Public Services Delivery
Scotland

National Procurement **Sitrep**

Overall RAG Status:	Highlights/Reasons
Middle East Conflict Impact Assessment	• **The overall RAG status is Green; however, it is important to acknowledge the ongoing risks and uncertainties regarding the global landscape, especially in relation to oil and gas supplies.** • **National Procurement is addressing immediate concerns while also coordinating with the supply base to conduct medium- and long-term supply and commercial assessments.** • **Commercial pressures are increasing due to fluctuations in raw material market prices, leading some suppliers to express concerns regarding the sustainability of established price points. This situation is under close observation, but forecasts suggest continued upward price pressure if current global market constraints persist.**

Status by Category

- **National Procurement (Strategic Sourcing)**

Requests for short-term fuel surcharges continue to be addressed in accordance with established contractual obligations and governance frameworks. Several suppliers have indicated that while certain measures can be adopted in the near term, an extended rise in fuel and associated raw material costs will require revised cost models to be implemented.

The ongoing risk associated with helium gas supply remains. While the United Kingdom does not source helium directly from Qatar—which produces roughly one third of global helium—extended disruptions may indirectly impact the international market. NHS Scotland primarily utilises helium for MRI scanner operation, with other medical uses being restricted and highly specialised. Suppliers continue to confirm that there is currently no immediate risk to UK supply, due in part to established reserves.

In relation to medical gases overall, NHS Scotland’s main supplier, BOC, advises that there is no immediate risk to availability, with supply continuity prioritised for healthcare:

Medical Oxygen & Synthetic Medical Air: Manufactured within the UK via multiple air separation units. Supply availability is secure; however, production is energy-intensive and pricing may be sensitive to energy market volatility.

Medical CO_2 & Carbogen: Sourced from EU supply points and internal production. Availability remains secure, though costs may increase due to fertiliser market influences.

Nitrous Oxide (N_2O) & Entonox®: Sourced from Europe with strategic UK stockholding in place, providing a robust supply position. Pricing pressures may arise from fertiliser market dynamics.

Helium & Heliox: Global market disruption has led the parent company to adjust distribution strategies. Supply is being maintained, but with significant additional global logistics and procurement costs.

The supplier reiterates that healthcare customers will be prioritised in the event of wider supply constraints, ensuring continued support for patient care.

Global shipping issues are under close watch, but product availability is not significantly affected. Freight and landed costs are rising. Evaluations of medical device imports via Asia–Europe routes continue, with DHSC and National Procurement finding minimal risk to supply as most shipments have switched to alternate routes. National Procurement maintains ongoing monitoring and supplier engagement for any potential cost changes.

Supplier cyber security risks arising from geopolitical instability are under ongoing review. Currently, there are no disruptions to services, with risks remaining indirect and addressed as precautionary measures. Recent incidents have been fully resolved, and operations have resumed standard fulfilment levels. National Procurement continues to proactively obtain assurances regarding cyber resilience from key suppliers, aligning these efforts with broader initiatives addressing geopolitical risk.

- **National Procurement (Medicines)**

DHSC are leading on medicines supply resilience at UK level. They previously advised that the UK has no direct dependencies on Iran and only limited dependencies on other Middle Eastern countries aside from Israel. A small number of products may pose vulnerability due to their sole-supplier status; the DHSC is engaging with companies and closely monitoring. There is still no evidence of a reduction in the supply of medicines to Scotland due to challenges in the Middle East but as previously advised, DHSC updated their standard communication lines in recognition that they were seeing a small number of disruptions.

Previous DHSC Lines: “We are monitoring the situation closely and there is currently very limited disruption to medical product supply from the conflict in the Middle East. We have robust measures in place to manage disruption across the health and social care sector to protect patients, including holding buffer stocks and the procurement of alternative products where necessary. We will continue working closely with industry partners to help ensure the continued supply of medical products”.

The Healthcare Distribution Authorisation (specifically the Wholesale Distribution Authorisation), as the pharmaceutical trade body, has continued to indicate that wholesalers may begin to introduce fuel surcharges.

As previously indicated, the pharmaceutical supply chain is managed by commercial suppliers external to the NHS. Ongoing requests for guidance have been made to SG regarding appropriate measures for fuel shortage preparedness. Commercial suppliers have emphasised the importance of clear communication from SG, specifically seeking recommendations for scenario planning as well as detailed guidance on criteria and eligibility requirements for designation as a priority provider.

- **National Procurement (National Distribution Service)**

Fulfilment rates for health boards remain consistently high, with an average on-time, in-full delivery rate of 99%. Ongoing collaboration with suppliers is focused on identifying potential disruptions to these fulfilment models, and the implementation of an early warning system via a digital reporting tool is under consideration.

While the overall situation remains under control, persistent concerns continue regarding commercial pressures. These encompass challenges related to raw materials, freight—including container availability and fluctuating market prices (such as insurance premiums)—and fuel expenses. Although there is no immediate threat to stock provision, increasing uncertainty about future availability arises due to the unpredictable nature of the conflict and its impact on global supply chains. Suppliers are navigating a highly complex environment; nevertheless, worries about long-term commercial viability are becoming more pronounced, as previously communicated.

A comprehensive assessment of tier-2 supplier risk exposure is currently underway, with ongoing discussions involving suppliers to address potential capacity constraints or delays related to sub-tier materials, components, and packaging. Collaboration continues with DHSC, NSDR, and the devolved nations to maintain a thorough awareness of any threats or risks arising from potential supply disruptions.

- **Health Boards**

All health boards continue to monitor activities not associated with National Procurement framework or National Distribution Service provision.

Ongoing feedback is reporting similar concerns in relation to commercial risks but no urgent issues regarding any service or goods provision disruption.

The established NP forums with boards of National Efficiency Operational Group (NEOG), and the Category Managers Collaboration Group (CMCG), are continuing to be leveraged to gather input from boards, enabling prompt access to support and provide resilience measures.

Fuel surcharge notifications being presented at board level are being appropriately addressed. As noted these are being combined with National Procurement, and discussions are continuing regarding mitigation strategies to offset potential charges.

- **Commercial**

Commercial pressures, notably fuel surcharges within the supplier network, persist. Activities adhere to established governance frameworks and contractual obligations. Central Legal Office is continuing to support positioning with force majeure submissions, with particular attention to at risk commodities. As previously noted, open-book costing arrangements have been implemented to facilitate well-informed decision making in response to shifting market dynamics. NP continues to monitor commercial impacts through continuous supplier management activities.

Certain suppliers have indicated modifications to trading terms with their second-tier providers, which in some instances has resulted in block payments or pro-forma trading. Although these changes are not being transferred to National Procurement, the increased financial capital outlay by suppliers will be closely monitored to ensure there is no negative impact on commercial arrangements.

Particular attention has been given to the nitrile gloves market, with NHS Scotland utilising nearly 300 million gloves per annum, making this product a crucial element in infection prevention and control. Raw material costs typically constitute 55% of the finished product's price. Recent fluctuations in supply for base materials such as butadiene and other oil-derived components have resulted in price increases ranging from 20% to 40%, with further upward trends anticipated next month. Additionally, several factories have adopted spot pricing arrangements, meaning that forward pricing cannot be agreed upon or guaranteed.

Summary

The current status remains conducive to ongoing service delivery, with established protocols in place to effectively manage any disruptions that may arise.

Collaboration with suppliers continues to be prioritised to facilitate the timely identification of emerging risks and enable swift implementation of appropriate contingency measures.

Commercial risks are on the rise, prompting increased attention due to the fluctuating geopolitical landscape, which is contributing to heightened market uncertainty and volatility.

Next steps

A review is necessary to assess emerging commercial risks and possible outcomes concerning available funding and contingent plans in the event of supplier disruption.

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