

OPTIMISING SUPPLY CHAIN VALUE

a partnership approach

Consignment Management

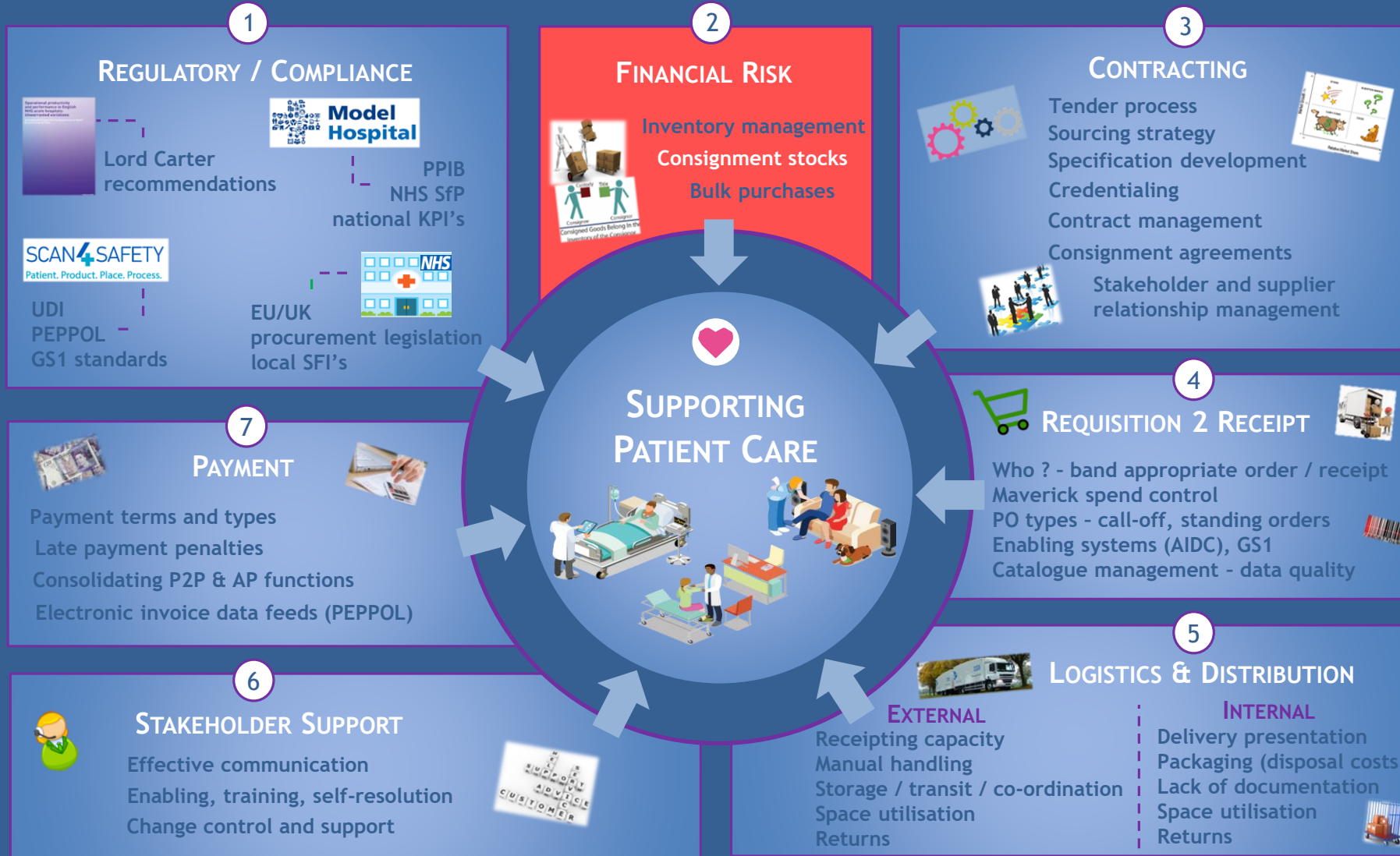


Challenge statement

Procurement and suppliers do not have a holistic view of the overall cost of doing business.

Government strategy has sign-posted clear intent to improve efficiency in procurement and supply chain, these initiatives are longer term and will require significant investment in technology and upskilling of people.

HCSA recognises that procurement needs some practical tools to deliver efficiency savings now and that suppliers can play an integral part in helping them deliver their savings and efficiency objectives.



- The utilisation and management of consignment is a high cost area of major value.

- Although highlighted in the Financial risk section of this summary, consignment can impact across the whole supply chain

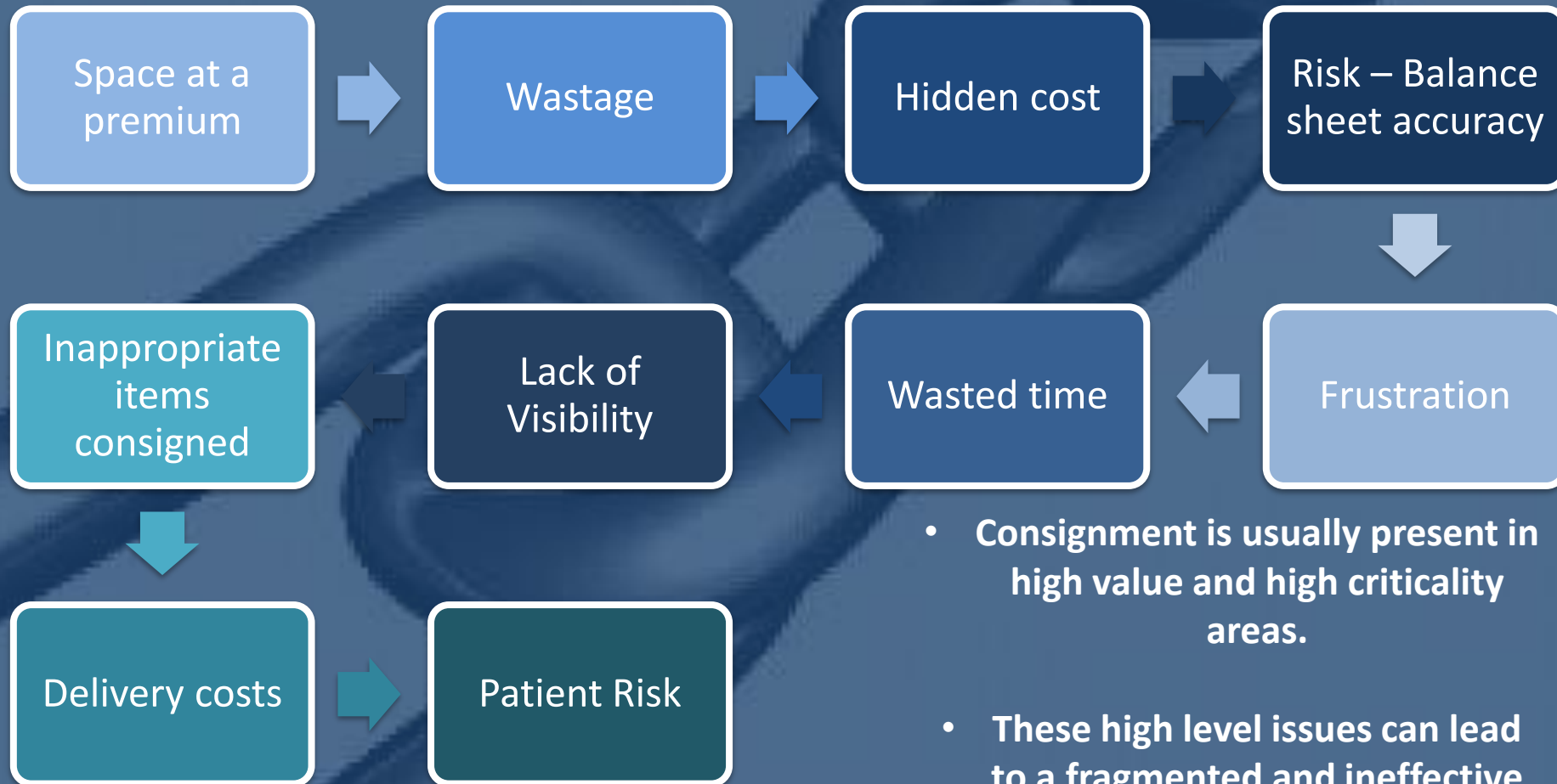
KEY:

✓ Small value opportunity

✓✓ Moderate value opportunity

✓✓✓ Major value opportunity

Why Consignment ?



- Consignment is usually present in high value and high criticality areas.
- These high level issues can lead to a fragmented and ineffective process for both Suppliers and Customers

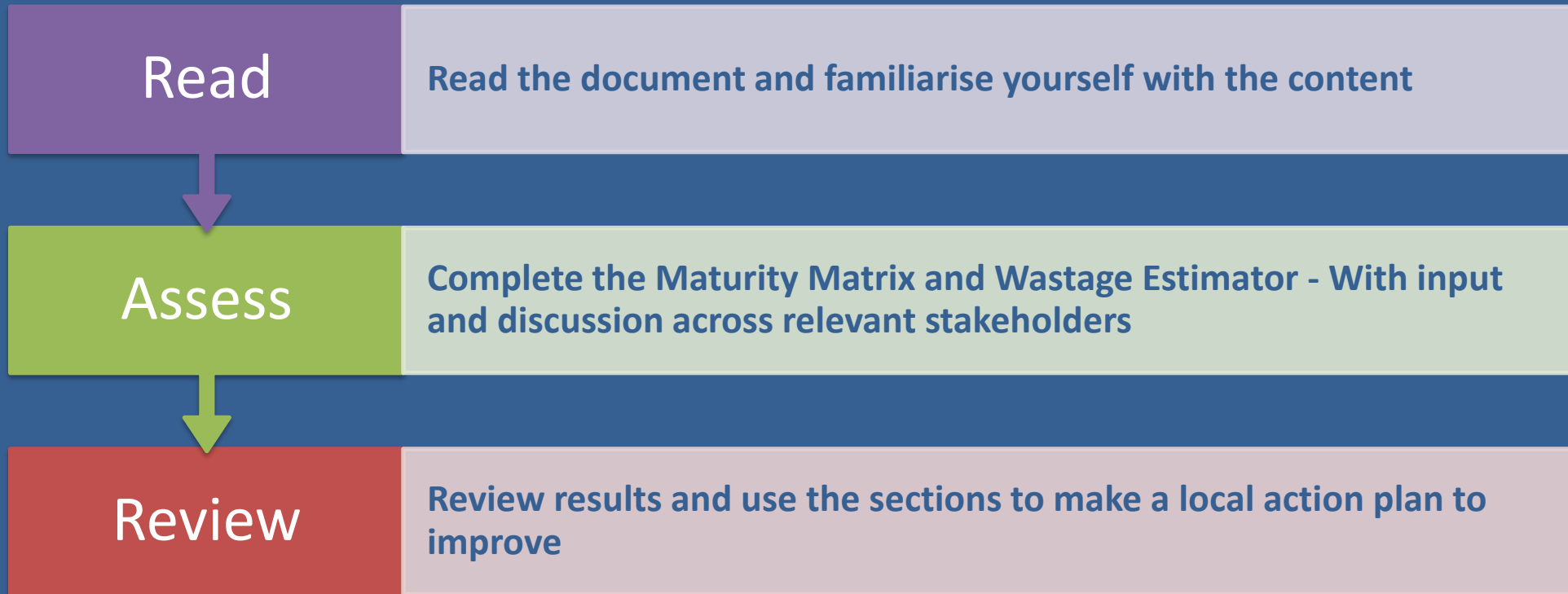
Information Pack Background

- ❑ The observations and calculations that have been collated in this tool are compiled from the actual experiences and observations gained from working within the NHS.
- ❑ They are indicative; designed to provide practical guidance on where opportunities for improvement may lie and how those opportunities may be exploited.
- ❑ The dynamics and structure of every Trust is different as is the level of maturity in terms of best practice.
- ❑ The guidance contained within should be reviewed in the context of your own Trust and applied how and where appropriate.
- ❑ This Information pack provides a summary of areas to consider.
- ❑ The Maturity Matrix and Waste Estimator are to create an improvement framework so an Organisation can develop over time.

Benefits are on both sides
This should be a partnership
approach.



How to use this pack?



It is essential to understand and map at the detailed level. If you cannot say at a product level what is consigned, You have room to improve

Overview of Review Areas



Audit and Analysis



Effective
Communication



Initial requirement
and proposal



System and
Process set up



Inventory control



Agreement
termination

Click on any of the icons above to link to the relevant section

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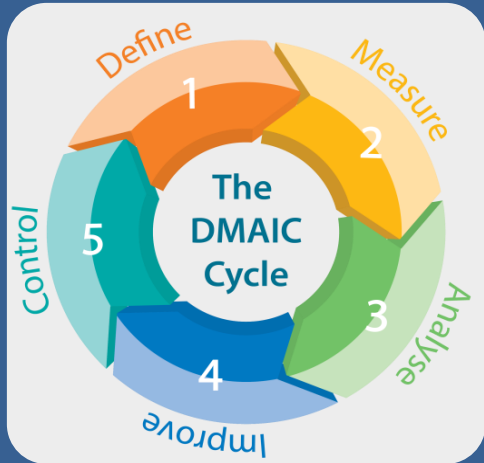
TO UNDERSTAND THE VALUE, YOU NEED TO UNDERSTAND THE COST



Audit or Analysis

Where are we now?
Where do we want to be?
Current process mapping?

There is always room for improvement - do not let good get in the way of better ...!



DEFINE - A group of stakeholders and the team responsible for the process should be able to review the **Maturity Matrix**

MEASURE – Complete the **Maturity Matrix** and **Wastage Estimator**

ANALYSE - Once the analysis is complete use the results and this document to create a proposed action plan



Effective Communication

(Prepare, Plan, Communicate)

Who is **R**esponsible?
Who is **A**ccountable?
Who needs to be **C**onsulted?
Who needs to be **I**nformed?

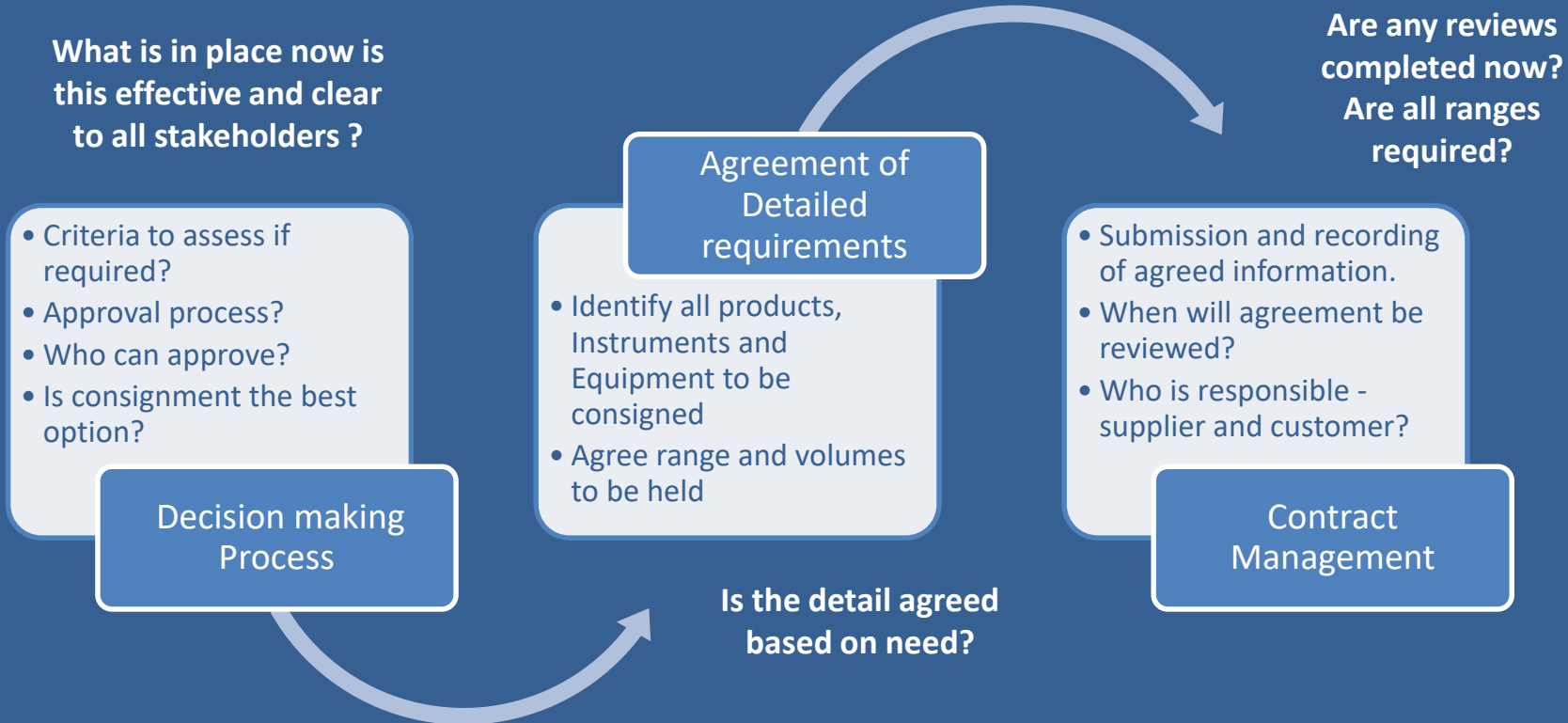
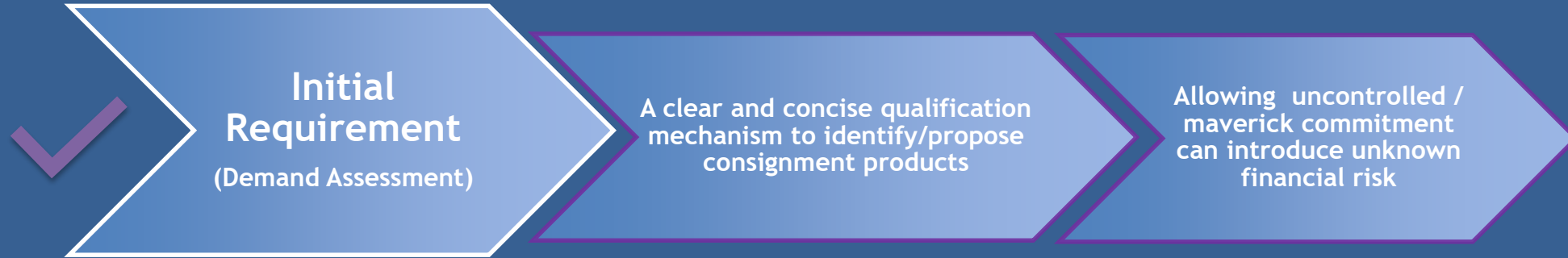
Engage - do not ignore stakeholder views ...
Are there policies or processes already in place?

Organisation

- **RACI** – Define how stakeholders will be **I**nvolved and communicated with
- **Consider** – What Policies, processes may need **T**o change (SFI's/Supplier representatives)
- **Communicate** – Following RACI matrix communicate planned review and action plan. Ensure Suppliers and informed and involved

Supplier

- **RACI** – Review and feedback on current stakeholders involved in the process
- **Consider** – Current challenges and gaps with current process. How could these be improved ?
- **Engage** – As required support the process of review and communicate with the customer, reflecting on current challenges





System and Process set-up

Obtain, prepare & load priced catalogue data set ...
Agree initial and replacement order processes ...

Records consigned products entering the Trust ...
Product usage is captured ...

Organisation

Supplier

Formal agreement in place

- Before any changes are made to data and systems

Provide product catalogue and pricing information

- Include GTINs for traceability, product recall and efficient P2P, order and invoice electronic process.

Timelines agreed

- To allow for catalogue and systems set up with product data. One delivery arranged not over weeks or months.

Initial delivery of Consignment range

- Ensure all products and paperwork match including quantities, lot/serial & expiry date information.

Replenishment method defined

- Clear end to end process defined for initial order and replacement of items once consumed.

Access and removal

- Agree process to access store rooms and ensure traceability of product at all times.



Inventory Control

Define & agree internal processes for the receipt and replenishment monitoring & security of consigned items ...

Do not forget - consigned goods are the property of the supplier however will need to be paid for if damaged or lost ...

Organisation

Supplier

Receipt

- Check line detail against consignment agreement. Where systems allow scan all items into Inventory System and ensure products are flagged as consignment.

Audits

- All audits to be prearranged to suit both parties. Data from Supplier and Organisation should be worked through together to agree any discrepancies.

Location/ Product recall

- Location and dedicated sufficient space allocated for maximum stock level. Label clearly.
- Traceability in the event of a recall.

Borrow/access/ Traceability

- Removal of any products for another organisation must be pre- agreed and logged to minimise risk to contracted Trust and provide full traceability.

Resource and replenishment

- Dedicated Supply Chain resource managing and controlling inventory to agreed levels.

Review of range and levels

- Any agreed/suggested changes should be based on consumption data & must be approved by authorised personal with a new agreement put in place.



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Agreement Termination

a clear process needs to be defined as part of the initial agreement ...

missing / unaccounted stock can be a significant financial liability!

Organisation

Supplier

Formal agreement in place

- Termination process to be included in the formal agreement.

No surprises

- Audits are carried out at regular intervals and discrepancies resolved after each audit.

Consignment agreement terminated

- Supplier, end users informed. Document signed by both Organisation and Supplier.

Collection of consignment

- Agreed date for collection to suit both parties allowing for Organisation to remove from location and systems.

Consignment Stock return

- Products removed from system and location and packed ready to be returned to Supplier with paperwork.

Receipt of consignment stock

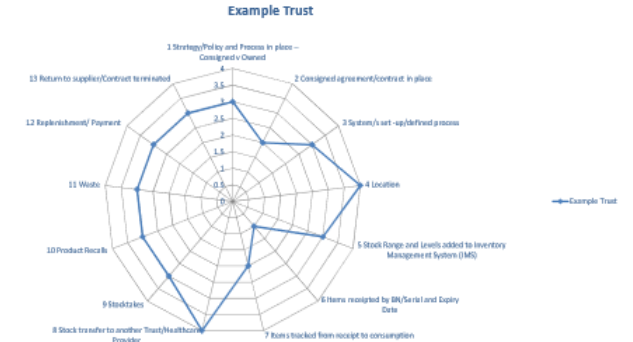
- Supplier to send a receipt of consignment stock and no further liability to the Organisation.



Maturity Matrix Example

Trust/Department	Example Trust				
Assessment Area	Consignment Stock	Date			
Activity Area	Subject/Criteria	Nothing/Manual	Developing	Established	Score
1 Effective Communication Initial Requirement Proposal	Strategy/Policy and Process in place – Consigned v Owned	No formal Strategy/policy or process in place	Process in place, no formal strategy or policy	Clear Process, Policy and Strategy in place	5
2 Procurement	Consigned agreement/ Contract in place	No formal agreement in place, clinical staff arrange with Supplier	Agreement in place although changes are ad hoc and there is no real control	Clear contract in place with Procurements leading the process with all amendments	2
3 System/Process set-up	Systems/v set-up/defined process	Nothing recorded in systems	Load consignment stock into catalogue and Inventory Management System	Clear process and template for all consigned stock to be loaded into systems, including OTMS	3
4 Inventory Control	Location	Located in any space or multiple areas	Dedicated area/room where consignment stock is held	Secure, dedicated space and located down to shelf/bin level	4
	5 Stock Range and Levels added to Inventory Management System (IMS)	No IMS in place	Consignment stock range and levels added to IMS	Consignment stock range and levels added to IMS with full visibility and reporting of transactions	3
	6 Items received by BN/Serial and Expiry Date	No IMS in place	Items received by GTIN/Barcode, production information not captured	Items traceable by BN/Serial and expiry date	1
	7 Items tracked from receipt to consumption	No IMS in place	Products tracked from receipt to the store room/space	Products tracked through the supply chain from receipt to consumption	3
	8 Stock transfer to another Trust/Healthcare Provider	Products are transferred; there is no formal recording of the transfer. Rep and clinical staff takes stock when required	Any products transferred to another Healthcare provider directly or via the Rep is recorded	All transfers are formally recorded in the Inventory Management System with Lot/Serial number and expiry date	4
	9 Stocktakes	Irregular/frequent/ manual	Supplier Lead and data kept by Supplier	Supplier and Customer involved and IMS is key to the process	3
10 Product Recalls	Manual process	Semi manual, purchasing data a rely on, long physical checks of stock	Product traceable throughout the Supply Chain to the Patient	3	
11 Waste	No recording or real time review of waste	Supplier records and manages waste	Full visibility of waste, Customer ensures Supplier is aware stock requires to be replaced	3	
12 Purchase to Payment	Replenishment/ Payment	Product used, replacement ordered when noticed it is missing, payment can be delayed	Automatic replenishment generated when item consumed, invoice and payment quick process	3	
13 Agreed Termination	Return to supplier/Contract terminated	Supplier removes consignment stock, contract not formally terminated, no ability to dispute any outstanding invoices for missing items	Agreement terminated formally, all items removed from location and from IMS, stock returned via a Return Purchase order. Full audit trail	3	
Total					37

Consignment Maturity Assessment Example	Example Trust
1 Strategy/Policy and Process in place – Consigned v Owned	5
2 Consigned agreement/contract in place	2
3 System/v set-up/defined process	3
4 Location	4
5 Stock Range and Levels added to Inventory Management System (IMS)	3
6 Items received by BN/Serial and Expiry Date	1
7 Items tracked from receipt to consumption	3
8 Stock transfer to another Trust/Healthcare Provider	4
9 Stocktakes	3
10 Product Recalls	3
11 Waste	3
12 Replenishment/ Payment	3
13 Return to supplier/Contract terminated	3



- The Maturity Matrix has been provided in a separate excel sheet.

- This will highlight areas where improvements are required



Wastage Estimator Example

GUIDANCE - All sections HIGHLIGHTED BLUE need to be reviewed

1- Complete Maturity Assessment - Note your maturity level. Refer to table next to this box

2- Add in Inventory Amounts to each Section (in section relevant to your maturity)

3- Review wastage amounts amend as required estimated %

4- Add in number of suppliers that represent 80% of Inventory value

5- Add in a target wastage figure

Maturity Level	Overall Score
Minimal	0 to 25
Developing	26 to 51
Established	52 to 65

Area: ORTHOPAEDICS

Area	MINIMAL	DEVELOPING	ESTABLISHED
Trust Owned Inventory	£ 250,000	£ -	£ -
Consigned Inventory	£ 750,000	£ -	£ -
Value of Inventory	£ 1,750,000	£ -	£ -
Wastage	£ 350,000	£ -	£ -
Trust Opportunity	£ 200,000	£ -	£ -
Supplier Opportunity	£ 150,000	£ -	£ -
Estimated % Wastage	20	35	10
Suppliers to 80%	1	-	-

Area: CARDIAC

Area	MINIMAL	DEVELOPING	ESTABLISHED
Trust Owned Inventory	£ -	£ 300,000	£ -
Consigned Inventory	£ -	£ 250,000	£ -
Value of Inventory	£ -	£ 550,000	£ -
Wastage	£ -	£ 55,000	£ -
Trust Opportunity	£ -	£ 30,000	£ -
Supplier	£ -	£ 25,000	£ -
Estimated % Wastage	-	10	5
Suppliers to 80%	-	1	-

Area: ENDOSCOPY

Area	MINIMAL	DEVELOPING	ESTABLISHED
Trust Owned Inventory	£ 50,000	£ -	£ -
Consigned Inventory	£ 30,000	£ -	£ -
Value of Inventory	£ 80,000	£ -	£ -
Wastage	£ 12,000	£ -	£ -
Trust Opportunity	£ 7,500	£ -	£ -
Supplier	£ 4,500	£ -	£ -
Estimated % Wastage	15	10	5
Suppliers to 80%	4	-	-

Area: RADIOLOGY

Area	MINIMAL	DEVELOPING	ESTABLISHED
Trust Owned Inventory	£ -	£ -	£ 250,000
Consigned Inventory	£ -	£ -	£ 50,000
Value of Inventory	£ -	£ -	£ 250,000
Wastage	£ -	£ -	£ 12,500
Trust Opportunity	£ -	£ -	£ 10,000
Supplier	£ -	£ -	£ 2,500
Estimated % Wastage	-	-	5
Suppliers to 80%	-	-	1

Area	MINIMAL	DEVELOPING	ESTABLISHED	Total
Total Inventory Value	£ 1,830,000	£ 550,000	£ 250,000	£ 2,630,000
Trust Owned Value	£ 1,050,000	£ 300,000	£ 200,000	£ 1,550,000
Consigned	£ 780,000	£ 250,000	£ 50,000	£ 1,080,000
Overall Wastage/Opportunity	£ 362,000	£ 55,000	£ 12,500	£ 429,500
Average Wastage	20%	10%	5%	16%
Trust Wastage	£ 207,500	£ 30,000	£ 10,000	£ 247,500
Supplier Wastage	£ 154,500	£ 25,000	£ 2,500	£ 182,000
Max Number of Suppliers	7	3	4	14
Average Wastage per supplier	£ 22,071	£ 8,333	£ 625	£ 13,000

Target Wastage	Projection
% Target Wastage	3
Trust Target Wastage	£ 46,500
Supplier Target Wastage	£ 32,400

Opportunity Area	Total
Trust Opportunity	£ 201,000
Supplier Opportunity	£ 149,600
Supply Chain Opportunity	£ 350,600

Potential Wastage Risk Estimator

Organisation: [Redacted]

Name: [Redacted]

Summary Inventory (£) and Estimated Wastage (£)

Potential Opportunity (£) based on Target Wastage %

- The wastage estimator has been provided on a separate excel sheet
- To complete you will need to:
 - Complete the Maturity Matrix
 - Have estimated Inventory values in your organisation
 - Understand the value of consignment stock
- The category areas outlined can be changed and % wastage adjusted based on your organisation
- The initial wastage figures are based on evidence seen at other organisations



- If you have any Questions or Feedback please click on the link below
 - Would you like to see more Information packs like this ?
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