Public Services Delivery
Scotland

National Procurement **Sitrep**

Overall RAG Status: GREEN	Highlights/Reasons for RAG Status
Middle East Conflict Impact Assessment	• **Overall RAG status is Green, noting there remains continued risk and uncertainties on the overall global situation.** • **National Procurement is assessing immediate, medium, and long-term supply and commercial risks across its supplier network in response to the crisis.** • **In addition to the ongoing supplier activity, NP are liaising with health boards on any risks to direct supply as well as coordinating with DHSC and NSDR (National Supply Disruption Response) teams to provide full national engagement.**

Status by Category

- **National Procurement (Strategic Sourcing)**

Several formal requests have been received across category areas relating to fuel surcharge increases. These are being managed in line with established governance processes and contractual terms and conditions.

As part of routine supplier management engagement, a number of key medical device suppliers have indicated a likelihood of pricing increases as the conflict continues. Food supplies are being closely monitored for any pricing volatility.

The previously highlighted helium gas supply risk remains, with Qatar accounting for approximately one third of global helium production. While the UK does not directly source helium from Qatar, there is potential for indirect global market pressure should disruption persist. The primary NHS Scotland dependency is helium for MRI scanners; other medical uses are limited and specialist. Suppliers continue to indicate no immediate risk to UK supply, with reserves in place.

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 disruption continues to be monitored. No impact on product availability has been reported; however, pressure on freight and landed costs is becoming more apparent as forward bookings are made across the network. Imported medical devices, consumables, and equipment using Asia–Europe supply routes continue to be assessed. DHSC and National Procurement assessments confirm that availability risk remains low, with the majority of shipping already routed via alternative routes. National Procurement continues horizon scanning and supplier engagement to monitor cost impacts.

Supplier cyber security risk associated with geopolitical instability is also being monitored. There is no current service disruption, and the risk remains indirect and precautionary. Recent disruptions are now fully resolved, with activity returned to normal fulfilment. National Procurement continues to proactively seek assurance from key suppliers on cyber resilience as part of wider geopolitical risk engagement processes.

- **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 on the 16th of April, DHSC updated their standard communication lines in recognition that they are beginning to see a small number of disruptions.

Updated 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, the pharmaceutical wholesaler trade body, has signalled that wholesalers may begin to introduce fuel surcharges; there has now been one confirmed example of this, a small pharmaceutical distributor, Genetech.

There have been a small number of examples of pharmaceutical suppliers signalling that they may need to review prices linked to cost pressures related to energy and raw material inputs. There has been an example of a supplier terminating the secondary care supply contract for a high-volume product line (Paracetamol 500mg Tablets (32)) citing cost pressures due to problems in the Middle East; this will have a cost pressure for Boards, but it did not expect to impact on supply.

The pharmaceutical supply chain is maintained by commercial suppliers external to the NHS. Guidance continues to be requested from SG regarding appropriate actions for fuel shortage preparedness. Commercial suppliers have expressed a need for communication from SG outlining recommended measures for scenario planning, including the identification of priority suppliers.

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

Fulfilment rates for health boards have consistently exceeded 99% since the onset of the conflict. Critical product lines are closely monitored to maintain robust stock levels, with proactive planning and procurement strategies in place to reliably meet demand.

As previously mentioned, all 400 NDS suppliers have been asked to submit regular heatmap reports detailing emerging risks and any concerns related to supply pipelines and fulfilment. These reports should also address risks pertaining to cybersecurity and possible disruptions in logistics operations.

Feedback remains positive overall; however, some emerging risks have been noted regarding Far East freight fulfilment due to commercial pressures and limited availability of shipping container capacity. While there is no immediate threat to stock levels, we have conducted several meetings with suppliers, resulting in the decision to switch some production to alternative locations (e.g., Kenya) to support our product portfolio. Suppliers continue to navigate a dynamic logistics environment and maintain contingency stock at UK and European centres for critical product lines, ensuring robust product assurance and contingency response capability.

Further assessment is ongoing regarding tier-2 exposure, with sub-tier materials, components, and packaging currently under discussion with suppliers to identify any potential capacity constraints or delays in manufacturing output.

In certain instances, agreements have been reached on temporary changes—such as adjustments to product packaging or colour modifications—to ensure continuity of supply.

Ongoing collaboration with DHSC, NSDR, and the devolved nations is ensuring thorough awareness of possible threats or risks associated with supply disruptions.

Fuel protests that were previously reported in the UK did not affect inbound supply logistics, and services continued without interruption.

- **Health Boards**

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

Current feedback confirms minimal risk and no urgent issues regarding any service or goods provision.

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 have been presented at board level and are being appropriately addressed. Where applicable, these matters are combined with National Procurement, and discussions are underway 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. The Central Legal Office is continuing to evaluate 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.

Summary

The overall position continues to remain stable, and established processes ensures that prompt engagement and effective collaboration is ready should any disruption occur.

We are closely monitoring global logistics networks and proactively collaborating with our supply base to identify any emerging risks in the supply roadmap and ensure timely contingency actions are taken to address them.

Commercial risks are systematically identified and addressed in accordance with standard governance and legal frameworks.

Next steps

Maintain vigilance around potential risks or emerging threats and implement contingency measures as needed to maintain service continuity.

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