

Customer Savings Reports Update

Hamish Makanji – Head of Account Management
Claire Marsh – Partnership Support Manager



Background

- We recognise the criticality for trusts to have accurate savings reporting.
 - In order to enable trusts to identify savings via NHS Supply Chain we have been issuing Savings reports since November 2019 (via Account Management teams). These reports derive an incremental, year on year, savings number by comparing the **Tower baselines savings made this year and last year**.
 - The new reporting system will provide you with savings based on trust last price paid on a 365 day rolling base line from April 2020.
 - At a high level, this removes the use of the **Tower baseline** and compares the price change of goods from one year to the next as seen by the trust.
 - We are planning key **updates in February and April 2020**.
- 9 pilot trusts** are currently **reviewing the reports** and providing **feedback**:
1. Shrewsbury & Telford NHS Trust
 2. Robert Jones Agnes Hunt Orthopaedic NHS Foundation Trust
 3. Black Country Alliance
 4. Sheffield Teaching Hospital NHS Foundation Trust
 5. Rotherham NHS Foundation Trust
 6. Lancashire Procurement Cluster
 7. University Hospitals Plymouth NHS Trust
 8. Tameside and Glossop Integrated Care NHS Foundation
 9. University College London Hospital NHS Foundation Trust.

Time Line

The expected plan for the updated savings reporting project

Tuesday 11 February – Tuesday 10 March	Presentation of Savings Report Project to Regional and National Customer Boards.
Friday 14 February	Internal Webinar for Account Management team to run through Savings Reporting Project and timelines.
Monday 24 February	Customer Webinar to introduce new reports, audience to include Heads of Procurement and Directors of Finance.
Thursday 27 February – Monday 16 March	Account Management team to meet with trusts to present the Customer Savings Report.
End of March (Date TBC)	Customer Webinar to provide updates on the new Savings Reporting.
End Of April (Date TBC)	Customer Webinar to introduce new system and provide updates and training.
May (Date TBC)	New Customer Savings Reporting System to be launched.

February Update

- The key change in February 2020 is that these reports **use the baseline of 1 April 2019**.
- These reports will cover the period April 2019 – January 2020 and supersede all previous reports.
- This will be a move away from using Base Price from Tower stand up date.
- There will be a static baseline of 1 April 2019 for all reports released until April 2020.
- The **system will under forecast savings during the 2019/2020 financial year**. For example if a price reduced from £1 to £0.90 in October 2018 the baseline would be reset to £0.90 in April 2019, as such 6 months of savings would be under reported.
- This will only affect 2019/2020 financial years as after that the baseline will be a 365 day rolling base line.



February Update

- The Savings report (available through your Account Manager) will include savings in the following initiatives:
 - **Price increase and price reduction** – Base line of 1 April 2019.
 - **Customer base price** – The trust was purchasing direct and has moved supply to NHS Supply Chain. A previous price paid must have been provided by the trust – Base line of the date when ordering commenced.
 - **Manual adjustments** - For the period April to December 2019 will show in December 2019 figures. These will include direct sales where the trust purchases directly from the supplier using an NHS Supply Chain Framework Agreement and Commitment Discounts.
 - **Capital Savings** - For the period April to December 2019 will show in January 2020 figures.
- We recognise some base prices may still be incorrect and have a team of analysts working on identifying these. We are looking to address these for the April 2020 update where possible. This means the savings amount could change in future reports.
- The majority of pilot trusts have agreed these reports should be shared nationally, further developments to the reports will be made prior to launch of April 2020 reports.
- All savings values reported include VAT.

February 2020 - Caveats and Additional Information

- The savings team are undergoing a data quality exercise to ensure confidence in the numbers and ensuring the base prices are correct. Following this data quality check there is a planned re-run for end of March 2020 and the savings numbers may change. This is to ensure that all savings reported are accurate.
- Please note the following rules the system takes into consideration when calculating savings:
 - **National**
 - The system will take the NPC base price as 1 April 2019 or the earliest base price available.
 - **Regional**
 - Step 1 - The system will check to see if there is any regional base price as of 1 April 2019 (using specific trust criteria). Yes – Savings calculated. No – Got to Step 2
 - Step 2 – The system will check to see is there is a national base price as of 1 April 2019 (irrespective of whether the trust has purchased nationally). Yes – Savings calculated. No – Got to Step 3
 - Step 3 - The system will use the first available regional base price.
- Move of business to NHS Supply Chain – The above rules apply, until the trust provides customer base prices (previous direct price paid). Customer base prices, overrule the above script rules.
- We currently have 160 records within our system which are awaiting validation by our Savings Team. We are recruiting additional resource into the Savings Team to reduce this backlog.

February 2020 - Caveats and Additional Information

- **Customer Base Price Explanation** - Customer Base Price is where you move demand from an external provider to NHS Supply Chain and have provided your last price paid. This could also cover an internal switch at this point due to the validation process we have prior to the launch of the Range Management System (APELS).
- **Innovation Explanation** - Innovation in the current set of reports is AltSave savings or cost pressures where the trust has switched from one active NPC code to another NPC code within the NHS Supply Chain catalogue. These switches would be minimal as legacy savings where start date was prior to April 2019. From April 2020, Innovation will be new to market ideas which have made a business case approved, for example the switch from hand towels to rolls.
- **Volume differences between Savings Reports and TR Reports** - The TR reports are run on a weekly and period basis whereas the savings report is based on a calendar monthly time frame. There will be variations between the volume on the TR reports and the savings reports.
- **HCTED anomalies** - Until April 2020, cost pressures will show on any area where the items have already migrated over to the Visible Cost Model (VCM) from the Zero Cost Model (ZCM) irrespective of whether the trust has migrated.
- **National Pricing Matrices (NPMs)** – NPM Savings will be included in the Price Reduction savings and not reported separately at this point. With the exception of where you have switched products from external supply or an internal switch where they will be reported as Customer Base Price.

April Update

- In April 2020 we aim to launch web based Customer Savings Reports.
- The reports will be **self service** on our website.
- The reports will use a **rolling 365 base line**.
- Whilst the new system is based on the legacy Libra system, it will include a number of **key developments** that will provide you with a level of reporting and detail previously unavailable **to enable you to validate savings**.



April Update

- The initiatives will be revised to reflect the new eight methodologies as previously communicated. This information will also be included on the Disclaimer page on the report.
- The savings reports will include savings in the following initiatives:
 - **Price increase and price reduction.**
 - **Switch to Service Provider.** The trust was purchasing direct and has moved supply to NHS Supply Chain. A previous price paid must have been provided by the trust.
 - **Manual adjustments.** These will include direct sales where the trust purchases directly from the supplier using an NHS Supply Chain Framework Agreement.
 - **Capital, leasing and maintenance.** These will be in separate categories so you will easily be able to distinguish the different areas of savings.
 - **Range Management.** All internal switches from one NHS Supply Chain product to another NHS Supply Chain product. For example, NCP or contract launch.
- The pilot trusts are currently reviewing the reports for feedback and improvements which we aim to incorporate where possible.
- All savings values reported include VAT.

April 2020 - Caveats and Additional Information

- **Volume differences between Savings Reports and TR Reports** - TR reports are run on a weekly and period basis whereas the savings report is based on a calendar monthly time frame. There will be variations between the volume on the TR reports and the savings reports.
- **NPM** – NPM savings will be included in the Price Reduction savings and not reported separately at this point. With the exception of where you have switched products from external supply or an internal switch where they will be reported as Switch to Service Provider or Range Management.

How to Access Savings Reports from April 2020

- **Savings reports**

- Are accessed through “My Supply Chain” on our [website](#)
- If you do not have an website account with NHS Supply Chain please use the link below to request access:
<https://www.supplychain.nhs.uk/customer-service/create/>
- Access will be granted by your Trust Administrator .

- **NHS Supply Chain online catalogue**

- If you do not have access to the NHS Supply Chain online catalogue please use the link below to request access:
<https://www.supplychain.nhs.uk/customer-service/create/account-for-website/>
- Access will be granted by your Trust Administrator .

Summary

- **February savings reporting** will use a static baseline of 1 April 2019, these will be available through your Account Manager from Thursday 27 February 2020.
- **From April 2020 savings reporting** will use a 365 day rolling baseline. We will run a webinar to launch nationally in April 2020.
- In order to capture April 2020 data the report will be available from mid May and will always be one month in arrears.
- The savings reporting will be externally audited.
- We will continue to work with you to:
 - Seek feedback from you on the reports.
 - Run specific satisfaction surveys.
- We want to ensure the reporting provides you with the information you need to validate actual savings.

Questions and Answers

Questions and Answers

Q: What is the process or form for submitting previous price paid by Trust?

A: Each customer will still be required to validate and sign-off savings, in writing, via email to your Account Manager to confirm the savings. This is required to include the saving in the reporting and for audit purposes'.

Q: In our last saving reports we noted some large adjustments to the savings figure, with no details provided regarding the background to the adjustment. Will this continue and where can the details behind the adjustment be sourced from?

A: Manual adjustments will be added to the savings reports where applicable. For example, capital equipment or direct sales. We aim to provide further information, such as a URN number, supplier details and the time period of where the savings are derived so the trust can validate the savings numbers

Q: Why is there VAT on the reports?

A: The reports use the sell price which includes VAT compared to the sell price on 1 April 2019, the difference is the savings amount. We sought feedback from the Pilot trusts and the overwhelming response was that Savings are claiming including VAT. From April 2020, the reports will show savings including and excluding VAT.

Q: Will the reports also show the total monthly trust spend where there has been no price movement? If so, will the report detail be able to be driven down to product number level?

A: All transactions will be included in the report. If no price change, the savings amount will show as a 0. The report shows total sales excluding VAT down to NPC and requisition point level.

Questions and Answers

Q: Would the team be able to expand on what is meant by the 365 rolling baseline for pricing and give an example of how this may apply. We've a difference of interpretation here, so would assume that may be being replicated across the country.

A. From April 2020, savings will be calculated on a 365 day rolling base line so the system will compare the cost on any given day with the cost from 365 days ago. For example, a Trust purchases a product for £1 on 13 April 2019. If the trust purchased the same product on 13 April 2020 for 90p then the trust would achieve a 10p saving.

Q: Can you please explain the detail behind a capital saving?

A. The methodology for a capital saving is below.

Savings shall be calculated as the difference between:

- (i) the Supplier's then current Framework Agreement price for the basic, core capital equipment Product; and
- (ii) the actual cost to the Customer for the purchase of the same. For these purposes, the Baseline Product Prices for additional items and services relating to the capital equipment Product (over and above the basic specification) shall be included in the calculation of the cost to the Customer as long as the cost of the core capital equipment Product and the additional items are separately identifiable.