as well as quality and value for money services
- Procurement activity is consistent with procurement regulations and guidance.
- Clinical and public and patient engagement is essential in delivering effective procurement projects and contracts.
- A strategic relationship management approach will be developed with key providers.
- Providers are encouraged to adopt the co-production of service planning and service delivery with service users, patients and the public and this approach will equally be applied by the CCG.
- All staff engaged in procurement activity must have the appropriate skills and competences including political management skills.
- The CCG has an appropriate structure for the conduct of procurement including the optimum balance between in-house and external resources.
- There is a clear process for determining the optimum procurement route for each commissioning project.
- There is appropriate “collaborative capability” in terms of the CCG collaborating with other commissioners and providers co-operating with commissioners and other providers.
- A key task of the contracting and procurement function is as a network co-ordinator in managing and co-ordinating a range of providers from the public, private and third sectors.

4.0 **SEGMENT 1 - STRATEGY AND VALUES**

4.1 Alignment with CCG Strategy

4.1.1 Vision, Values and Principles

All contracting and procurement activity must be driven by the CCG's vision: **“To improve the Health and Well-Bering of the People of Walsall”** and the associated CCG values. As detailed in **Table 1**, these values have been converted into a series of key principles that will be applied to all contracting and procurement activity including where activity is conducted by other agencies on behalf of the CCG.

Table 1 - Walsall CCG Values and Key Principles of Contracting and Procurement

| NHS Walsall Value | Description of NHS Walsall Value | Key Principles of Contracting and Procurement |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Respect and Value People | Individuals are at the core of what we do | To award and proactively manage contracts so that they provide high quality services, personalisation of care and deliver improved health outcomes. |
| Listening to local people | We are committed to involving patients, carers, clinicians and communities in the design and improvement of their services. | To ensure that that there is appropriate public and patient engagement in the award and management of contracts. |
| Clinical Leadership | We recognise and embrace the need for clinical leadership in service planning and re-design to ensure highest levels of quality, safety and efficiency. | To ensure that that there is appropriate clinical engagement in the award and management of contracts so that all such activity is clinically focussed. |
| Clear Accountability and Transparency | We value feedback and a clear sense of personal accountability and responsibility. | To ensure that there is transparency in all contracting and procurement decisions and that feedback will be sought from stakeholders on the conduct of contracting and procurement activity. |
| Innovation | We will make the best use of all new technology, particularly striving to be at the forefront of innovation in exploitation of information technology. | To promote the use of innovation and technology amongst providers and to use innovative methods including maximising the use of electronic systems and technology in awarding and managing contracts. |
| Prevention | We will prevent poor health starting early with families, children and young people. | To ensure that providers of healthcare services to the people of Walsall promote healthy lifestyles, sustainability and corporate social responsibility and that there is appropriate liaison with Public Health when awarding contracts. |
| Partnership | We will work closely with our partners in health, local authority, and voluntary sectors to ensure a holistic approach to promoting health and equality in the community. | To work positively in partnership with CCG colleagues, with other commissioners such as other CCGs and Walsall Council, with current and potential providers, and with our commissioning support provider. |
| Public Value | Though our commissioning and procurement arrangements we will promote the creation of public value as measured by the social, economic and environmental | To apply a public value approach to contracting and procurement whereby social, economic and environmental factors form part of bid evaluation and contract |

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| | impact on the community. | management activities. |
| Parity of Esteem | We will work to not only improve mental health and learning disability services, but also to change how people think about them, so that mental health and learning disabilities is truly “on a par” with physical health. | To ensure that appropriate resources are applied to awarding and managing mental health and learning disabilities contracts and that consideration of mental health and learning disability issues is applied to all relevant contracts. |

4.1.2 Objectives and Priorities

The CCG’s Strategy Plan 2014-19 identifies the following four overall strategic objectives:

1. Improve health outcomes and reduce health inequalities.
2. Provide the right care, in the right place, at the right time.
3. Commission consistent, high quality, safe services across Walsall.
4. Secure best value for the Walsall Pound and deliver public value.

More specifically the Strategic Plan identifies ambitions, improvement trajectories and interventions which will be used to achieve these objectives. Those for which contracting and procurement will lead or play a prominent role are summarised in **Appendix 1**. Progress against each of these will be monitored as part of the ongoing performance management of the Strategic Plan itself and as part of the performance management of the Contracting and Procurement Team (see **Section 6.5**).

Furthermore the Five Year Forwards View issued in October 2014 identified three key gaps or ‘triple aims’ in health provision. All of these apply to the Walsall Health economy and as set out in **Table 2**, it is again possible to identify how these can be addressed through the conduct of contracting and procurement activity in Walsall, some of which are complimentary to the principles set out in **Table 1**. Some of these approaches will be described in more detail in **Sections 5 and 6**.

Table 2 - Addressing the ‘Triple Aims’

| Gap | Description | How this gap in Walsall can be addressed through contracting and procurement activity |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Health and Well-Being Gap | If the nation fails to get serious about prevention then recent progress in healthy life expectancies will stall, health inequalities will widen, and our ability to fund beneficial new treatments will be crowded-out by the need to spend billions of pounds on wholly avoidable illness. | <ul style="list-style-type: none"> • Including preventative measures, such as ‘Making Every Contact Count’, in contracts. • Working closely with Public Health. • Awarding contracts specifically for preventative/self-care services. |
| The Care and Quality Gap | Unless we reshape care delivery, harness technology, and drive down variations in quality and safety of care, then patients’ changing needs will go unmet, people will be harmed who should have been cured, and unacceptable variations in outcomes | <ul style="list-style-type: none"> • Promoting innovation, increased use of technology. • Addressing poor performance through use of formal contract mechanisms and |

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| | will persist. | <p>sanctions.</p> <ul style="list-style-type: none"> • Promoting service transformation through new specification, new contracts and conducting procurements. • Promoting service integration through new methods of contracts eg alliance contracts, and through delivery of new service models. |
| The Funding Gap | If we fail to match reasonable funding levels with wide-ranging and sometimes controversial system efficiencies, the result will be some combination of worse services, fewer staff, deficits, and restrictions on new treatments. | <ul style="list-style-type: none"> • Identifying potential QIPP schemes and cost improvements. • Ensuring delivery of agreed QIPP and cost improvement schemes by providers. • Rigorous approach to costing and coding eg challenging charging mechanisms through formal contract mechanisms. |

The CCG's Operational Plan for 2015-17 also set out the immediate operational priorities for the CCG and these have been further refreshed in the Operational Plan for 2016-17 and are now as follows:

Priority One – Recover performance: Recover and stabilise our current system to ensure we recover performance against key NHS constitutional targets including the 4 hours A&E target, the 18 weeks Referral to Treatment Target and cancer targets.

Priority Two – Restore quality of Services: Ensure we restore quality of services and patient safety by supporting WHT to respond to the recommendations set out in the recent Care Quality Commission's inspection of Walsall Healthcare Trust (WHT) with particular focus on maternity and emergency and urgent care services. A further key focus here is to reduce health inequalities and improve health outcomes.

Priority Three – To deliver transformational change through the STP footprint: Work with our strategic partners on the wider footprint of the Black Country and West Birmingham to develop a sustainable plan for services in the future including the initial four service areas identified for collaborative working across the footprint: urgent care, primary care, mental health and maternity services. These build on the approach already adopted in Walsall to address these issues.

Priority Four – Maximise Value and Secure Financial Balance through RightCare: Ensure we remain in financial balance by using the RightCare Programmes and other mechanisms to identify and deliver our QIPP programme and secure best value for the Walsall pound. The Better Care Fund and improvements in community services are key drivers within this context.

Again, contracting and procurement can have an influential impact in addressing these issues including through: robust contract management processes to address poor performance, delivering service transformation and service integration through new or amended contracts and the conduct of procurements; promoting improved mental health and learning disability services, and ensuring that services are delivered in the right setting.

How the above approach can be applied is best illustrated by some recent examples of how contracting and procurement has been used to address this agenda including:

- Locally commissioned Services and AQPs – The CCG has undertaken a programme of converting previous Locally Enhanced Services (LEs) into Locally Commissioned Services (LCSs) and Any Qualified Provider (AQP) contracts which have helped to promote increased community and primary care-based provision and increased choice of provider to patients. The recent award of a contract for Community Ophthalmology services on an AQP basis, enabling patients direct access to a range of community opticians rather than visiting GPs and the hospital, is a good example of promoting right care in the right place at the right time.
- Urgent Care Procurement – A procurement exercise has been conducted to appoint a new provider to provide an integrated GP out of hours and urgent care service (the latter provided at two urgent care centres, one hospital based and one community based within new premises) which represents the implementation of Phase One of the CCG's Emergency and Urgent Care Strategy. In recognition that the new provider needs to work together with other providers within the emergency and urgent care pathway, the CCG has developed an "Umbrella Agreement" setting out how all of these providers will work closely together.
- Children and Adolescents Mental Health Services (CAMHS) Tier 3+ services – The CCG has recently commissioned, initially on a pilot basis, from the Dudley and Walsall Mental Health Trust (DWMPHT) an enhanced CAMHS services as it recognised that there was a significant gap in current service provision.
- Use of contract Management Mechanisms and Sanctions – In order to address declining performance against key Performance Indicators (KPIs) at WHT, the CCG has increasingly applied formal contractual measures. For example Contract Query Notices/Performance Notices and Exception Reports have been issued in relation to A&E four hours waits, RTT, diagnostic waits, cancer treatment standards, chronic pain, prescribing practice and mixed sex accommodation. In some cases such as cancer standards and diagnostic waits these have resulted in significantly improved performance.

The CCG's contracting and procurement function will continue to progress similar initiatives to ensure that it is at the forefront of delivering the CCG's key strategic and operational objectives.

In the latest planning guidance, "*Delivering the Forward View: NHS planning guidance 2016/17–2020/21*", health economies are expected to develop and deliver five-year Sustainability and Transformation Plans (STP) and it has been determined that there will be a single plan for the Black Country which will include Walsall. Inevitably this is likely to mean more collaborative commissioning as set out in **Section 6.4**.

In the Five Year Forwards View and subsequent planning guidance there is much reference to new models of care including Multispecialty Community Providers (MCPs), Primary and Acute Care Systems (PACS) together with Accountable Care

Organisations (ACOs), which in some cases are being piloted through Vanguard. Although such new models have not yet been established in Walsall, as and when they are developed, they will inevitably require different approaches to contracting and procurement such as the new models of contracting referenced in **Section 6.2**.

4.2 Promotion of Public Value and Public Service Ethos

As can be seen from the above, the delivery of public value to the people of Walsall is embedded in both the overall strategy and values of the CCG and within the approach to contracting and procurement.

However it is more difficult to identify what this may mean in a tangible sense. The categorisation of public values in **Table 3** goes some way to explaining this.

Table 3 – Categorisation of Public Values

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| Economic value | Adding value to the public realm through the generation of economic activity and employment. |
| Social and Cultural value | Adding value to the public realm by contributing to social capital, social cohesion, social relationships, social meaning and cultural identity, individual and community well-being. |
| Political value | Adding value to the public realm by stimulating and supporting democratic dialogue and active public participation and citizen engagement. |
| Ecological value | Adding value to the public realm by actively promoting sustainable development and reducing public 'bads' like pollution, waste, global warming. |

Source: Benington & Moore, 2011

In practical terms some of the steps already being taken by the CCG in its contracting and procurement processes are helping to deliver this and these include:

- At the PQQ stage of procurement processes, potential providers are asked to demonstrate that their organisational values are compatible with those of the CCG and the NHS Constitution.
- At the ITT stage of procurement exercises, potential providers are required to indicate what actions they will take to provide broader community benefits. For example a recent tender exercise revealed that private and public sector providers alike already had in place, or had plans for, a whole range of schemes including: paying the living wage; engaging local labour; operating apprenticeship and graduate schemes; supporting national and local charities including through salary sacrifice schemes or staff volunteer days; sourcing goods and services locally, inviting a proportion of their "surplus" or profit in the local community, and implementing carbon reduction schemes including encouraging staff to use public transport or cycle to work.
- Following the award of contracts, providers are being requested to (alongside their annual Quality Accounts) to provide a Public Value Account setting out the actual benefits that they have delivered. As can be seen in **Appendix 1**, it is envisaged that the number of providers issuing such Accounts will grow over the next few years.

It is anticipated that this public value approach will be particularly welcomed by the third sector as it chimes with their culture but may also find resonance with SME's and local (Walsall based) businesses as they may be best placed to deliver the

vision of creating public value in the local community. It therefore follows that the CCG will continue to seek dialogue with these sectors by ensuring that they are aware of opportunities to provide services, that the CCG understands the services that they are able to offer, and the CCG assists them in developing their capability and capacity to both respond to supply opportunities and to deliver services to the required standard. In doing so, the CCG will work in partnership with other public sector organisations including the Local Authority.

4.3 Regulatory Framework

As well as being guided by the CCG's overall strategy and values, contracting and procurement must also be conducted in accordance the prevailing regulatory framework as summarised in **Figure 2**.

Figure 2 – The Regulatory Framework for Healthcare Procurement



Key components of this are:

- EU Public Procurement Directives – The issue of the Public Contracts Regulations 2015 has seen some significant changes to the application of EU Public Procurement Directives to the procurement of healthcare. This includes the application of a new 'Light Touch Regime' with effect from April 2016 for which further guidance is awaited in order to reconcile these provisions with those of the Procurement, Patient Choice Competition Regulations (see below). It is likely that these will result in greater scrutiny of the award of contracts for healthcare. Some of the elements of the 2015 Regulations that already apply to healthcare include: the public procurement principles of transparency, proportionality, non-discrimination and equality of opportunity; the requirement to have all contract documentation available at the time the advertisement is placed which will impact on procurement project timescales; the elimination of the use of PPQ (pre-qualification questionnaires) for low value contracts; and the advertisement of procurements in Contracts Finder.
- The Procurement, Patient Choice and Competition (No 2) Regulations - These are statutory provisions reinforced by Monitor's Substantive Guidance which outlines the approach to choice and competition that should be applied by commissioners including CCGs. Key provisions of the Regulations are that

competitive tendering is not compulsory but commissioners must take into account a range of factors when determining if competitive tendering is applicable and that commissioners are required to procure services from the most capable provider or providers as well as being required to secure best value for money. As indicated above there is some conflict between these Regulations and the 'light touch regime' and further guidance is anticipated shortly.

- CCG Standing Financial Instructions – SFI's set out delegated responsibility for the approval of contracts.
- Public Services (Social Value Act) – This Act requires all public bodies including CCGs to consider "How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area" and "How, in conducting the process of procurement, it might act with a view to securing that improvement". As demonstrated above, the CCG's public value approach fully incorporates this requirement.

The detailed application of the above regulations to the procedures and documentation used by the CCG when determining the optimum sourcing route and, where applicable, conducting individual procurement exercises is set out in the CCG's *Healthcare Procurement Policy*, which is currently being updated.

4.4 A Strategic Approach to Procurement

As well as ensuring that procurement activity embraces and promotes the overall strategy and values of the organisation and complies with the regulatory framework, a further key element is having a strategic approach to the conduct of contracting and procurement. Key elements of such an approach include:

- Spend Analysis – The CCG needs a clear understanding of its spend profile including identifying: the top providers by spend; the distribution of spend by sector (eg NHS, other public sector, third sector; private sector etc); and the distribution of spend between healthcare sector (ie acute, community, primary care and mental health). Such an analysis is already conducted of the NHS contracts awarded each year as part of the NHS contract round and for 2015-16 contracts some of the key findings are illustrated in **Appendix 2**. It is already clear from this analysis that the CCG is faced with a dominant but under-performing provider (Walsall Healthcare NHS Trust) and that a high proportion of spend is within the Acute sector. It is intended to expand such analysis to all CCG contracts so that there is a full understanding of spend and this, in turn, should inform the identification of QIPP opportunities.
- Maintenance of a Contracts database and contract coverage – The CCG will maintain a contracts database that details all contracts awarded and this will enable an analysis of contract spend to be conducted so that there is a clear understanding as to where there is a gap in contract coverage so that it can target those areas of spend in order to achieve the CCGs ambition within the Strategic Plan (see **Appendix 1**) to increase the proportion of CCG commissioning spend covered by formal contractual arrangements to 95% by 2018-19.
- Market management – In conjunction with the above approaches, market management techniques will be used to understand the market place within specific pathways and to determine whether new entrants to markets need to be stimulated and whether a formal procurement, including the use of Any Qualified Provider (AQP), is appropriate.
- Identification of potential procurement opportunities and QIPP schemes – Given the financial challenge facing the CCG, there is a responsibility of the contracting and procurement function to identify potential procurement

opportunities that may result in QIPP (Quality, Innovation, Productivity and Prevention) schemes. This includes gathering intelligence about procurements conducted by other commissioners, being aware of innovative approaches being applied elsewhere, and having an awareness of the capability of providers to offer new service models.

4.5 Outcome Based Specifications

In seeking to help achieve the CCG's mission "*to improve the health and wellbeing of the people of Walsall*", there will be increased emphasis in ensuring that specifications for services concentrate on the patient outcomes to be delivered rather than specifying the detailed mode of delivery. Key contract components, such as quality standards, performance measures, information requirements and CQUIN schemes, will be focussed on delivering high quality patient care and outcomes. Payment, incentives and contract sanctions will, where applicable, be linked to the achievement of specified outcomes.

Similarly QIPP (Quality, Innovation, Productivity and Prevention) schemes, as indicated above, will be focussed on promoting more efficient methods of delivering healthcare releasing cash savings whilst providing high quality, innovative services to patients.

5.0 **SEGMENT 2 - AUTHORISING ENVIRONMENT**

5.1 Strong Internal Relationships

The public value management approach is particularly focussed on the gaining of political legitimacy for initiatives that will create public value. This principle may best be applied by ensuring that the contracting and function is embedded within the organisation and is seen as a contributor to developing as well as delivering strategy. The enhanced role of the Programme Director Contracting, Procurement and QIPP within the CCG as a member of the Governing Body, COG (CCG Operational Group) and SMT (Senior Management Team) helps cement this approach.

It is equally important that contracting and procurement is engaged with the organisation at an operational level using matrix working and ensuring that there are sound relationships with GPs, commissioning managers, finance staff, and quality leads so that procurement exercises and contracts reflect the full requirements of the organisation.

Consistent with this approach the Contracting and Procurement Team will continue to adopt a customer service approach ensuring that a "can do" attitude is adopted so that procurement is not seen as a bureaucratic barrier to achieving organisational goals. To this end occasional customer surveys will be conducted to measure the degree to which the Contracting and Procurement team is meeting the needs of the CCG.

5.2 Clinical Engagement

In recognition that within the CCG all commissioning activity is clinically led, contracting and procurement activity will be equally influenced by clinical input with key areas of activity being:

- Procurement planning – Clinicians will have a key role to play at the option appraisal/planning stage primarily through Programme Boards.

- Specification development – There will be expert clinical input to specifying clinical standards, performance measures and clinical outcomes again largely through Task and Finish Groups.
- PQQ and Tender Evaluation – Clinicians will be engaged in all elements of the procurement process including assessing providers capacity and capability at PQQ (Pre-qualification questionnaire) stage and evaluating bids at ITT stage.
- Contract mobilisation – A clinical lead will be nominated to be a key contact when contracts are at mobilisation stage and operational arrangements are being finalised.
- Contract Management – The designated clinical lead(s) will assist in the performance monitoring of contracts, such as participating in site visits, and will chair/attend clinical quality and contract review meetings.
- Annual Contract Round – The annual contract preparation process for NHS contracts will be clinically led with a designated clinical lead and other GPs nominated to work with their management counterparts to lead on specific elements of the contract, such as quality, finance or performance measures.

Such input will be arranged through the Clinical Executives, Locality Leads and Clinical Leads with consultation with the Clinical Senate and LMC as appropriate..

In managing this activity, care will need to be taken to ensure that there are no conflicts of interest between GPs' engagement as commissioners and their role as providers. Monitor Guidance and the CCG's own Conflict of Interest Policy will be adhered to and, where applicable, this may result in the engagement of external independent clinicians in the above activities.

5.3 Public and Patient Engagement

Public and patient engagement is an equally important facet of the authorising environment and, will be conducted in line with the CCG's Communication and Engagement Strategy. This is likely to parallel clinical engagement in terms of public/patient involvement in the various stages of procurement processes. At times, such representation may be provided by lay members and, in all cases, appropriate briefing and training will need to be provided.

5.4 Strategic Relationship Management

An essential ingredient in the delivery of effective high quality patient care and the creation of public value is a robust contract management process. Combined with the strategic approach to procurement set out above, the CCG will adopt a 'strategic relationship management' approach with its strategically important providers.

Such an approach is defined as "a discipline of working collaboratively with those suppliers that are vital to the success of your organisation to maximise the potential value of those relationships". This means that the CCG will attempt to maximise the benefits to patients and the community from its relationships with its key providers whether they are from the NHS, private or third sectors.

In harnessing such relationships care will need to be taken to ensure that there is an appropriate balance between formal contractual management processes and informal relational interfaces. Where the former is used, there will need to be an appropriate balance between the application of sanctions and incentives.

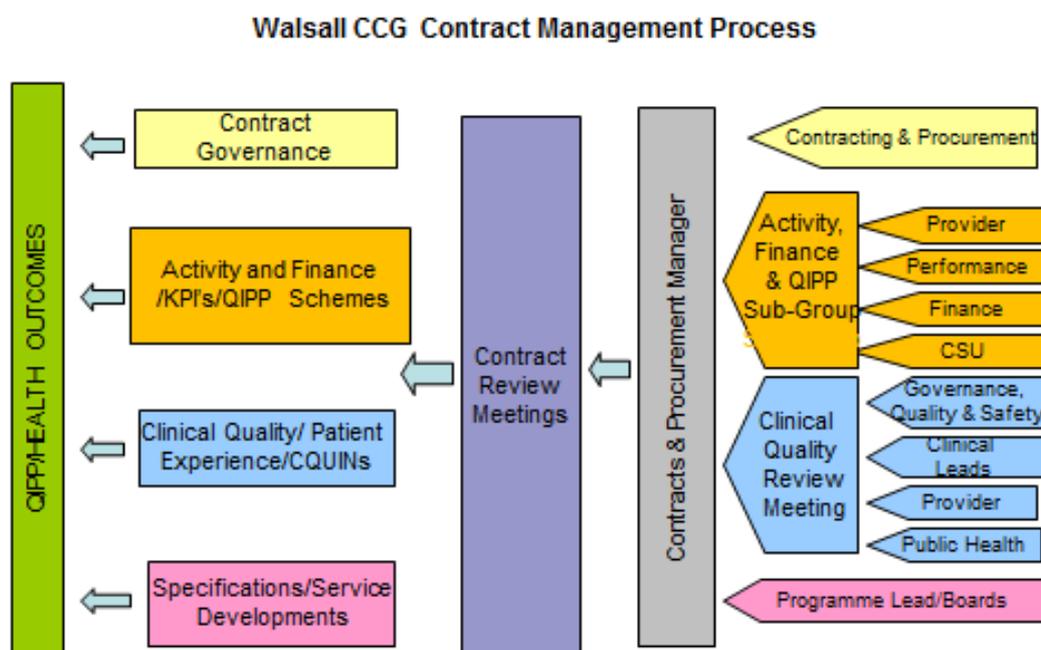
In applying this approach, conducting procurement activity to select the most capable provider will often be focussed on procuring a relationship with a provider

rather than merely the service. This was the model used when selecting St Giles Hospice as the provider of the in-patient unit at the Palliative Care Centre and the benefits of this are being seen in SGH's integration into the local health economy and the increasing use of the organisation's expertise and facilities.

As illustrated in **Figure 3**, a multi-disciplinary approach to contract management is a key characteristic of the CCG and this ensures that there is structured approach with clinical leadership and all specialist disciplines making a contribution with activity co-ordinated by Contract and Procurement Managers.

Given the focus on improved efficiency of providers within the recently issued Carter Report, there is likely to be more attention on these areas, such as the use of agency staff and procurement activity, in future contract management.

Figure 3 – Contract Management Process



5.5 Promotion of Co-Production

In the same way in which the CCG intends to engage patients and public in contracting and procurement activities, the public value approach has at its core the requirement for providers to engage in co-production with their clients and customers. This means that the public are not only engaged in deliberations about the priorities and future provision of services but they are actively engaged in the delivery of services.

This may take two forms. Firstly, by awarding contracts specifically for the delivery of coproduction activities, for example, selecting a provider to deliver an expert-patient programme and secondly, contracts will oblige providers to engage their clients in co-production activities relating to both engagement in the planning and delivery of services.

In this sense providers will be used as an extension of the CCG's arm in securing effective patient and public engagement.

5.6 Evidence Based Approach

The Public Value Healthcare Procurement Framework on which this Strategy is based has been developed from academic research and this builds on the CCGs continued participation in academic research projects. These include research conducted by Birmingham University in the application of supply chain theory to NHS commissioning and procurement and that relating to the use of contractual levers conducted by the London School of Hygiene and Tropical Medicine.

Where applicable, further opportunities will be taken to forge links with academic institutions and research bodies to both contribute to and learn from research into contracting and procurement in a commissioning environment.

6.0 **SEGMENT 3 – OPERATIONAL CAPACITY**

6.1 Procurement Skills and Competences

In order to deliver this strategy it is essential that the appropriate skills and competences are available throughout the CCG both within the Contracting and Procurement team and for all other staff involved in the activities covered by this strategy. Such skills will include negotiation and influencing skills, procurement skills including knowledge and application of procurement rules, sourcing and market management skills, contract management expertise and, particularly political management skills, which are essential in building effective internal relationships and gaining external political legitimacy.

To ensure the required level of competency in contracting and procurement skills throughout the organisation, appropriate training and development will be put in place. More specifically, Contracting and Procurement staff will undertake applicable specialist training and will be expected to be members of the Chartered Institute of Purchasing and Supply and hold, or be studying for, a CIPS qualification (or equivalent) appropriate to their level within the organisational structure.

6.2 Optimum Procurement Route and Tools

In order to determine the best placed provider to meet the needs of patients and to deliver public value, the optimum procurement route, as summarised in **Table 5** needs to be selected together with the most appropriate contractual mechanisms. These will be determined by taking into account a variety of factors which form part of the Sourcing Plan as incorporated into the CCG's Healthcare Procurement Policy.

Table 5 – Summary of Procurement Routes

| Process | Overview of Process | Indicative timescale |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Negotiation with single provider (single source) | Negotiation of appropriate terms of the contract with the designated provider, which will often be the existing provider. Where this option is used with a new provider, this would need to be justified possibly on the grounds of low value/proportionality. | 3-6 months |
| Full EU advertised competitive tender | Advertisement placed within the EU Journal and Contracts Finder and compliance with the formal | 9 months + |

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| exercise | specified processes. The typical timescales for this process are at least 6 months and this is likely to be used for contracts of high value. | |
| Non EU competitive tender exercise | Formal competitive tender exercise advertised within Contracts Finder. | 2-6 months |
| Ring-fenced competitive tender exercise | Formal competitive tender ring-fenced to specified providers or groups of providers as they are deemed to be the only ones capable of providing the service. Such exercises may be conducted with or without price competition, the latter where a tariff is in place. | 2-4 months |
| Any Qualified Provider (AQP) | Formal accreditation exercise advertised within Contracts Finder but against pre-determined tariff. All providers who meet standards will be accredited provider status and added to the Choose and Book menu. | 3-6 months |

Where it is appropriate to establish Framework Agreements, whereby a list of approved providers are appointed to deliver a specific service or range of services, the most appropriate procurement route will be used. In such cases, the subsequent award of business may be determined through the application of a mini-competition.

Resultant contracts will be awarded using the prevailing NHS Standard Contract. Where applicable, the shortened form of this which is due to be released in early 2016, will be used particularly in relation to low value contracts.

In conducting all procurement activity, the CCG will be mindful of potential conflicts of interest and will ensure that procedures are in place to ensure that any declaration of interests by participating parties are identified and that appropriate mitigating actions are taken in line with the CCG's Conflict of Interest Policy.

Where arrangements are put in place such as through AQPs, which increase patient choice and/or improve access to services, appropriate mechanisms will be put in place to ensure management of demand and to limit financial risk.

In undertaking contracting and procurement activities, appropriate use will be made of electronic systems such as the Bravo electronic tendering and Award tender evaluation systems that are already in use. This quest to apply the latest technology to contracting and procurement will continue.

With the strategic focus, as set out in **Section 4**, on increased integration of services and new models of care, new contractual models, such as Alliance contracts and Prime Contractor, which promote more joined-up service provision will be utilised as appropriate. The development of the Umbrella Agreement for urgent care, as cited above, is an example of this.

6.3 Organisational Structure

From its conception the CCG determined that its needs could best be met by an in-house contracting and procurement team and this has helped the team to become fully absorbed within the full range of planning and commissioning activities of the CCG. This approach has been enhanced by the transfer of resources from the Commissioning Support Unit to fund additional in-house staff.

The recent management of change programme within the CCG has also helped concentrate contracting activity in one place with the appointment of the Primary Care Contracts and Procurement Officer to the Contracting and Procurement Team

to oversee Locally Commissioned Services contracts and primary care AQPs. This role was formerly part of the primary care team.

As the CCG takes on delegated primary care commissioning from 1st April 2016, clarity on the respective roles and responsibilities of the primary care and Contracting and Procurement teams will need to be established.

Given the level of contracting and procurement expertise and experience which has been developed this should be regarded as significant “capital value” of the CCG which sets it apart from others.

6.4 Collaboration

Although the CCG has an in-house Contracting and Procurement team this does not mean that it has an isolationist approach as it works collaboratively with other agencies such as Walsall Council, NHS England, the CSU and other CCGs.

Such collaborative activity will promote the development of integrated care and will include such initiatives as:

- Refreshing the Section 75 Agreement with Walsall Council which sets out those statutory functions which are devolved to each other and undertaking joint procurement exercises with the Council such as for residential and nursing homes and domiciliary care.
- Utilising the CSU to undertake collaborative procurement exercises with other CCGs where this will take advantage of increased purchasing power.
- Undertaking collaborative commissioning with other CCGs whereby Walsall CCG participates as a commissioner in contracts led by other CCGs and vice versa. This activity is currently co-ordinated by the Birmingham, Solihull and Black Country Collaborative Forum, hosted by the CSU, of which the CCG is an active member.
- Sharing best practice with other CCGs, the CSU and other commissioners on contracting and procurement matters.
- Working within the Black Country and West Birmingham planning footprint to, where appropriate, jointly commission services as set out in the STP.

Similarly, the CCG expects its providers to have a high level of collaborative capability and to work in an integrated way with other providers within and between pathways. As indicated above, this will be encouraged through the use of new models of contracting where appropriate.

6.5 Performance Management

The implementation of this Strategy will be led by the Programme Director for Contracting, Procurement and QIPP in conjunction with the Chief Finance Officer and will be overseen by the Finance, Contracting and QIPP Committee which will receive regular reports on progress and on general contracting and procurement activity.

Where applicable, performance measures and reporting mechanisms will be developed to monitor progress including against the trajectories included within the Strategic Plan (see **Appendix 1**).

An annual review of contracting and procurement activity will continue to be issued and relevant material will be published on the CCG website.

7.0 CORE SEGMENT - NETWORK CO-ORDINATION

As indicated in **Figure 1**, a key element of the public value model is that all three of the spheres must be in alignment and must be co-ordinated in order to ensure that the triple benefits of procurement function legitimacy, improved clinical services and health outcomes and the creation of public value are achieved. Implementation therefore needs to concentrate on the components in each of the three spheres.

A further important aspect of this network co-ordination role is that the contracting and procurement function acts as the principal interface between the organisation and its external providers by co-ordinating, interpreting and consolidating the requirements of internal customers to avoid fragmentation and by steering networks of providers from the public, private and third sectors to work collaboratively in delivering integrated care.

8.0 NEXT STEPS

In order to ensure implementation of this Strategy, key actions to be taken include the following:

- Following approval, to disseminate it throughout the CCG so that there is a shared understanding and ownership.
- The conduct of a spend analysis to enable the segmentation of spend categories and providers so that appropriate supply strategies can be developed.
- For contracting and procurement to be at the forefront of identifying, implementing and monitoring opportunities for service quality and performance improvement including through QIPP schemes.
- To maintain a Procurement Plan which sets out proposed procurement activity and timescales. It is anticipated that increasingly procurement will be used as a mechanism to drive service transformation and increased efficiency.
- The development of CCG policies which sets out clearly the obligations which the CCG expects of its providers in terms of social, economic and environmental responsibilities.
- The refresh of the Healthcare Procurement Policy setting out the decision matrix/sourcing plan to be used to determine when competitive procurement is appropriate and, where this is the case, the optimum procurement route. This will need to take account of the pending guidance on the application of the Public Contracts Regulations 2015 and the Procurement, Competition and Patient Choice Regulations.
- The development of recording and reporting mechanisms against the contracting and procurement related trajectories included within the Strategic Plan as set out in

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Appendix 1 - Contracting and Procurement Related Strategic Plan Ambitions, Improvement Trajectories and Interventions

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| Objective | Priority | | | | | |
| 3 – Commission consistent, high quality safe services across Walsall. | Improve service quality and performance. | | | | | |
| We expect a high standard of performance from our providers and we will agree a set of performance metrics for each contract which will be monitored as part of our contract management process. Where performance is not met, appropriate contract sanctions and levers, including financial penalties will be applied. Compliance will be measured over time and we expect the number of sanctions and value of penalties to reduce and the proportion of trajectories and thresholds that achieve their target to increase so as to reflect improved quality of care to patients. It is recognised that the traditional methods of contracting used in the NHS do not always meet modern day requirements including the need for the integration of services. Therefore, we will increasingly award contracts which focus on outcomes and we will adopt new contract methodologies which promote integration and joined up working between different providers along a pathway. | | | | | | |
| Our ambition | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| The value of contract sanctions as a proportion of contract value with Walsall Healthcare NHS Trust (our largest provider) is reduced. <i>This measure will be developed for other contracts over time.</i> | 0.3% | 0.28% | 0.25% | 0.18% | 0.15% | 0.1% |
| The proportion of KPIs within the contract with Walsall Healthcare NHS Trust which are meeting the agreed threshold is increased | 66%* | 70% | 75% | 80% | 85% | 90% |
| The proportion of NHS Constitution measures within the contract with Walsall Healthcare NHS Trust which are meeting the agreed threshold is increased | 53%* | 86% | 100% | 100% | 100% | 100% |
| Proportion of outcome based contracts, using the new contract methodologies, will increase. | Measure and trajectories to be developed. | | | | | |

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| Objective | Priority | | | | | |
| 4 – Secure best value for the Walsall pound and deliver public value. | Deliver cost efficiency programmes (including QIPP). | | | | | |
| In order to deliver the efficiencies needed over the period, we have a range of schemes within our QIPP (Quality, Innovation, Productivity and Prevention) programme. These are based on our understanding of where changes need to be made in the system, informed by the work of the system and comparative information showing how Walsall compares to other areas. Each scheme is designed to improve services and deliver savings- therefore improving value for money. QIPP schemes for 2014/15 -2018/19 are linked to the commissioning intentions sent to our main providers and detailed separately in the Financial Plan. These are ambitious proposals which if delivered would bring about major transformation and potentially considerable cost savings over the strategic period. | | | | | | |
| Our ambition | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| £31.1m of QIPP savings and improvements are delivered | | 6.0 | 11.1 | 18.5 | 25.3 | 31.1 |

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| Objective | Priority | | | | | |
| 4 – Secure best value for the Walsall pound and deliver public value. | Ensuring delivery of provider cost improvement plans. | | | | | |
| All providers to the NHS are expected to introduce efficiency improvements on an ongoing basis by introducing more efficient ways of working. We will continue to require and monitor such improvements by working in partnership with providers to explore efficiencies that provide improved care to patients whilst at the same time delivering better value. We will monitor NHS providers implementation of the NHS procurement strategy, “Better Procurement, Better Value, Better Care” to drive best practice procurement as this is a key contributor to improved efficiency and increased value for money. | | | | | | |
| Our ambition | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Key providers deliver 4% savings year on year | | £12.0m | £23.0m | £36.0m | £48.0m | £61.0m |

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| Objective | Priority | | | | | |
| 4 – Secure best value for the Walsall pound and deliver public value. | Ensuring services are provided by the most capable providers. | | | | | |
| The required health outcomes can only be delivered by ensuring that services are delivered by those providers that are best placed to provide the required level of service. Selecting the optimum provider is, therefore, at the heart of our commissioning and in doing so we will conduct service reviews to assess the quality of current services and, where it is found that the highest level of service is not being provided we will, where applicable, market test services. This will include using the Any Qualified Provider mechanism to promote patient choice and to drive improvements in service quality. In doing so, we will stimulate the market resulting in the introduction of new providers. | | | | | | |
| Our ambition | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| The proportion of CCG commissioning spend covered by formal contractual arrangements is increased. | | 91% | 92% | 93% | 94% | 95% |
| Increase the number of services subject to formal procurement exercises including AQP. | Annual increases: | 10 | 12 | 10 | 8 | 8 |
| The number of new providers of individual services to Walsall CCG is increased. | Annual increases: | 25 | 20 | 15 | 10 | 5 |
| Proportion of outcome based contracts, using the new contract methodologies, will increase. | Measure and trajectories to be developed. | | | | | |

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| Objective | Priority | | | | | |
| 4 – Secure best value for the Walsall pound and deliver public value. | Ensuring providers deliver social, economic and environmental benefits to the Walsall community. | | | | | |
| <p>As well as the ambition to commission high quality services providing the best health outcomes for the people of Walsall at the best possible value, we are also committed to deliver broader public value for the people of Walsall by maximising the contribution that the CCG and our providers make to the local community through social, economic and environmental improvements. This approach embraces our obligations under the Public Services (Social Value) Act and is already reflected in our ethical commissioning framework, our prioritisation policy and our procurement strategy.</p> <p>We will pilot the concept of Public Value accounts whereby, on an annual basis, our key providers set out the social, economic, and environmental benefits they have delivered to the Walsall community in providing the designated service. Such activity may include employing local labour, paying the living wage, introducing apprenticeships, and engaging the local community in the planning and delivery of services.</p> <p>We recognise that this approach is consistent with the culture of third sector and SME organisations and is also likely to promote business with the Walsall economy. Accordingly, we expect the proportion of business with these sectors to grow, and we will take steps to measure and monitor this.</p> | | | | | | |
| Our ambition | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Our ambition | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Proportion of spend with third sector, SMEs and Walsall based providers is increased | Appropriate measures and trajectories to be developed. | | | | | |
| The number of providers providing Public Value accounts (initially on a pilot basis) will increase. | 0 | 2 | 5 | 8 | 10 | 15 |

Appendix 2 – Examples of Analysis of NHS Contracts 2015-16

