Guy’s & St. Thomas’ NHS Foundation Trust

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David Lawson, Director of Procurement

The figures speak for themselves with more than two million patient contacts per year, around 12,650 members of staff, more than 6,500 babies delivered every year, and an annual turnover of £1.3 billion.

COST IMPROVEMENT PROGRAMME

When tasked with a cost improvement programme, David Lawson, the Director of Procurement for the Guy’s and St. Thomas’ NHS Foundation Trust, was responsible for identifying financial savings across the organisation.

In particular, a target of 5% savings had been put in place for the in-house catering department and while various benchmarking exercises were put in place with the Trust’s national framework contracts, no immediate savings were identified.

Confirms David Lawson: “With a target to achieve £100,000 worth of savings, I felt it would be beneficial to seek help from a specialist procurement team with a detailed knowledge of the catering industry. While we have historically managed our own direct contracting, I felt it would be useful to identify a partner that has knowledge in this area and could proactively help manage spend. Although it is a large proportion of spend for the hospitals, it is not an area that we have the most expertise in, in-house."

While achieving financial savings was a fundamental driver, David Lawson recognised that current processes were not as efficient as they could be and so support in overseeing catering procurement was also overdue: “For example, the management of multiple catalogues, purchase to pay processes, contract management and proactively knowing where the markets are going in terms of commodities is so important. I need to have foresight into when costs of key staples may be rising, such as bread and milk; that way, I can challenge these increases or at least be in control of the situation, rather than reacting afterwards.”

The Trust researched into catering procurement specialists and after deliberation narrowed the search to just three organisations. The first step was for each to learn more about the Trust’s requirements and to undertake a benchmarking exercise to provide the Trust with indicative pricing.

Following this exercise, Pelican Procurement was selected as the most appropriate partner, as David Lawson explains: “It was important that the company we worked with inspired confidence in our catering department and, having met each organisation, it was clear that Pelican was extremely proficient in managing robust tender processes, with the added advantage of being CIPS-qualified, which added further confidence to their credentials. They were able to display detailed market knowledge, which was exactly what we were looking for.”

“...That’s exactly right,” agrees David Gravells, the General Manager for Catering & Accommodation at the Guy’s and St Thomas’ NHS Foundation Trust. “Historically, catering procurement has always been incorporated as part of the non-medical supplies category and the team of people involved in commissioning contracts had no detailed expertise in food. It just didn’t really make sense. Having met with Pelican at the outset, they looked at our framework agreement and I could see that they were able to deliver the expertise we needed – they had both the knowledge and the best prices.”

PROGRESSING THE CATERING TENDER PROCESS

Based on this, the Trust appointed Pelican to initially manage its food tender covering Wholesale, Fruit and Vegetables, Meat and Dairy, which is worth £1.9m, annually. A number of secondary phases would then take place following the tender, including menu reviews, assessing other food, drink and non-food categories, plus invoice consolidation and management.

While the key tender criteria was to identify costs savings, importantly quality was not to be compromised, as David Lawson confirms: “Our in-house catering team produce and cook all meals from scratch. We have a level of responsibility to patients to deliver the very best quality that we can. This is a very important point for us – the cheapest option isn’t always the best so it was vital for Pelican to be able to take this into consideration as part of the tender.”

A benchmarking process took place over a couple of months and, as Robert Cormack, the Group Catering Manager of the Guy’s and St Thomas’ NHS Foundation Trust explains, it was
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Case study

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important to get this right: “Like all hospitals, we take food standards very seriously and all meals served in our hospitals are made in our kitchens, using fresh ingredients. We are scored on our food quality, and as such, Pelican arranged blind tastings involving various stakeholders within the Trust to ensure that we selected the best products, and worked with the suppliers that best met our overall needs.”

On completing the tender, based on the agreed criteria, Pelican was able to negotiate prices on a wide range of food items that had been specified by the catering team, resulting in direct savings of over £90,000. This included 20% savings in the fruit and vegetable category alone.

The catering team now use suppliers that have been set-up by Pelican. A formal weekly review is in place to check suppliers and smooth any issues that may be present. All orders are managed centrally, and the need for the catering team to negotiate prices, identify new product lines or query supplier logistics has been taken off their hands, so they can fully concentrate on their primary catering role.

David Lawson continues to explain how the savings will benefit the Trust overall: “As a directorate, catering comes under ‘estates and facilities’; they have a plan, which includes savings objectives. By achieving savings through this exercise, it directly contributes back to the business plan. This means we don’t have to make financial sacrifices elsewhere, such as with vital people or reducing quality.”

When asked what difference this has made to his day to day role, Robert Cormack adds: “From my perspective, Pelican has been a breath of fresh air. Previously, catering managers worked in isolation. They were not actively sharing levels from suppliers. A dedicated Procurement Manager from Pelican is on hand at all times, who is responsible for managing the pricing and overseeing the supply chain on an ongoing basis for the Trust.

Pelican is already looking at further ways to save the Trust money in other areas: currently the team is helping to tender its sandwich category, which is worth £300,000. Confirms Robert Cormack: “We purchase over 350,000 packets of sandwiches per year. A tasting and tender exercise is currently underway and we are on track to make further savings, which will help offset some of the costs associated with achieving the ‘Catering Mark Bronze Award.’ The plan is to then review Coffee procurement before moving onto Disposables and Chemicals later in the year.”

As part of the phased-process, the Trust is now looking to use Pelican’s e-invoicing and payment service to pay suppliers; this consolidation process will help the Trust to increase back office efficiencies, accuracy and gain visibility and transparency over their purchases.

On top of this, another phase of the programme is to then review patients’ set menus to assess the nutritional and allergen content to make recommendations for improvement.

When reflecting on the procurement programme to date, Robert said: “To achieve savings of this magnitude in such a short space of time is impressive. We have been looking into ways of reducing our catering costs for a long time now, and so for Pelican to be able to come in and do this for us straight away has really hit the mark.”

Concludes David Lawson “For us, it was important to review pricing first; then review our processes. We plan to look at Pelican’s invoice payment systems, as well as Pi, its online system for budget visibility and reporting. For me, it’s about having transparency of all budgets and activities and this will go a long way towards that.

“The real value for us however is Pelican’s knowledge: they are serving clients across all industries and can bring that learning to us. Ultimately, Pelican has helped us to deliver on our cost improvement programme, with savings of over £100,000 already realised and more to follow. Without their help, I don’t believe these savings would have been achieved. My overall experience has been very positive: they have delivered on their promises, with many additional benefits too.”

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