

PROCUREMENT AND SUPPLY CHAIN PROJECT – ALL OF SECTOR UPDATE

No. 6

Kia ora koutou

Peter signed off the last update with *see you on the other side*. Well, we are here and as someone mentioned at the workshop last Friday it felt a bit like the Y2K bug. For those old enough to remember there was a bit of concern about how computer systems would stand up to the turn of the century - and then midnight 01/01/2000 hit and the world - carried on!

My visits

Thank you to all of you who put in the mahi to support the in-person and virtual visits. It was great to meet you all; to hear all your questions; to see and listen to what is working well, what is not and your ideas for the future. It was fantastic to be accompanied by Jill Cotter (our equity lead) and Tanya Basel (our HR/OD lead) and we would often reflect together on each day's events and learnings.

A key observation of Jill's was your keenness to get across the 'why' behind your different ways of operating. So, if you were wondering whether we heard that message, I can confirm we did.

Status Update

I know that you are all keen to know where things are at, so I thought we'd step through it.

Strategy

The draft strategy we developed during Phase I of the project has provided a good foundation, and we are now building on this following a detailed current state analysis:

- More detail around the customer – patients and clinicians
- Our climate change responsibilities in terms of carbon reduction and healthcare solutions
- Our support to Māori Health Authority priorities
- Going broader in how we were looking at 'quality'
- Being more explicit on what we mean by way of an 'integrated system'
- Our vision and our need to be more aspirational in supporting health system, rather than a generic procurement and supply system.

As Director, I'm now accountable for helping our workstream leads deliver the next *draft* update which is due 15 July.

Policies and Procedures

You will recall the initial draft set out that these are due mid-September with final completion 1 December. This week I will be sitting down with Wendy McEwan, Project Lead and Charles Smith, Specialist Advisor, to decide on a *few* priority policies that we will be putting in place as soon as possible. These will be focused on managing our current system risk.

Structure

Tanya Basel, Wendy McEwan, Kelvin Watson, and I are working the structure this week. My current thinking is to move on procurement and supply chain structures earlier than equipment management and operational support services. This is because the detail around the latter two are

going to require a few more conversations with other stakeholders before we can be certain on what will sit with procurement and supply chain.

The operating models that are currently being shaped up are critical to informing some of this work. Procurement is currently shaping up along category lines (and in that we need to consider the capability uplift that will go across all categories); supply chain along functional lines; equipment management along functional lines and operational support services along service lines.

I've provided clear direction to the teams that their thinking (and therefore development of operating model option), is not to be constrained by current structures or roles. This is our opportunity to create a fit-for-purpose procurement and supply chain operating model that can address the problems that we know are part of our current system. We need to make the most of the opportunities these reports identified. You can see a summary of these at Annex A.

Operating Model - Next Steps

As mentioned in the last update, the future operating models for each workstream are due 31 July. Workstream leads have let me know that several of you responded to the call for a wider national contribution to this work. Thank you for your valuable input.

The workstream leads presented their findings to the Steering Group last Wednesday. The Steering Group supported and endorsed the work.

The findings and early intents around future operating model options were also presented to a broader team during our collective workshop last Friday. That fact that I didn't have to give a lot of guidance or direction to the workstream leads is a testament to the mahi of the teams and the process we have followed to get as many inputs as possible. To share a few observations:

- **People and systems.** These were common themes across all workstreams. Attracting, developing, and retaining good people – while not all that lies solely in our remit the project leads have been clear from the start that investment in our people is linked directly to our future success. Systems - we need our full suite of IT solutions in place if we want to make the best decisions.
- **Quick wins.** There are quick wins to be found everywhere, just by becoming informed and aligned by way of systems and processes.
- **Complexity to simplicity.** An example of this would be in how some of our procurement is currently done – overly complex and preventing us extracting best value. We need to keep things simple.
- **Broader impacts.** There are many moving parts that need consideration in these changes. We need to think about technology developments in supply and distribution, system decarbonisation, and many other changes. Just by way of example Te Whatu Ora has one of the largest fleets in NZ that will need to be converted to low/zero emission vehicles; movements through the ports, rail network and airports will change, and so on.
- **Equipment Management Organisation.** While this work has been limited to medical devices and equipment, the future operating model options need to consider 'all' equipment going forward.
- **Operational Support Services.** This next phase is primarily about setting up the framework to look more strategically at the management of these services. There are a lot of potential benefits to this change. For example, standardising service expectations, enabling the training and development of staff, etc. There are more than 3,000 inhouse staff and more outsourced staff – that is a big workforce to consider

- **Clinical governance and engagement.** We expect to have clinical representation at our governance level (current Steering Group) and within our future senior leadership team. What can't be assumed at this time, is what our ultimate clinical governance or advisory model look likes. We need to think about our clinical engagement model alongside the needs of Infrastructure, Data & Digital, and the rest of the health system. There is probably an opportunity to aggregate those needs so that we make the best use of the clinical teams' time. This is still *a work in progress*, but we need to be as clear as possible about what model we see as providing the best value.
- **Equity.** Jill provided us a good summary on where things are to date. She is about to run several workshops, so if you are approached (or are keen) please give it your support.
- **Sustainability.** Manjula was supported by the Te Whatu Ora Climate Change Working Group representative Vicktoria Blake. Vicktoria also provided us with a summary of where the wider Te Whatu Ora thinking was going. Manjula has been running a series of workshops and I look forward to seeing the end proposal.

Performance, Monitoring and Reporting Frameworks

Mike Congdon, our Data & Insights lead, is responsible for developing our performance, monitoring, and reporting frameworks. Mike's challenge for getting a reporting framework going is our lack of a system wide IT suite. Despite this, Mike is working on the first procurement and supply chain report to the Te Whatu Ora ELT team.

Mike informed us that while various people in the system perform/do some reporting on procurement and supply chain activity, the only dedicated resources appear to lie within Healthsource and NZHPL. If you have other sources, then please contact Mike. Longer term, we know we want a dedicated data and insights capability sitting within the P and SC; we need to work with Data & Digital to confirm how to best make this work.

Risk and Assurance

The Corporate function within Te Whatu Ora has developed a Risk and Assurance framework. We will need to establish a capability within our national office to assess and monitor our risks. Currently we have run monthly risk and issues meetings; we will look to establish this capability more formally over the next month or two.

Health & Safety

I had the pleasure of attending the second ever national procurement and supply chain H&S meeting. Two representatives from Corporate H&S also attend this meeting. They confirmed that ISO 45001 is 'the Te Whatu Ora standard'.

Warren Callaghan (Healthsource) provided a report which shows that what is currently happening across our function is inconsistent. Warren, Sharyn Kilgour-Lloyd (CDHB) and Steve Chapman (TDHB) have agreed to develop a draft procurement and supply chain H & S work programme over the coming month.

During the site visits I was impressed by the commitment to keeping our people and suppliers safe, but there is room for improvement. I would like to take this opportunity to remind us all that a lack of incidents doesn't mean that our H&S practices are best practice it may just mean that something hasn't happened yet.

Everyone is responsible for health and safety, and we need managers at all levels to show leadership in the health and safety of our people and suppliers' people.

Recruitment

Te Whatu Ora has issued guidance in relation to recruitment. In this time of transition, I am keen that all procurement and supply chain related recruitment comes to the Operations Management Team for consideration and approval first. The objective being to ensure we don't have a need for the budget elsewhere in the broader team. Please submit these through your Operations Management Team representatives.

My leave

I am going on some leave at the end of this week; I'll be away for three weeks. Like a number of people, after two years of closed borders I'm going to spend some time in the UK to connect with my whānau.

I have been working with Dale Bramley on how delegated financial authorities will be managed in my absence. I'll let you know these separately. As they have before, Wendy McEwan and Roger Jarrold will support the Project Team in my absence.

I look forward to working with you when I get back.

Ngā mihi

Chris Morgan
Director Procurement and Supply Chain

Future Operating – Identified Opportunities

Procurement

- Category Management - Opportunity to organize procurement resources around customer groups and markets.
- Intelligence business partnering to access data resources and develop a deep analytics capability
- Customer/Alliance partnering frameworks: co design business partnering frameworks to provide specialist commercial services that support category procurement teams
- Develop Category level Procure to Pay Strategy. By overseeing end to end category activities, Procurement will ensure operational efficiency gains across the external and internal supply chains.
- Procurement performance management. Develop category planning and pipeline management to drive stakeholder engagement and align projects, goals, objectives; Manage key financial and operational metrics.; Measure, track and manage ROI on procurement programs to enable improvement
- Strategic-SRM: Develop key supplier relationship structures to drive effective communication and align strategic objectives.
- Develop a staff retention and communications strategy.
- Develop contract management enablers and disciplines to assist in change control and performance management

Supply Chain

- View the Supply Chain network as a national Supply Chain. Integrate centrally managed stock into the system-wide Supply Chain and assess the application of nationally managed inventories across a broader range of products/categories.
- Build an environment that attracts, retains, and provides Supply Chain career pathways for our people, while building a more equitable Supply Chain business.
- Standardise, simplify, and automate Supply Chain policies, processes, systems, and build capability across the system.
- Create a mechanism for clinical governance at a national level to inform the development of the Supply Chain and drive system improvement.
- Develop Supply Chain planning at a national level, integrated with clinical teams, Procurement, Finance, and suppliers to balance supply and demand, including Supply Chain facilities and resources (e.g., storage, labour) and improve decision making and communication on a system wide level.
- Work more closely with procurement.
- Utilise risk processes to drive system improvement

Equipment Management Organization

- Manage Health Technology (i.e., medical devices, equipment, and systems) as a portfolio.
- Establish a formal Equipment Management Organization (EMO) to manage and create single oversight and delivery function across Te Whatu Ora, which should consider the retention, consolidation, and integration of:
 - Research, Innovation and Development with a formal and functional relationship to MOH's (and other) Research and Innovation Service/s.
 - Health Technology Assessment (HTA) functions.
 - Health Technology Management (HTM) functions.
 - Clinical Engineering functions; and
 - National Equipment Reserves (with support of Supply Chain and Logistics)

- Support the development and implementation of the new Therapeutics Products Bill.
- Migrate all the Clinical Engineering Asset Management Information Systems' data and information to unified Asset Management Information System (AMIS).
- Manage Health Technology as a bespoke procurement portfolio within the P&SC operating model.
- Establish Equity and Sustainability functions with the EMO to develop strategies, policies, and processes to embed the principles and objectives in the planning and operation of EMO

Operational Support Services.

- Review and decide on the functional leadership model for OSS
- Take a co-design approach
- Set national service and quality standards.
- Take a strategic approach to planning, sourcing, and managing outsourced services
- Prioritize Category Strategies for Significant Service Contracts
- Security (non-cyber), compliance with the Protective Security Requirements Framework
- Capability – Invest in our people and ICT systems
- Lead and manage a workforce of >3000 people through significant change.