



NHS Shetland

Annual Procurement Report

April 2024 – March 2025

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1.1 Purpose

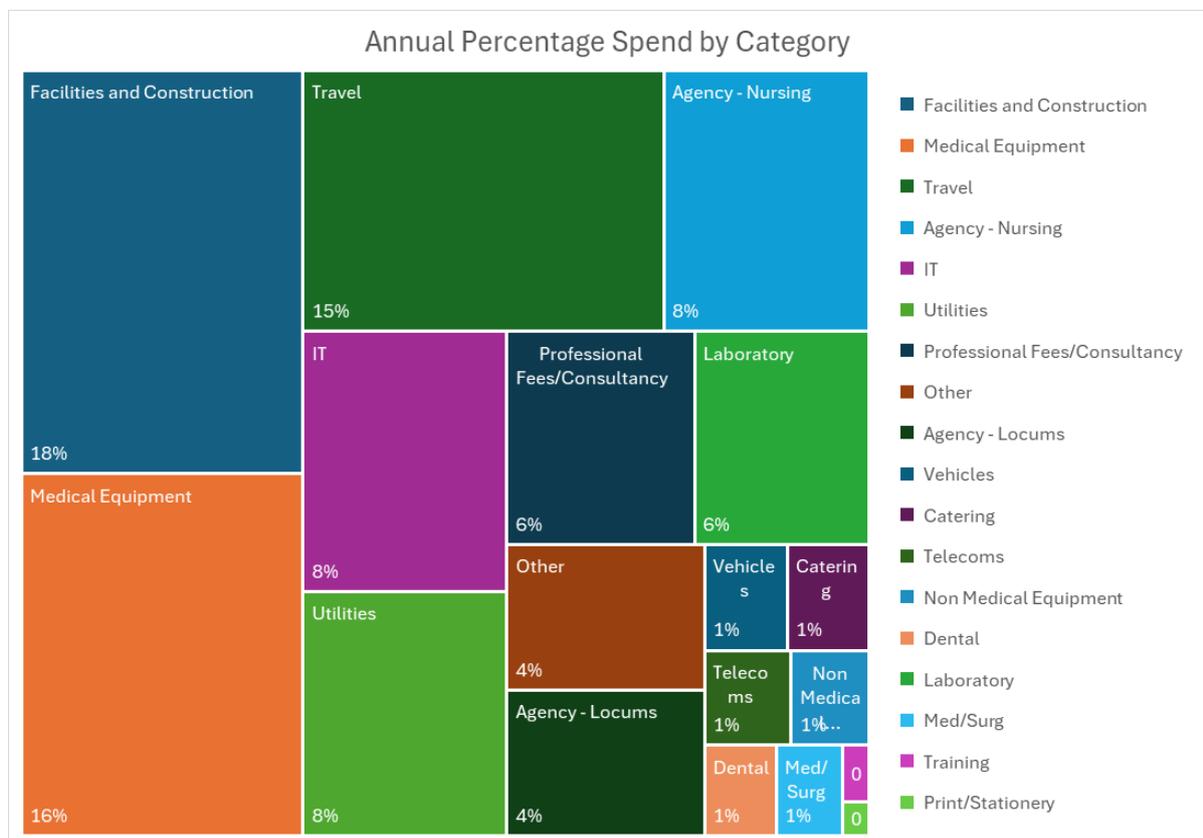
The purpose of this annual report is to highlight NHS Shetland’s purchasing activities and to allow us to record and publicise our performance and achievements in delivering against our procurement strategy. This report allows us to demonstrate to our stakeholders that our procurement spend is being used to support the Health Board objectives as follows:

1. To continue to improve and protect the health of the people of Shetland.
2. To provide quality, effective, and safe services, delivered in the most appropriate setting for the patient.
3. To redesign services where appropriate, in partnership, to ensure a modern sustainable local health service.
4. To provide best value for resources and deliver financial balance.
5. To ensure sufficient organisational capacity and resilience

As well as providing information on how we consult and engage with our stakeholders, alongside the procurement strategy, this annual procurement report is a key document in enabling informed engagement with our external and internal stakeholders, our strategic partners and suppliers or potential suppliers.

As detailed within our Procurement Strategy this report will focus on the Board’s corporate expenditure, which is circa £11.8 million within the period of this report. There is £571k of related Pharmacy spend which is out of the scope of this report.

The tree map below highlights categories where spend was attributed to.



2 Summary against our mandatory requirements

2.1 Summary of regulated procurements

In accordance with the Procurement Reform (Scotland) Act 2014, any public contract (other than a public works contract) of £50,000 or greater and public works contract of £2,000,000 or greater is considered a Regulated Contract. A regulated procurement is any procedure carried out by a contracting authority in relation to the award of a proposed regulated contract and is completed when the award notice is published or when the procurement process otherwise comes to an end. This includes both contracts and framework agreements.

2.2 Summary of procurements

The following tables summarise the regulated procurements in the period.

Contract title	Award date	Start Date	End Date	Value per annum	Supplier Name
Provision of a pan pathology managed service for Shetland Health Board	13/12/2024	01/01/2025	01/01/2034	£740,000	Abbott Laboratories Ltd

Within the period of this report NHS Shetland has awarded 1 call off from an NHS Supply Chain Framework.

Award of a contract without prior publication of a call for competition

Contract title	Award date	Start Date	End Date	Value per annum	Supplier Name	Justification
Macmillan Pan-Island ICJ Programme for NHS Shetland	23/04/2024	01/06/2024	01/06/2027	£250,600	Shetland Community Connections	Single source supplier

The NHS Shetland MRI scanner, which opened in 2024/25 was procured during 2023/24 so is not included in this report.

2.3 Spend through National Distribution Service (NDS)

NHS Shetland have an agreement to purchase medical and non-medical consumables from the National Distribution Service, which is the approved central store for all NHS Scotland Acute Health Boards. £448,172 (66%) was covered by an approved national contract. This spend was contained within 64 national frameworks. Table below compares activity during the last 3 years.

NHS Shetland Spend through National Distribution Centre FY21-24									
Spend Category	Period - Apr 22 - Mar 23			Period - Apr 23 - Mar 24			Period Apr 24 - Mar 25		
	Number of Contracts	Spend by Category	Percentage of Spend on Contract	Number of Contracts	Spend by Category	Percentage of Spend on Contract	Number of Contracts	Spend by Category	Percentage of Spend on Contract
National Contracts	70	£517,698		66	£482,194		64	£448,156	
Covid 19 Spend		£89,527			£2,280			£16	
Non Contract		£175,777			£224,807			£230,510	
Total		£783,002	78%		£709,280	68%		£678,682	66%

2.4 Summary of non-competitive procurements

NHS Shetland has some areas of spend above the regulated spend level that are not covered by a regulated procurement process.

NHS Shetland finds it difficult to cover all agency requirement from national frameworks due to geographical location and on-going resource supply market constraints and therefore non-contracted suppliers have to be used to support staffing requirements. The Board's annual spend for agency staff in 2024/25 was £1.5million, a decrease of 53% on the previous year.

2.5 Collaborative contracts

In this financial year NHS Shetland has not completed any collaborative contracts.

2.6 Summary of community benefits

Community Benefits are tangible, positive outcomes which improve the lives of local people and enable communities to thrive. They are vital for boosting employment and securing the long-term sustainability of communities and increased support for vulnerable people.

Within our Procurement Strategy we stated that NHS Shetland had a commitment to incorporate community benefits to improve the economic, environmental and social wellbeing of the Shetland Islands and we would use the recommended tools where appropriate.

NHS Shetland are registered with NHS Scotland's Community Benefits Gateway. The gateway is an online portal connecting NHS Scotland suppliers with communities in Scotland. No community benefits were delivered via the gateway during the period covered by this report.

NHS Shetland continues to engage proactively to support local groups and their projects. During financial year 2024/25 the Board worked with:

- *Mind Your Head*
- *Basics Scotland*
- *The National Trust for Scotland*
- *Scottish Drugs Forum*
- *Unicef*

- *Royal College of Physicians London*
- *Clan House*
- *Foula Electricity Trust*
- *Deaf Action*
- *Oral Health Foundation*

2.7 Supported business summary

Within the report period there were no contracts awarded with a Supported Business. However, NHS Shetland purchased £4.2k of staff uniforms from the NHS Scotland national uniform framework (NP721), which sub-contracts part of the work to a supported business, Haven PTS. We also renewed our local contract with Shetland Community Bike Project for £40k, which provide a pool of e-bikes for staff to use for workplace journeys. Procurement continues to review regulated procurements and include supported businesses wherever possible.

2.8 Future regulated procurement summary

Below is a view of upcoming regulated procurements over the next 2 years.

Contract Description	Category	Supplier	Expected Award Date	End Date	Estimated Value pa.
Modular Units	New	Single	Late 2025	2027	£600k
Managed Taxi Service on behalf of NHS Shetland	Extension	Single	July 2026	July 2028	£90k
Water and Waste Water Billing Services	Extension	Single	April 2027	April 2028	£73k

3 Review of regulated procurement compliance

3.1 Introduction

This section demonstrates how NHS Shetland procurement has contributed to the achievement of our specific objectives and to the general duties in the Procurement Reform (Scotland) Act 2014. Section 3.3 discusses our performance against the mandatory elements of our strategy while section 4 details how we performed against our key performance measures.

3.2 How we review our regulated procurements

NHS Shetland Procurement observes the Procurement Journey methodology namely, Route 2 or Route 3, dependent on the value and requirements of the procurement. Call off contracts are checked with the host organisation for compliance with regulations and policy before we enact these.

3.3 Delivering against our mandatory obligations

This section reviews our performance against the commitments stated in section 6 of our Procurement Strategy.

Regulated procurements

NHS Shetland is committed to ensuring all suitable opportunities are advertised to support businesses across Scotland in gaining access to our product and service requirements. As NHS Shetland will be advertising on and subsequently awarding on the PCS website, the functionality of the site will automatically publish and maintain our contract register for public viewing.

Delivery of value for money

We committed to obtain value for money through best practice contracting and supplier management. Challenging market conditions have limited the amount of cash releasing savings achieved but the Board has worked to minimise cost pressures by utilising national frameworks where possible.

Engaging with patients

We work with colleagues in NHS Shetland to facilitate better engagement with stakeholders. Many of our services and products used are by service users rather than patients and Procurement support the implementation of new contracts including evaluating and transition. For appropriate national contracts there is an opportunity for representation on Commodity Action Panels where strategies and specifications for products and services are designed.

Food procurement

We have a local contract in place for fish supply, with spend around £14k per annum. There are local processes in place to ensure high level of standards are maintained. For the majority of our food supply, NHS Shetland utilises a call off from a national contract for dried and tinned food transported from the mainland. NHS Shetland engages with National Procurement to identify how best they can utilise National Contracts.

Scottish Living wage

NHS Shetland Procurement includes an opportunity within tenders for Supplier to respond if they meet the Scottish Living Wage. All current local estates contractors meet or exceed the Scottish Living Wage.

4 Strategy performance review

4.1 Key measures

Within our strategy our objectives were measured by six key performance measures. Our performance in this section will be reviewed against the targets agreed against these performance targets which are measured using monthly KPI reporting.

4.1.1 NHS Shetland Procurement Key Achievements

Local Supply Chains

Procurement plays a vital role in community wealth building by maximising local spend. By prioritising purchases from local businesses, organisations can stimulate economic circulation within the community, retaining wealth and creating job opportunities. This approach supports the growth and sustainability of local businesses, fosters diversity among suppliers, strengthens community networks, reduces environmental impact, and generates tax revenue for public services. Overall, local spend promotes economic resilience, equity, and prosperity at the local level, making it a crucial strategy for building and retaining wealth within communities. NHS Shetland spent approximately £1.1m with local suppliers this year.

NHS Shetland - an anchor institution

NHS Shetland serves as an anchor institution, embodying the characteristics of large, locally rooted organisations with a substantial presence in their communities. As an anchor institution, NHS Shetland fulfils various crucial roles, including employing a significant workforce, making substantial financial investments, owning, and managing land and assets, and delivering essential services. This substantial presence contributes significantly to the local communities by delivering social value from procuring goods and services.

Spend with contracted suppliers

NHS Shetland measure what proportion of their regulated procurement spend is ordered through compliant supplier and held on the NHS Shetland Contract Register.

From our trade spend of £11.8M a value of £9.07M (77%) is spend with a compliant supplier and our contract register is updated to reflect any spend purchased through national or local contracts.

Spend through Catalogues

National Procurement supported Shetland to migrate hospital departments to order more goods and services from catalogued items. Some departments have started to order the majority of their spend via this route and a plan has been developed to implement this to all in-scope departments.

84% of purchase order lines were ordered via catalogues. There is a high compliance of catalogue lines against suppliers with most order line activity, (e.g., National Distribution Stores, dental supplies, stationery supplies)

4.2 Invoice payment performance

This is an area of major importance within the Procurement and Finance communities, with payment times measured and reviewed on a monthly basis. The agreed measure is to ensure supplier payment within 30 days. The table below details our performance against this measure.

NHS Shetland is committed to supporting business by paying bills more quickly, aiming to pay all undisputed invoices within ten working days, across all public bodies. The statistics below, which relate to all suppliers, are calculated using “invoice received” date, as opposed to invoice date.

Invoice Payment Performance	2024-25	2023-24
Invoice Payment (<30 days)	92.32%	88.73%
Invoice Payment (<14 days)	83.16%	79.21%

5 Other items of note

5.1 Procurement structure

NHS Shetland has local Procurement staff based in Lerwick, Shetland and are supported by the National Services Scotland Procurement Team, based in central Scotland who support and deliver some elements of the activities within the Procurement Strategy and offer strategic and operational assistance.

The key shared responsibilities are detailed below:

- Review / Establish / Maintain local standard Procurement procedures.
- Agree / Establish procurement objectives.
- Propose savings targets and KPIs to track performance and monitor performance.
- Participate and contribute to delivery of procurement objectives in compliance with governance and audit protocols.
- Engagement with key stakeholders to develop commodity strategies and maximise savings delivery through National and Local Contracts.
- Manage contract implementations to maximise savings delivery.
- Use of mandated systems (PCS and PCS-Tender) in the contract tendering process.

6 Annex

1. Organization and report details	
a) Contracting Authority Name	Shetland Health Board
b) Period of the annual procurement report	1 April 2024 – 31 March 2025
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? (Yes / No)	Yes
2. Summary of Regulated Procurements Completed	
a) Total number of regulated contracts awarded within the report period	2
b) Total value of regulated contracts awarded within the report period	£6,900,600
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	2
i) how many of these unique suppliers are SMEs	1
ii) how many of these unique suppliers are Third sector bodies	1
3. Review of Regulated Procurements Compliance	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	2
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0
4. Community Benefit Requirements Summary	
Use of Community Benefit Requirements in Procurement:	
a) Total Number of regulated contracts awarded with a value of £4 million or greater.	1

b) Total Number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	0
c) Total Number of regulated contracts awarded with a value of less than £4 million that contain Community Benefit Requirements	0

Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:

d) Number of Jobs Filled by Priority Groups (Each contracting authority sets its own priority groups)	Not recorded
e) Number of Apprenticeships Filled by Priority Groups	Not recorded
f) Number of Work Placements for Priority Groups	Not recorded
g) Number of Qualifications Achieved Through Training by Priority Groups	Not recorded
h) Total Value of contracts sub-contracted to SMEs	unknown
i) Total Value of contracts sub-contracted to Social Enterprises	0
j) Total Value of contracts sub-contracted to Supported Businesses	£4,200
k) Other community benefit(s) fulfilled	0

5. Fair Work and the real Living Wage

a) Number of regulated contracts awarded during the period that included a Fair Work First criterion.	0
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	1
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated	0

contract during the period.

6. Payment performance

a) Number of valid invoices received during the reporting period.	17,529
b) Percentage of invoices paid on time during the period ("On time" means within the time period set out in the contract terms.)	92.32%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	2
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0

7. Supported Businesses Summary

a) Total number of regulated contracts awarded to supported businesses during the period	0
b) Total spend with supported businesses during the period covered by the report, including:	£44,200
i) spend within the reporting year on regulated contracts	£44,200
ii) spend within the reporting year on non-regulated contracts	0

8. Spend and Savings Summary

a) Total procurement spend for the period covered by the annual procurement report.	£11,831,000
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	£4,578,000

c) Total procurement spend with third sector bodies during the period covered by the report.	unknown
d) Percentage of total procurement spend through collaborative contracts.	0.006%
e) Total delivered cash savings for the period covered by the annual procurement report	nil
f) Total non-cash savings value for the period covered by the annual procurement report	unknown
9. Future regulated procurements	
a) Total number of regulated procurements expected to commence in the next two financial years	3
b) Total estimated value of regulated procurements expected to commence in the next two financial years	£600,000

7 Report ownership and contact details

In line with the Reform Act and to ensure our Annual Procurement report details our performance against strategy, this report will be subject to formal annual review and approval by the NHS Shetland Procurement Steering Group.



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8 Glossary

Term	Definition
Collaborative contract	Where 2 or more organizations engage in procurement activity for mutual benefit.
Community benefits	Community Benefits are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social- economic and or environmental benefits.
Supported business	A supported business means a business whose main aim is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of the employees are disabled or disadvantaged persons.
Standing financial instructions	Details the financial responsibilities, policies and procedures adopted by NHS Shetland. They are designed to ensure that financial transactions are carried out in accordance with the law and government policy in order to achieve probity & accuracy.
Sustainable procurement	The sustainable procurement duty requires that before a contracting authority buys anything, it must think about how it can improve the social, environmental and economic wellbeing of the area in which it operates, with a particular focus on reducing inequality.

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