CIPFA

# Public Sector Corporate Services VfM Indicators

# Procurement

# 2007/2008

## Woolforest

*compared with*

| | |
|---|---|
| Buncester | Buncity |
| Cottfield | Dogworth |
| Fatfield | Footcity |
| Funcester | Furshire |
| Gunton | Handchester |
| Leftchester | Lootfield |
| Pearfield | Plumcaster |
| Potshire | Richforest |
| Tanshire | Thincity |
| Woolforest | |

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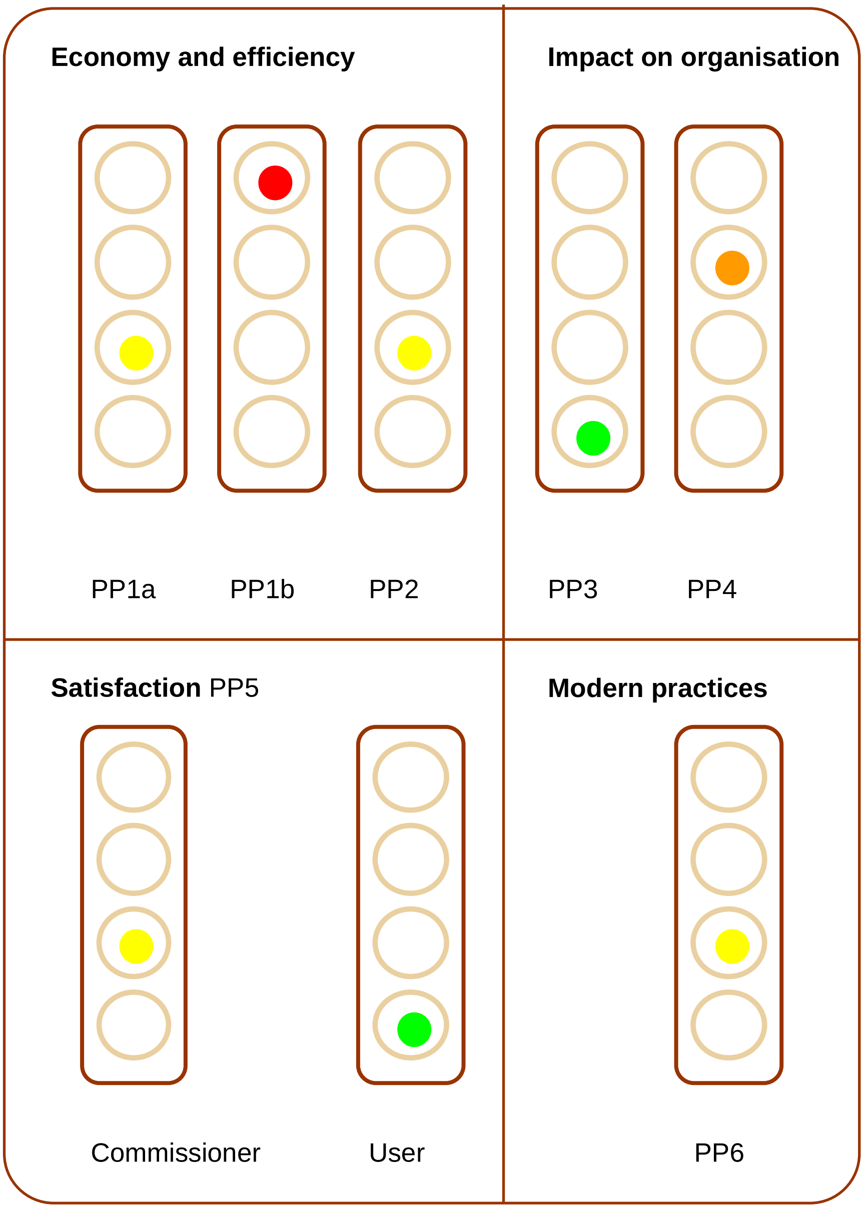
30/07/2009

# RESULTS ON ONE PAGE

The Audit Agencies developed an approach to considering Value for Money for Corporate Services which had four dimensions. The overall results are shown below:




Notes:

A green light indicates performance in the best quartile; a yellow light indicates performance between the median and best quartile; an amber light indicates performance between the median and worst quartile and a red light indicates performance in the worst quartile.

For the purposes of this report, high cost and low productivity are considered poor. However, we accept this is a generalistion and that in some circumstances organisations can choose to invest more in functions because they have under invested in the past or because they want to place particular emphasis on a function.

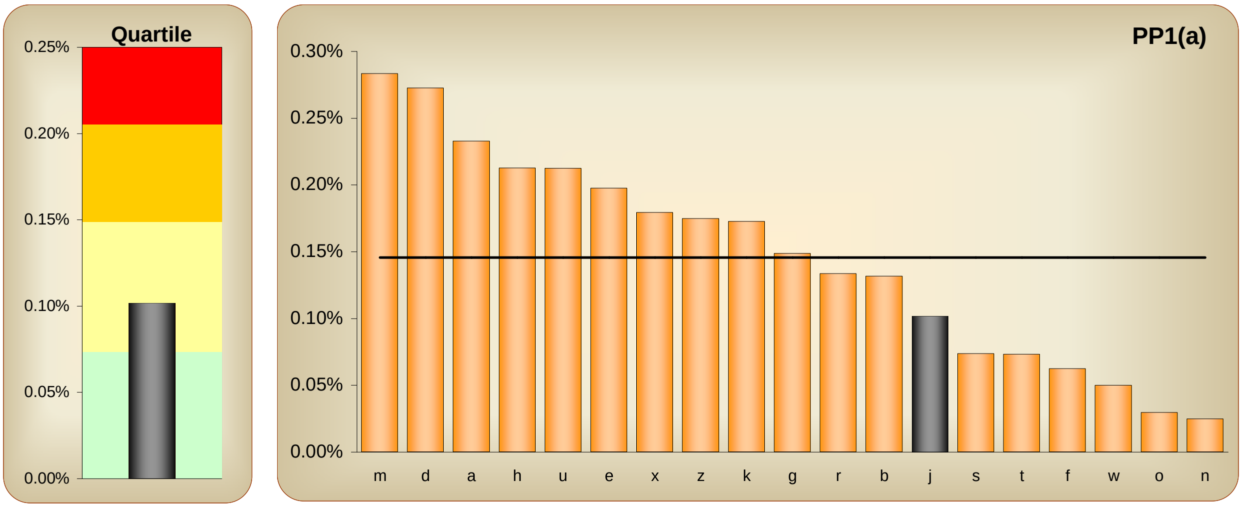
Full descriptions of the indicators are shown in the remainder of this report.

# Section 1 - ECONOMY AND EFFICIENCY

## PP 1 Cost of the Procurement function

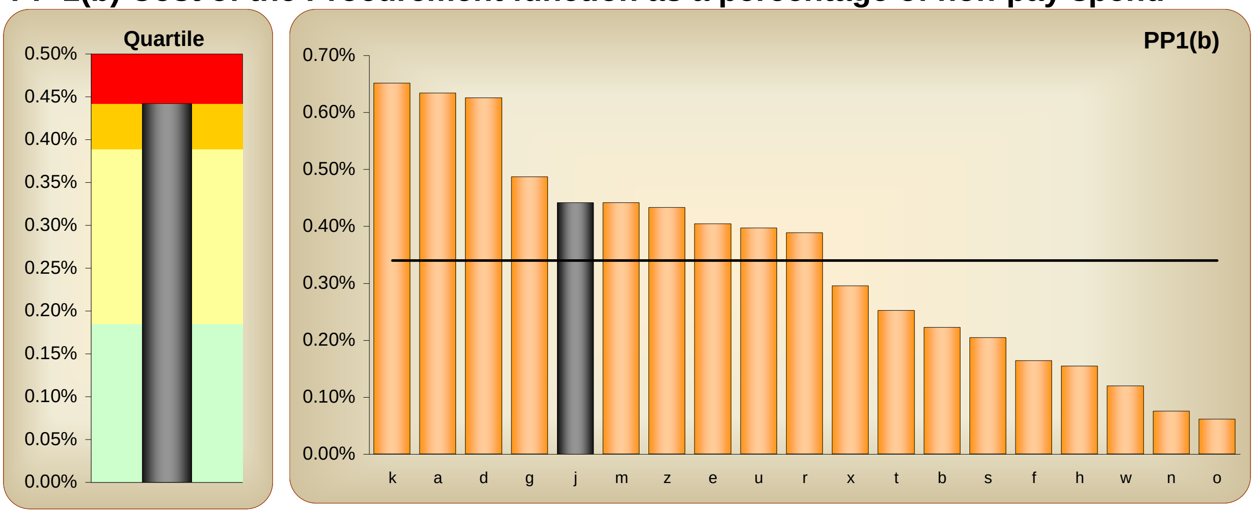
**Rationale and expected impact on behaviour**
This is a high-level indicator measuring the cost-effectiveness of the organisation’s procurement function (whether managed centrally, devolved or a combination of approaches). In most circumstances organisations would aim to reduce the costs of procurement relative to their spend over time. However organisations should interpret their score against this indicator with their results against measures of effectiveness such as primary indicators 3 (percentage of spend managed by procurement professionals), 4 (average savings achieved), 5 (the commissioner and user satisfaction index) and 6 (the management practice indicator).

## PP 1(a) Cost of the Procurement function as a percentage of organisational running costs (expenditure)




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **0.10%** | ***0.15%*** | **0.07%** | **0.15%** | **0.21%** |

## PP 1(b) Cost of the Procurement function as a percentage of non-pay spend




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **0.4%** | ***0.3%*** | **0.2%** | **0.4%** | **0.4%** |

Woolforest

## PROCUREMENT COST/£'000 Organisation running costs 2007/08

**For each benchmark two figures are given, the first being the organisation's cost and the second (in italics) is the group average.**

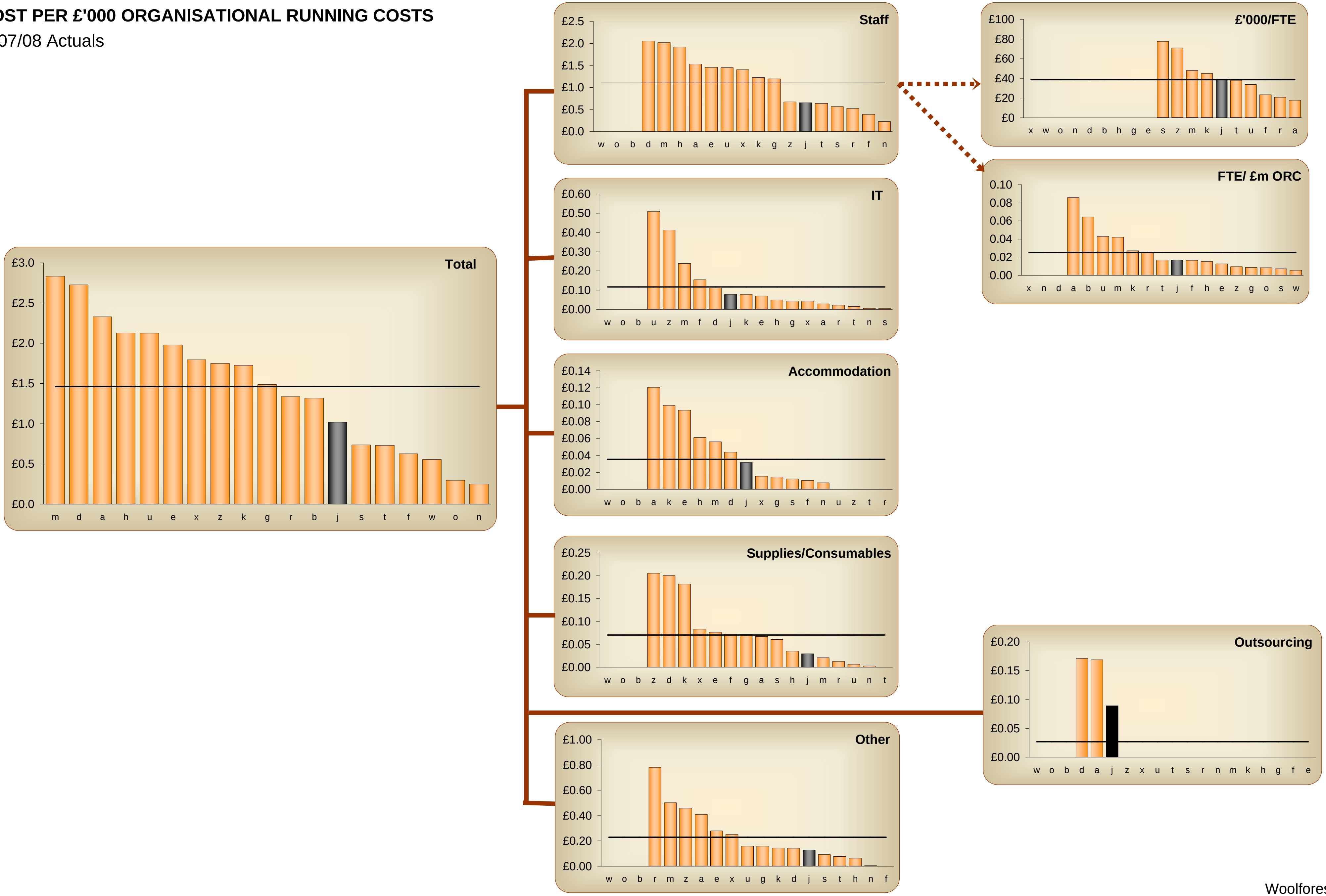
**Total Cost**
**£1.02** ***£1.46***

- **Staff**
  **£0.66** ***£1.12***
  - **Cost per FTE staff**
    **£39,333** ***£38,667*** *****
  - **FTE/£m Org. Running costs**
    **0.02** ***0.03***
- **IT**
  **£0.08** ***£0.12***
- **Accommodation**
  **£0.03** ***£0.04***
- **Supplies and Consumables**
  **£0.03** ***£0.07***
- **Outsourcing**
  **£0.09** ***£0.03***
- **Other**
  **£0.13** ***£0.23***

*** median**

| Costs 2007/08 (£'000) | |
|---|---|
| Staff | 354 |
| IT | 42 |
| Accommodation | 17 |
| Supplies and Consumables | 16 |
| Outsourcing | 48 |
| Other | 70 |
| **Total** | **547** |
| | |
| **FTE** | **9.0** |
| | |
| **Organisational running costs** | **537,054** |

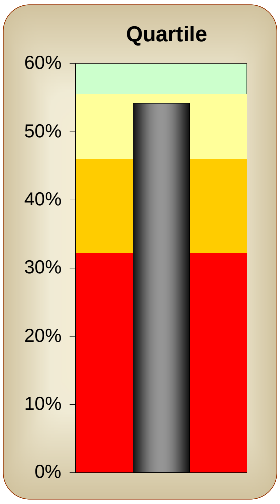
## COST PER £'000 ORGANISATIONAL RUNNING COSTS
2007/08 Actuals

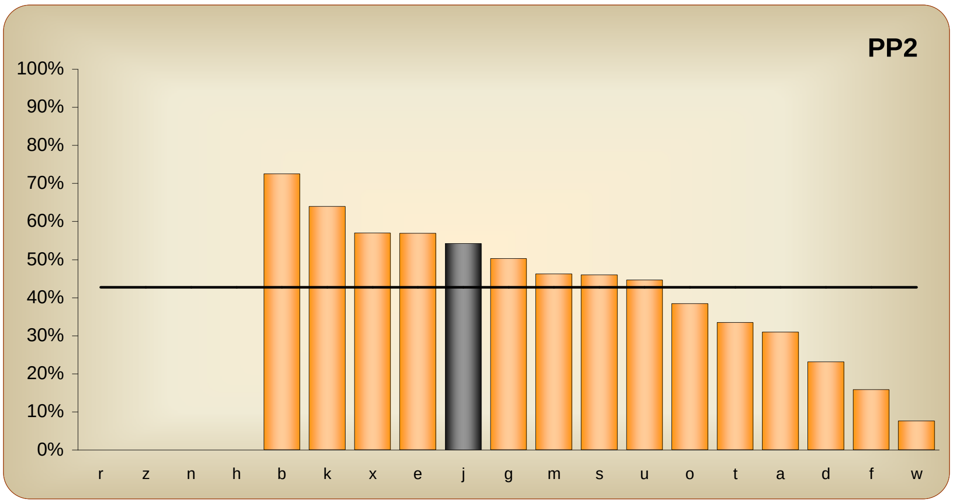



Woolforest

## PP2 Actual spend committed against pre established contract arrangements as a % of non-pay spend

**Rationale and expected impact on behaviour**
This indicator assesses the level of non-contract spend across the organisation and so provides an indication of the level of influence and control exerted by procurement professionals.
An efficient organisation that buys specific goods or services regularly should establish pre-agreements so that terms are clear, risks are mitigated and a degree of leverage will be applied. Over time, organisations would therefore seek to achieve and maintain a high percentage figure for this indicator.



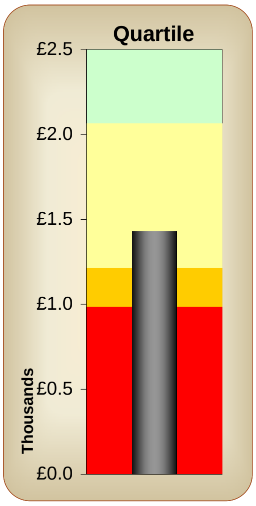



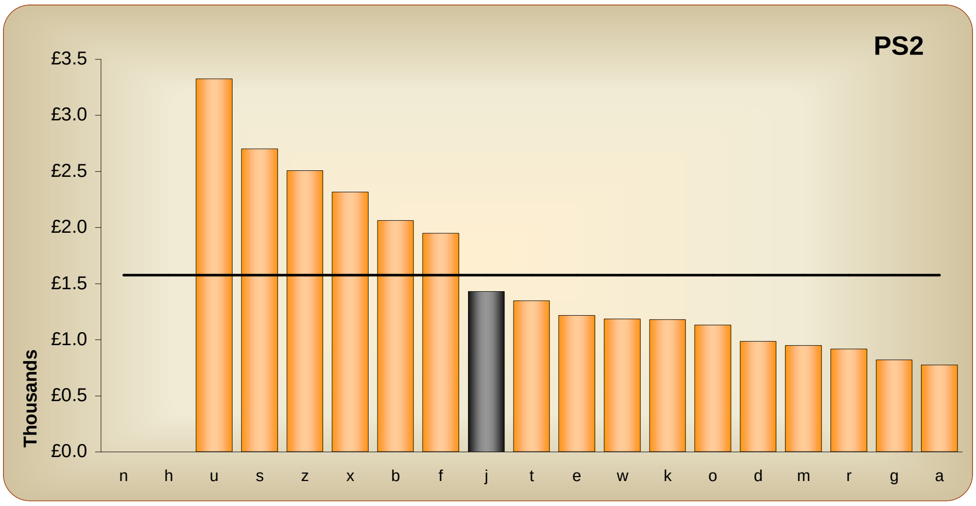

| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **54.2%** | ***42.8%*** | **32.2%** | **46.0%** | **55.6%** |

## Secondary Indicators

### PS2 Average invoice value

**Rationale and expected impact on behaviour**
In most circumstances organisations should, wherever possible, ensure that invoices for their purchases are consolidated in order to reduce transaction costs. Organisations should therefore expect to see an increase in the average value of their invoices over time.

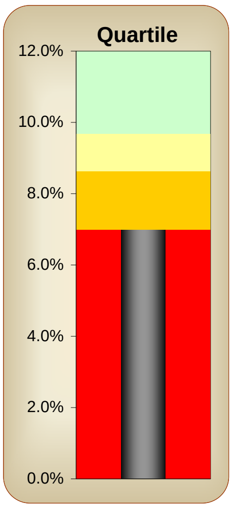


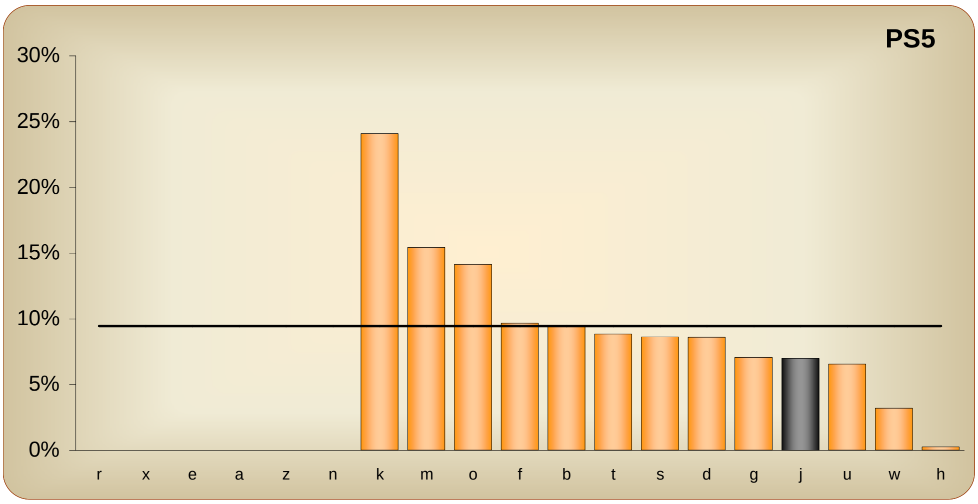




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **£1,432** | ***£1,577*** | **£985** | **£1,217** | **£2,065** |

### PS5 The percentage of total non-pay spend channelled through collaborative arrangements with other buying organisations

**Rationale and expected impact on behaviour**
This indicator assesses the effectiveness of the organisation in sourcing goods and services through collaborative procurement channels such as local or national consortia arrangements, cross Government bodies or shared services centres. The Government's Efficiency review encourages government bodies to work collaboratively and deliver on joint procurement projects to deliver greater efficiencies. In most circumstances organisations would aim to increase the percentage of spend made through collaborative arrangements in order to secure more competitive deals.




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **7.0%** | ***9.5%*** | **7.0%** | **8.6%** | **9.7%** |

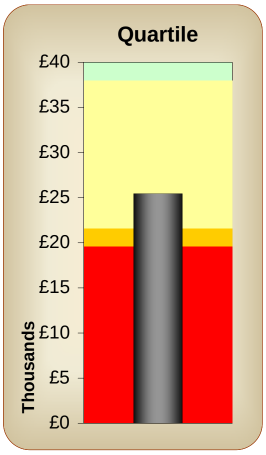
## PS6 Management of supplier base

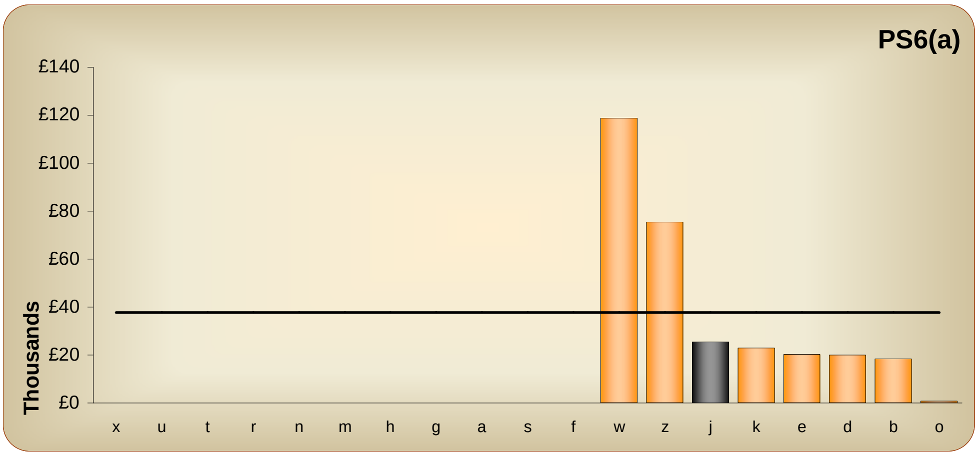
**Rationale and expected impact on behaviour**

This indicator examines the extent to which the organisation proactively manages and drives value from its supply base. Having a large and extended supply base relative to the size of the organisation's non-pay spend tends to makes supplier relationship management more arduous and time consuming, negating opportunities for leverage and supplier innovation and creating unnecessary administrative costs. Organisations should seek to purchase from an optimal number of suppliers (typically by spend category), taking into account market conditions and the capability of the procurement function to effectively manage the supply base.

The constituent parts of this indicator examine different elements of how spend is distributed across the organisation's total supply base. High performing organisations typically aim to aggregate their purchasing in order to secure competitive deals. They would therefore expect to increase the average spend and the percentage of spend with their largest suppliers over time (parts a and b of the indicator). High performing organisations also ensure that the 'tail' is being managed effectively and that spend is not distributed too thinly to the extent that the organisation receives minimal value from the supplier after factoring-in transactional costs and supplier maintenance on systems. They would therefore expect that the percentage of suppliers with whom they have placed no orders would decrease over time. Organisations should aim to balance their achievement against parts (a) and (b) of this indicator with their performance against secondary indicator 4 (the percentage of spend with SMEs).

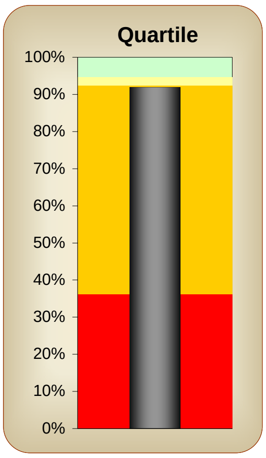
## PS6(a) Average spend per accredited supplier

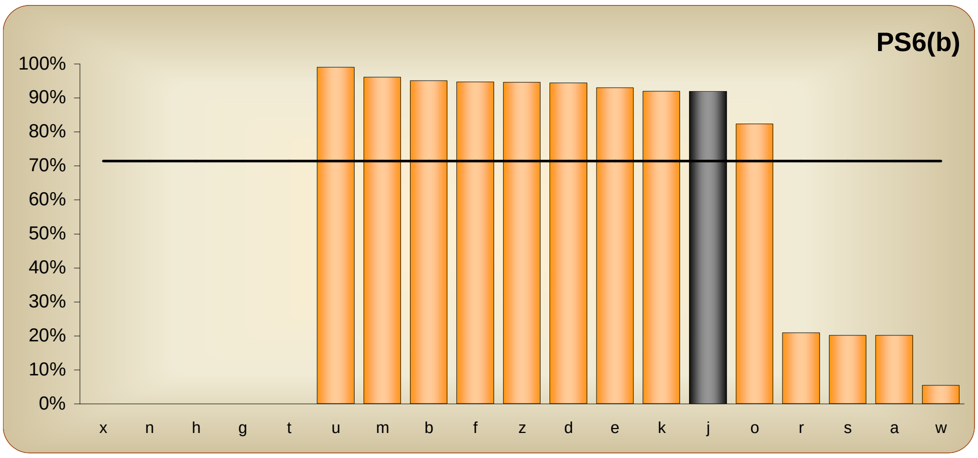



| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **£25,470** | ***£37,770*** | **£19,599** | **£21,596** | **£37,968** |

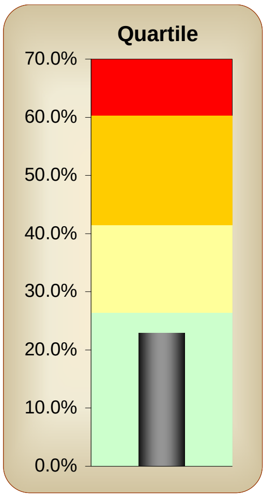
## PS6(b) Percentage of total non-pay spend represented by the top 20 per cent of suppliers (by value)

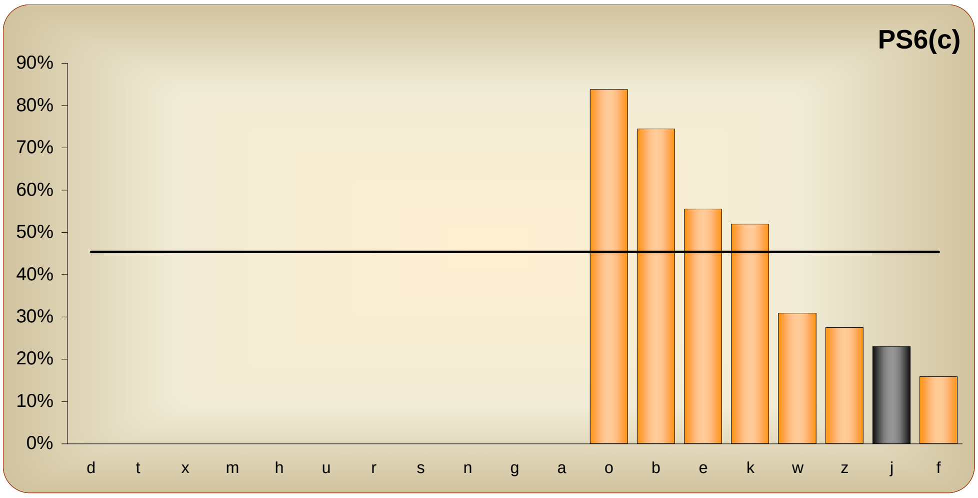



| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **92%** | ***71%*** | **36%** | **93%** | **95%** |

## PS6(c) Percentage of suppliers on an accredited list with no orders in the previous 12 months



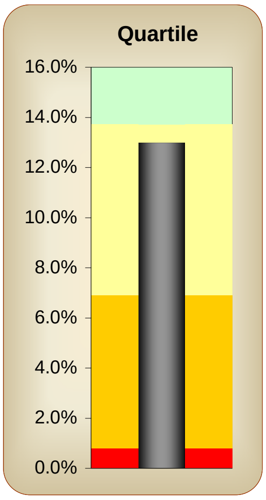



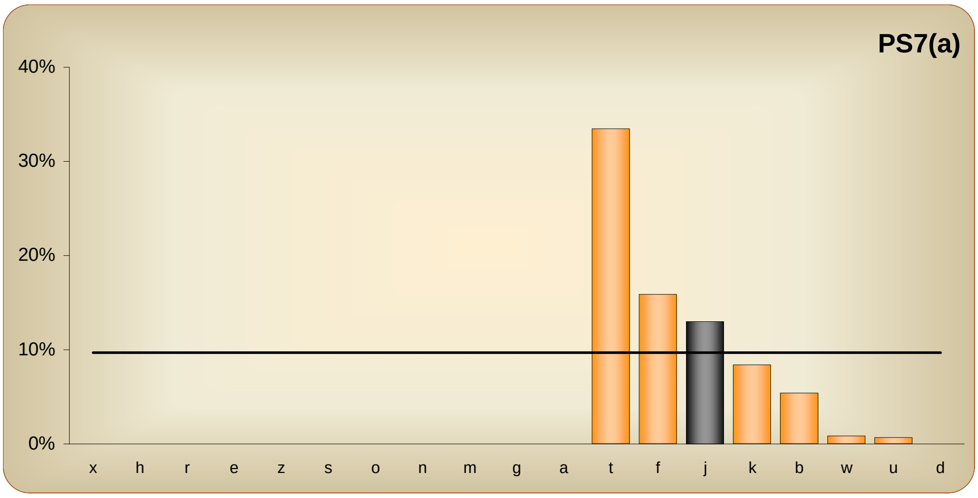

| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **23%** | ***45%*** | **26%** | **41%** | **60%** |

## PS7 The use of technology within procurement

**Rationale and expected impact on behaviour**
This indicator examines the use of technology to support efficiency in the procurement of goods and services. In most circumstances organisations would expect to increase these percentages over time.

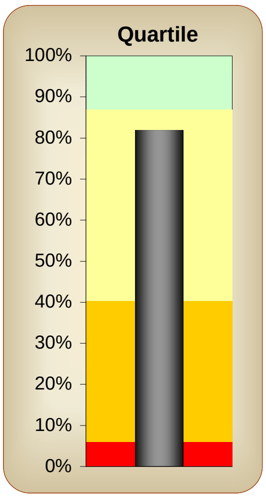
## PS7(a) The percentage of total goods and services spend that is sourced electronically

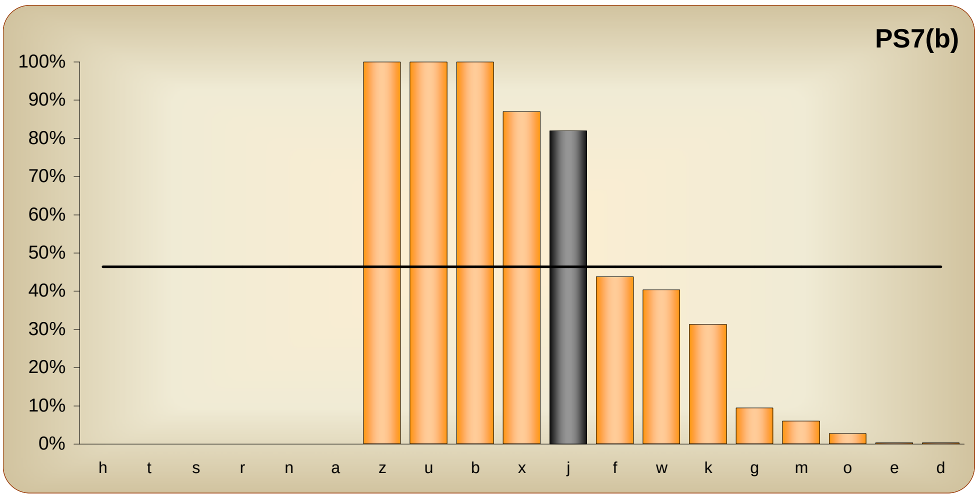



| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **13.0%** | ***9.7%*** | **0.8%** | **6.9%** | **13.7%** |

## PS7(b) The percentage of total goods and services spend managed through ePurchasing



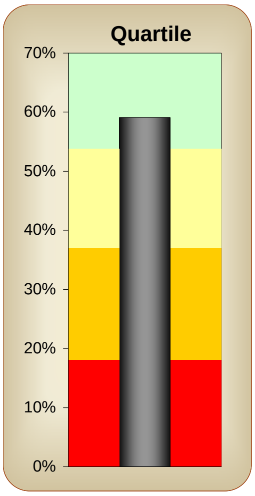



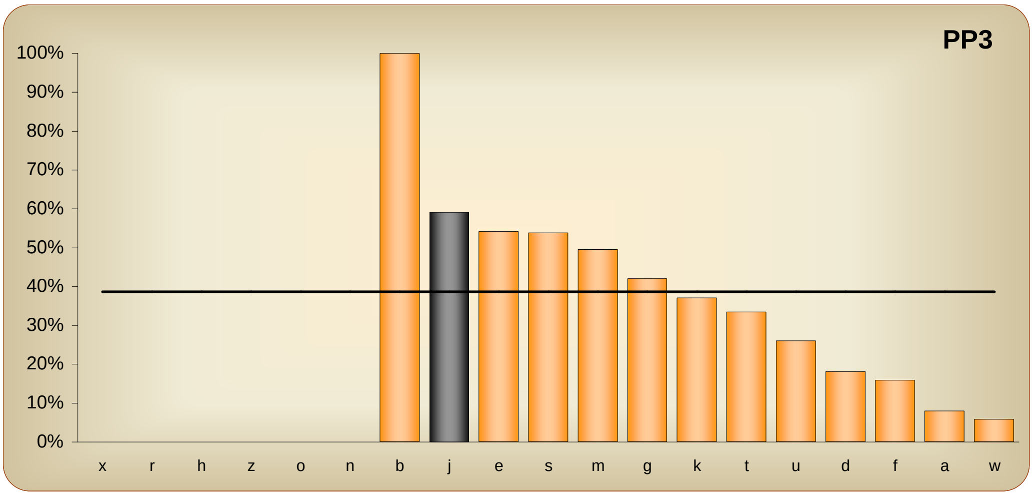

| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **82.0%** | ***46.4%*** | **6.0%** | **40.3%** | **87.0%** |

# Section 2 - IMPACT

## PP3 % of non pay spend that is actively managed by procurement professionals

**Rationale and expected impact on behaviour**
This indicator examines the extent to which procurement spend is managed by procurement professionals either working in a central procurement function or who work in business units (for example qualified procurement staff embedded in IT). Most organisations would aim to achieve a high percentage for this indicator and to increase it over time. Organisations should interpret their achievement against this indicator alongside primary indicator 4 (average savings achieved through procurement).

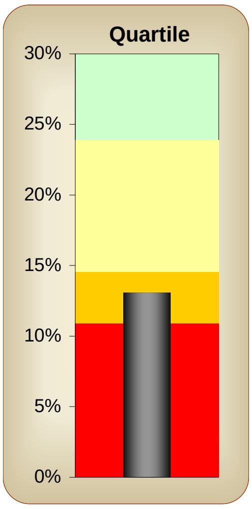


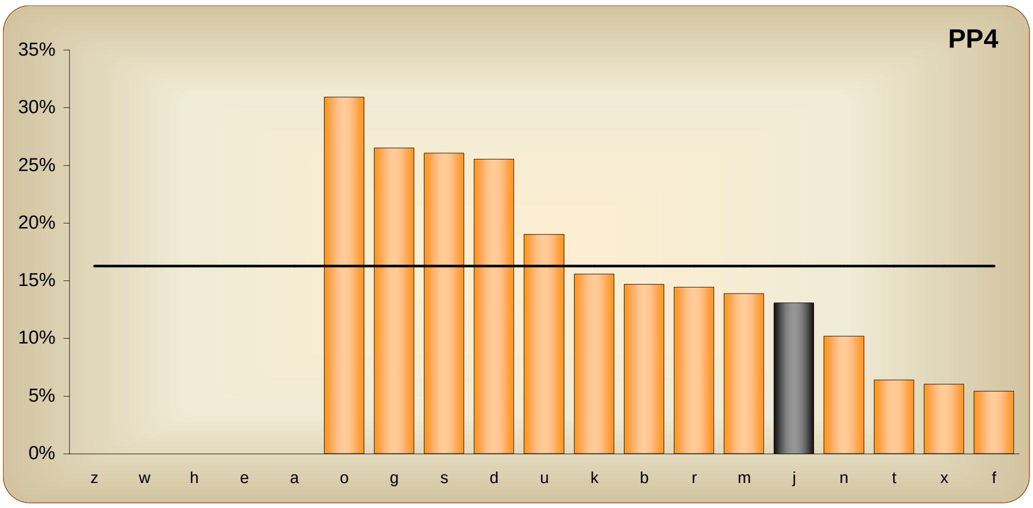




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **59.1%** | ***38.7%*** | **18.1%** | **37.1%** | **53.9%** |

## PP4 Average percentage savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year

**Rationale and expected impact on behaviour**
This examines the effectiveness of procurement in achieving savings. The Government's Efficiency Review: Releasing Resources for the Front line (2004) focused on efficiencies that can be achieved in back office activities with the aim of redirecting resources. Procurement is a key area targeted to deliver these savings. Organisations would therefore seek to increase this average over time. Organisations should interpret their achievement against this indicator alongside primary indicators 1 (cost of procurement function) and 3 (percentage of spend managed by procurement professionals).



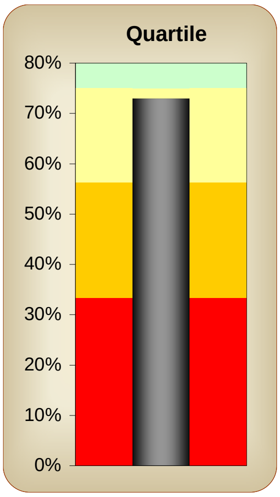



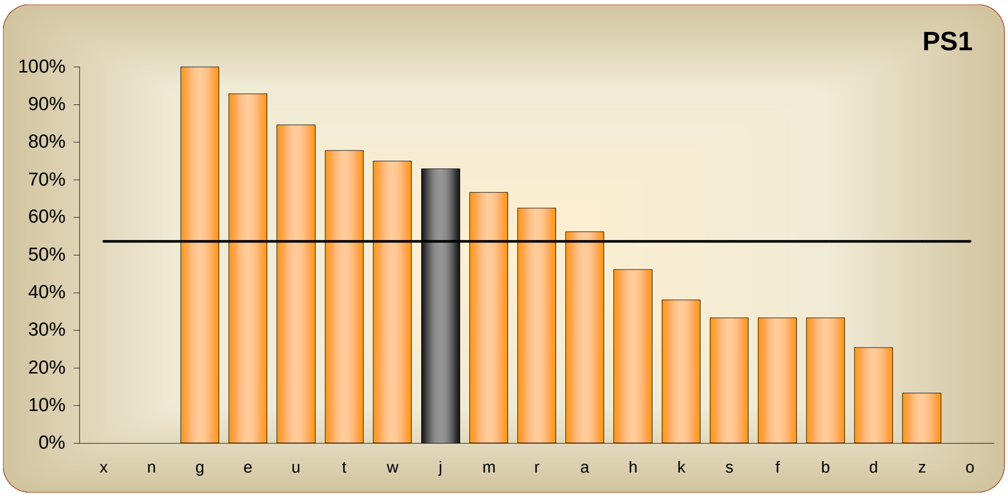

| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **13.1%** | ***16.3%*** | **10.9%** | **14.6%** | **23.9%** |

## Secondary Indicators

### PS1 Professionally qualified procurement FTEs as a percentage of total procurement FTEs

**Rationale and expected impact on behaviour**
This indicator measures the proportion of procurement personnel (both within the procurement function and embedded in business units) who have procurement qualifications. In most cases organisations would aim to secure a period-on-period increase in respect of this indicator.

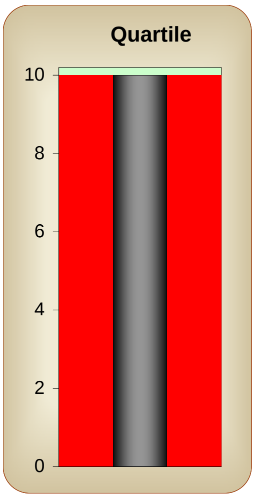


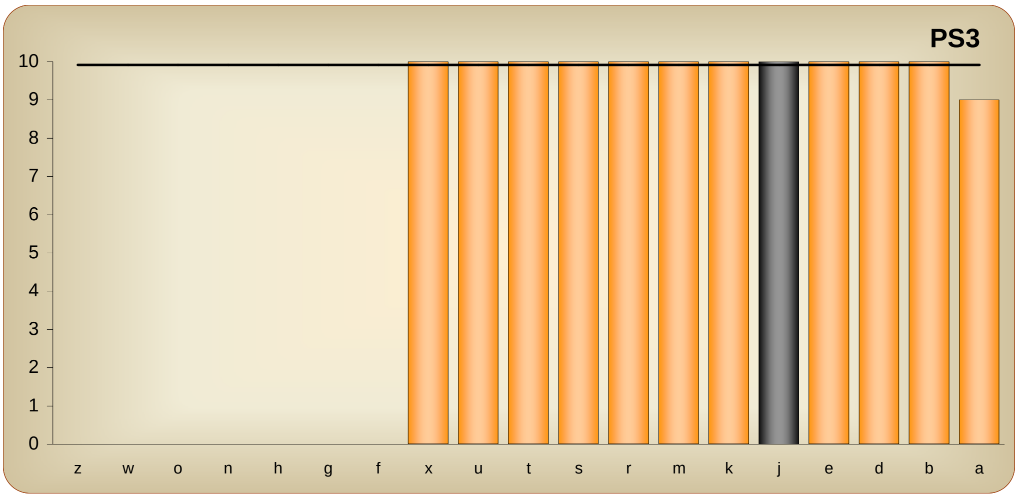




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **73%** | ***54%*** | **33%** | **56%** | **75%** |

### PS3 Number of the organisation's top 10 suppliers who have a formal partnership/framework agreement with the organisation

**Rationale and expected impact on behaviour**
This indicator examines the extent to which the organisation has formal agreements with its suppliers in order to manage their relationship with them and to better control its expenditure. In most cases high-performing organisations would expect the number of such agreements to increase over time.

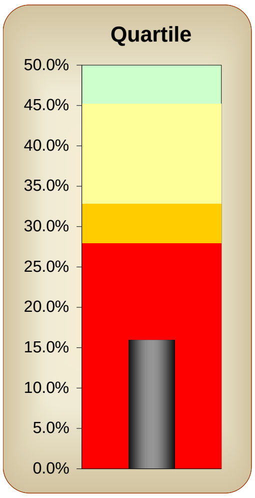


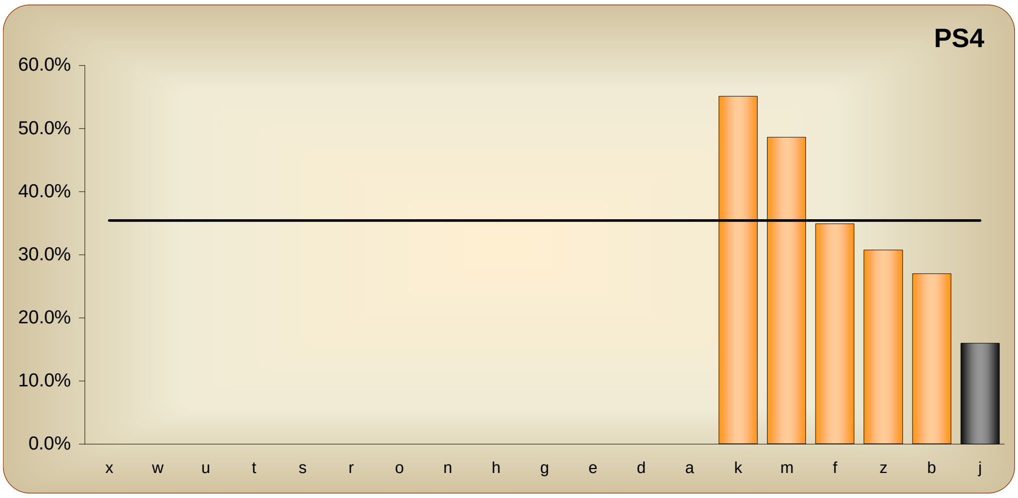




| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **10.0** | ***9.9*** | **10.0** | **10.0** | **10.0** |

## PS4 The percentage of non-pay spend channelled through SMEs

**Rationale and expected impact on behaviour**
This indicator examines the effectiveness of the procurement function in relation to its corporate social responsibility objectives. In most circumstances, organisations should expect the percentage of spend with SMEs to increase. However organisations which are seeking to increase the aggregation of their purchasing (for example where there is currently little central procurement leading to uncompetitive prices being paid for goods and services) the percentage may decrease. High-performing organisations will strike a balance between their achievement against this indicator and against secondary indicators 6 (a) and (b) which examine the extent to which organisations have aggregated their purchasing arrangements.
Note:
(a) It is recognised that the importance and relevance of this indicator may be greater in some sectors than others, for example in local government it is often seen as particularly important to corporate objectives. The indicator needs to be set therefore in the context of what the organisation is seeking to achieve through procurement. It is not intended that a high value is pursued at the expense of achieving value for money in procurement decisions.
(b) It should be noted that SMEs do not necessarily imply they are local to the area served by the organisation.



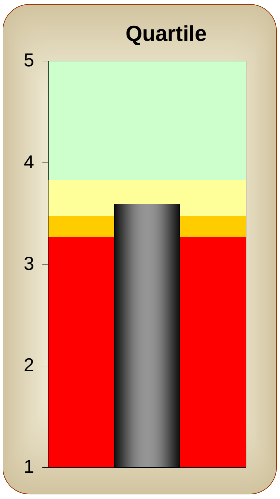



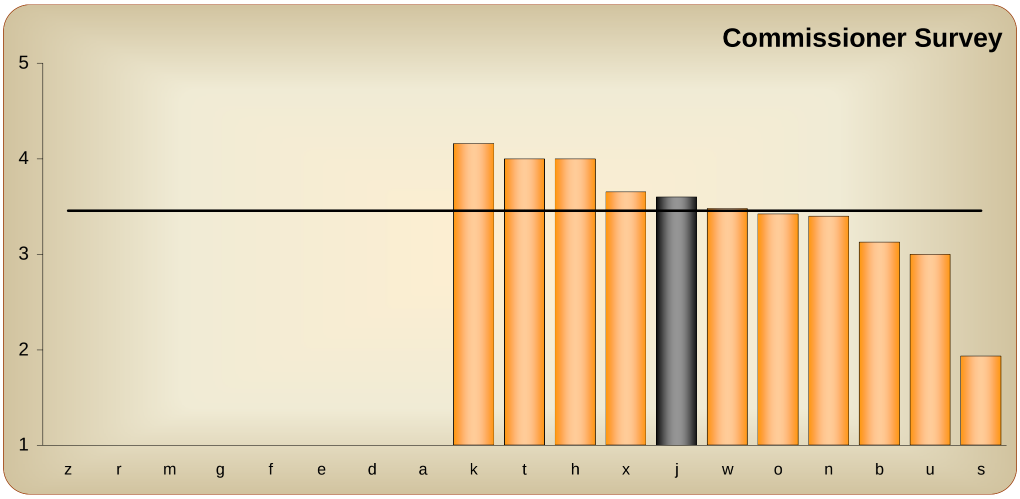

| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **16.0%** | ***35.4%*** | **27.9%** | **32.8%** | **45.2%** |

## Section 3 - SATISFACTION SURVEY

**Rationale and expected impact on behaviour**
This indicator examines the effectiveness of the procurement function by assessing the perceptions of commissioners and users of procurement.
Over time, organisations should seek to increase the proportion of commissioners and users agreeing with the statements.

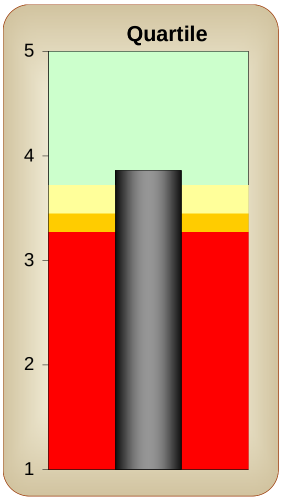
### PP5(a) Commissioner satisfaction average score

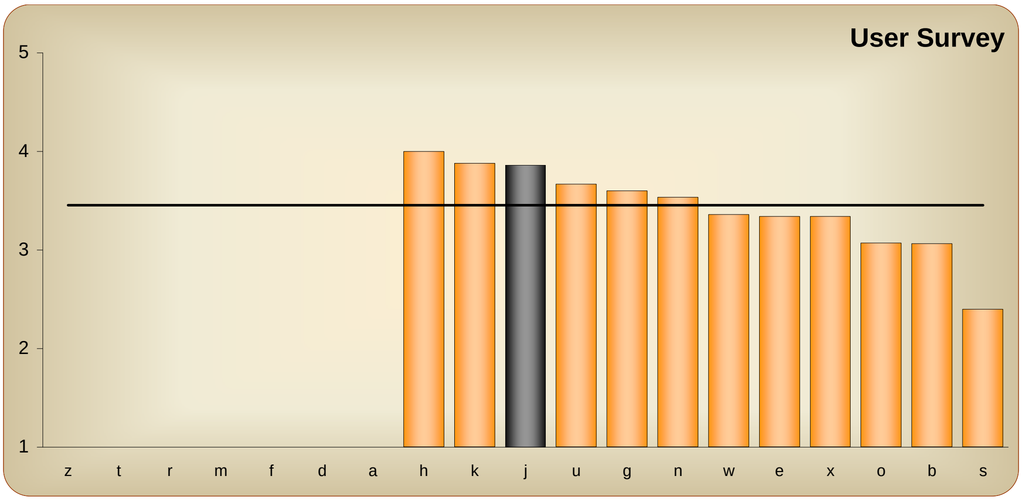



| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **3.60** | ***3.45*** | **3.26** | **3.48** | **3.83** |

### PP5(b) User satisfaction average score

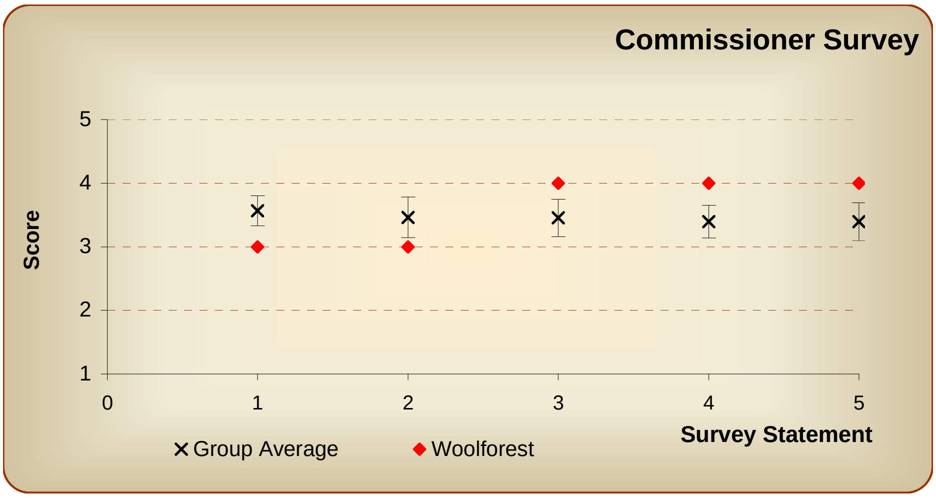



| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **3.86** | ***3.45*** | **3.27** | **3.45** | **3.72** |

These charts show the average performance scores for all participants as black x's. The black error bars show one standard deviation either side of the mean. Approximately 65 - 70% of  the organisations will fall within this range. The red diamond is the average score for your organisation.

### Commissioner Survey



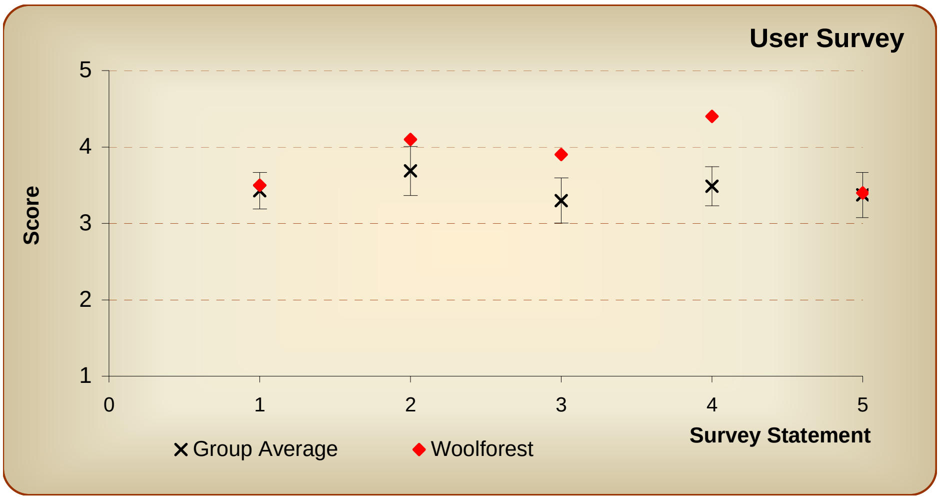

**Scores**

| | |
|---|---|
| 5 | Strongly Agree |
| 4 | Agree |
| 3 | Neither |
| 2 | Disagree |
| 1 | Strongly Disagree |

**Survey Statements**

1 • The Procurement function supports the overall objectives of the organisation.
2 • The Procurement function is proactive in sourcing goods and supplies which represent best value.
3 • The Procurement function provides appropriate advice and support on major strategic procurement projects.
4 • The Procurement function is responsive to my ad hoc needs.
5 • The Procurement function provides value for money.

### User Survey



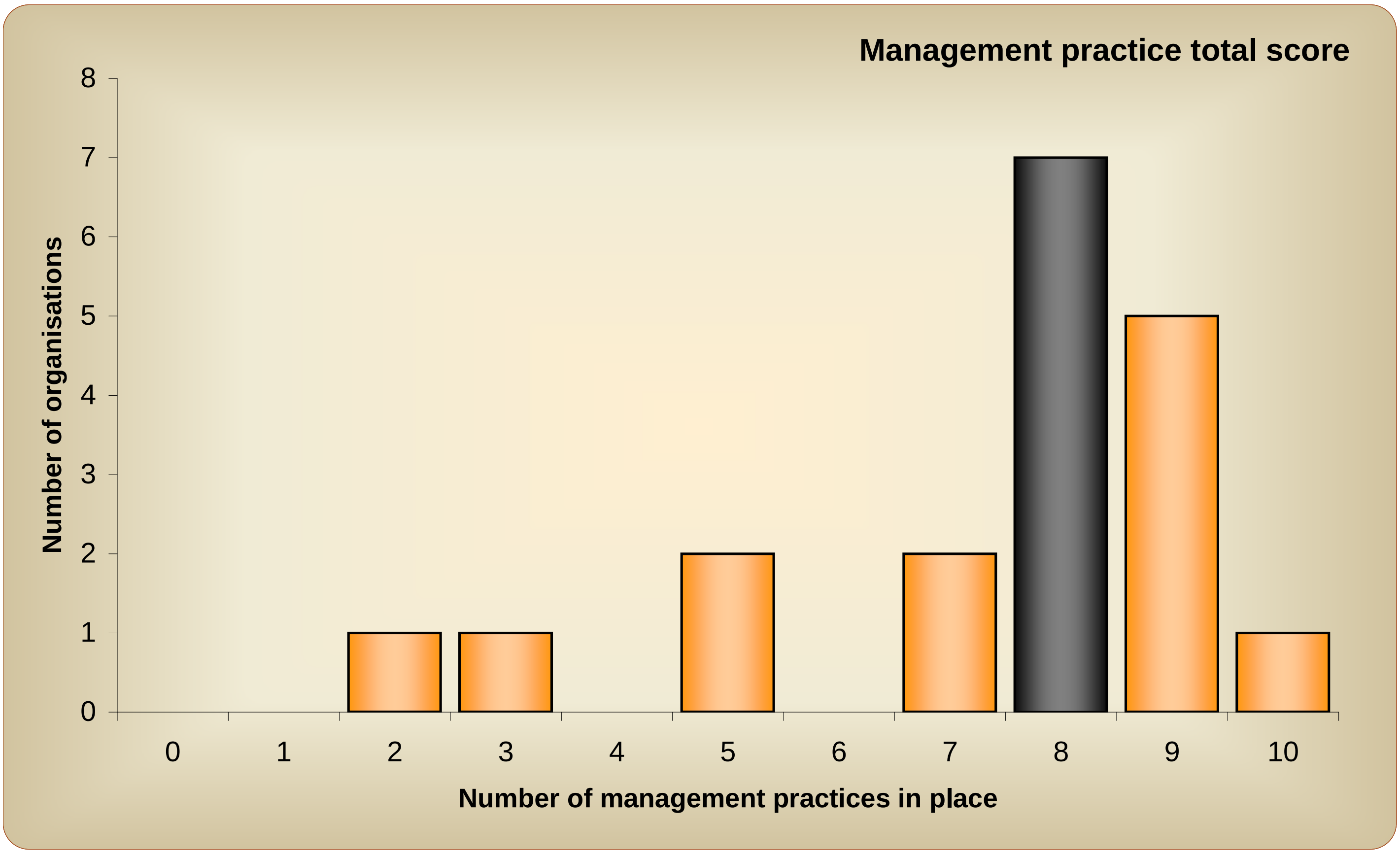

**Scores**

| | |
|---|---|
| 5 | Strongly Agree |
| 4 | Agree |
| 3 | Neither |
| 2 | Disagree |
| 1 | Strongly Disagree |

**Survey Statements**

1 • There is a consistent and easy to follow process for ordering goods and supplies.
2 • The goods and supplies that we are given are of appropriate quality.
3 • Technology is used to make the process of ordering and paying for goods easy and efficient.
4 • The Procurement function is responsive when I need help in sourcing or ordering goods and supplies.
5 • The Procurement function is helping staff to develop their skills in relation to the procurement process.

# Section 4 - Management Practice Indicators

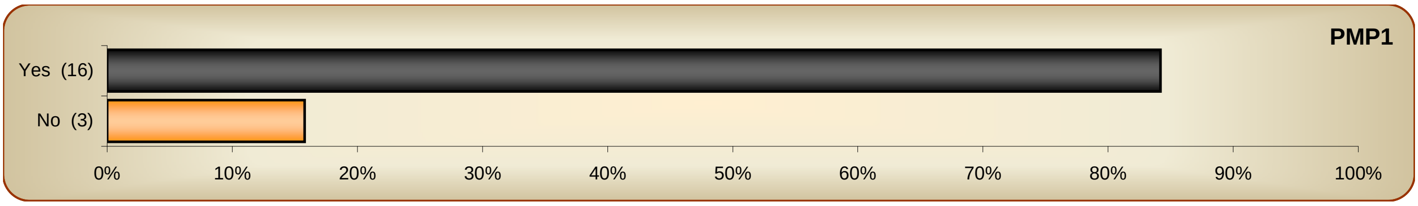



| Woolforest | *Average* | LQ | Median | UQ |
|---|---|---|---|---|
| **8.00** | ***7.37*** | **7.00** | **8.00** | **9.00** |

| | Woolforest | Yes | No | % Yes | % No |
|---|---|---|---|---|---|
| **MP1** | **Yes** | **16** | **3** | **84.2%** | **15.8%** |
| **MP2** | **Yes** | **12** | **7** | **63.2%** | **36.8%** |
| **MP3** | **Yes** | **15** | **4** | **78.9%** | **21.1%** |
| **MP4** | **No** | **15** | **4** | **78.9%** | **21.1%** |
| **MP5** | **Yes** | **15** | **4** | **78.9%** | **21.1%** |
| **MP6** | **No** | **8** | **11** | **42.1%** | **57.9%** |
| **MP7** | **Yes** | **14** | **5** | **73.7%** | **26.3%** |
| **MP8** | **Yes** | **18** | **1** | **94.7%** | **5.3%** |
| **MP9** | **Yes** | **11** | **8** | **57.9%** | **42.1%** |
| **MP10** | **Yes** | **16** | **3** | **84.2%** | **15.8%** |

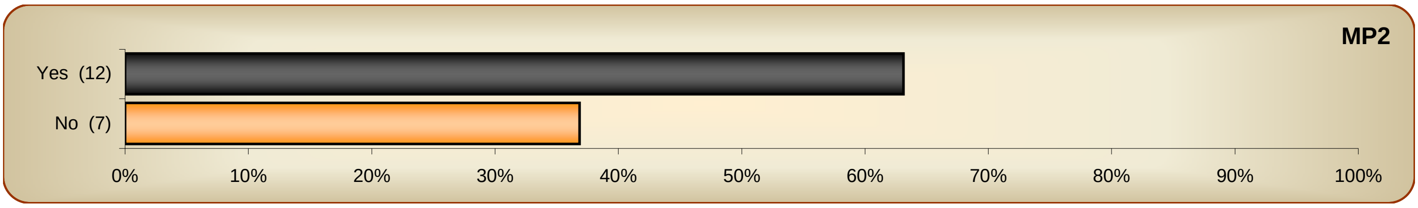
**PMP1**

The individual with lead responsibility for procurement is a member of, or reports directly to, the Organisation's Senior Management Team, and there is a Board / Cabinet member with responsibility for procurement.



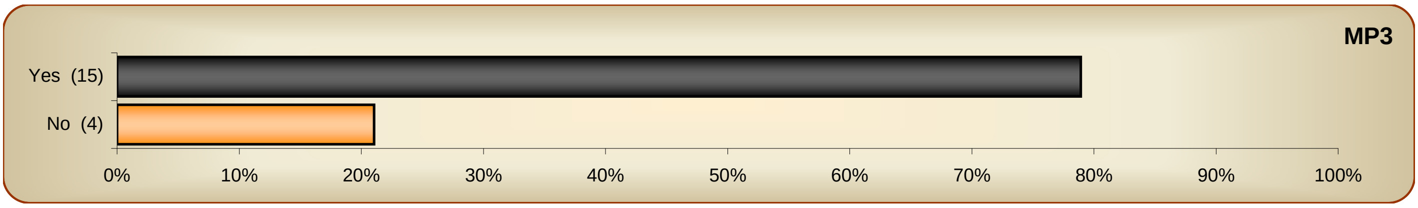

**PMP2**

Customer satisfaction surveys are undertaken at least annually to understand user views on the added value brought about by procurement, with the results published internally and fed into an improvement plan which is regularly monitored.



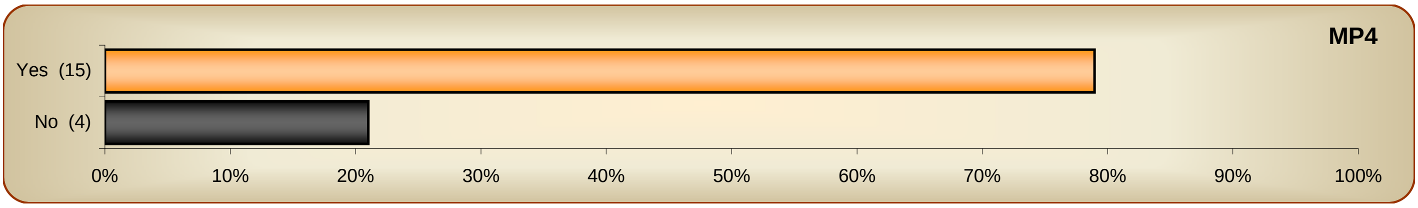

**PMP3**

Future demand for goods and services are forecast on at least an annual basis alongside analysis of new technology and commodities, and emerging market developments, both of which inform the organisation's procurement strategy and results in a prioritised work-plan for the next 12 months.



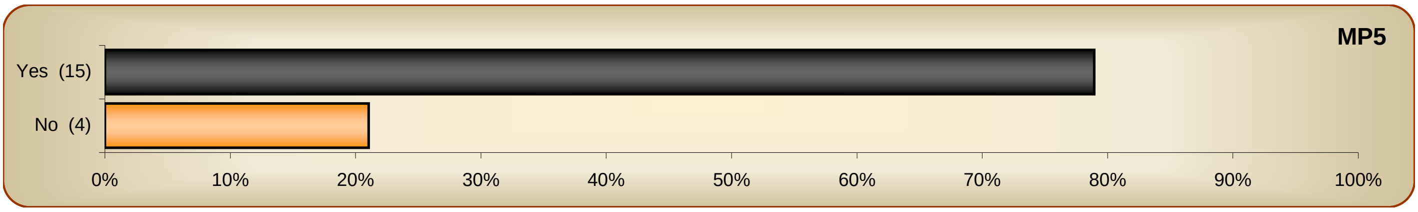

**PMP4**

Specific and measurable targets have been set in relation to the cashable and non-cashable benefits to be delivered by procurement, and the organisation can demonstrate that at least 85% of targets were met for the previous financial year.

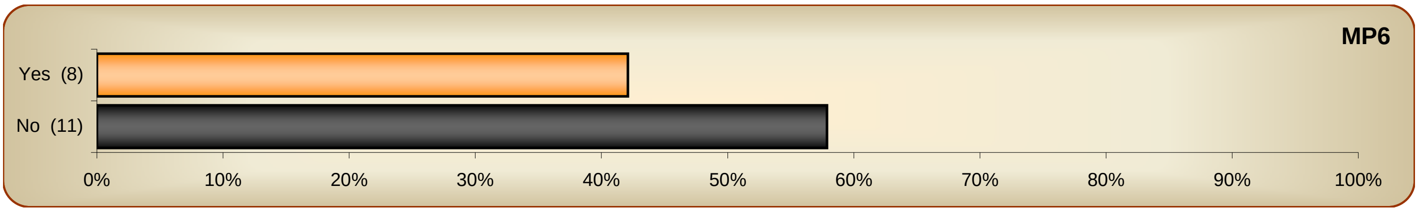



**PMP5**

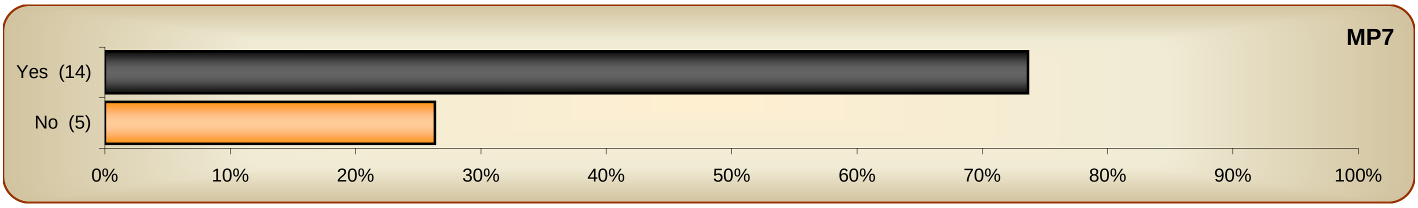
Specifications for goods and services and purchasing decisions are made based on a detailed understanding of the total cost of ownership (TCO).



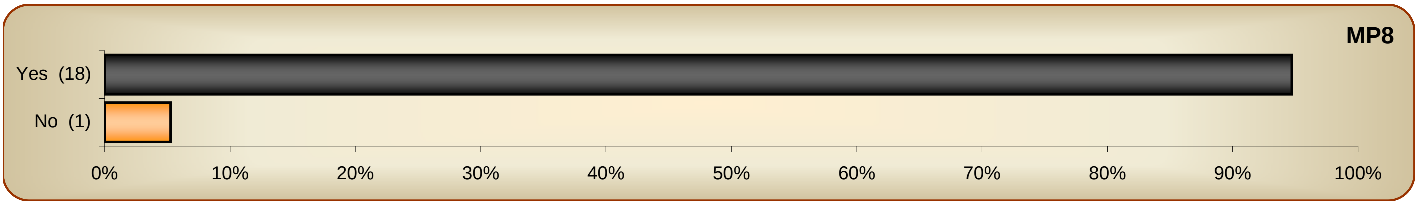
**PMP6**
The organisation keeps a comprehensive and cross referenced record of all contracts worth over £10,000, which can be sorted (at least) by supplier and by contract date.



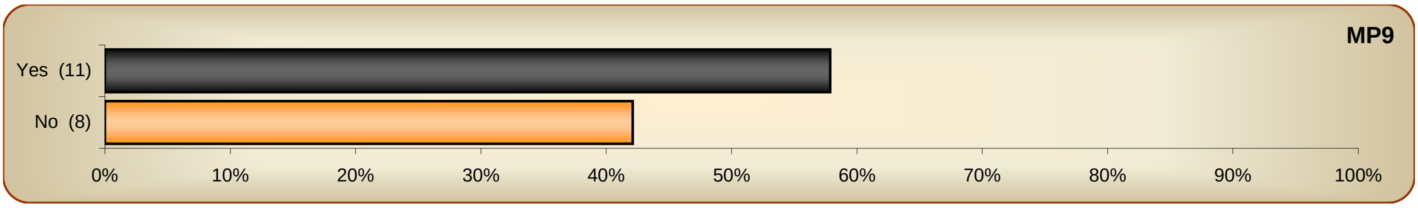

**PMP7**
Benchmarking data from both public and private sector sources is actively used to undertake price comparisons on key goods and services.




**PMP8**
The organisation has identified and developed strategic partners for collaborative procurement and can demonstrate measurable benefits over the previous 12 months from this collaboration.

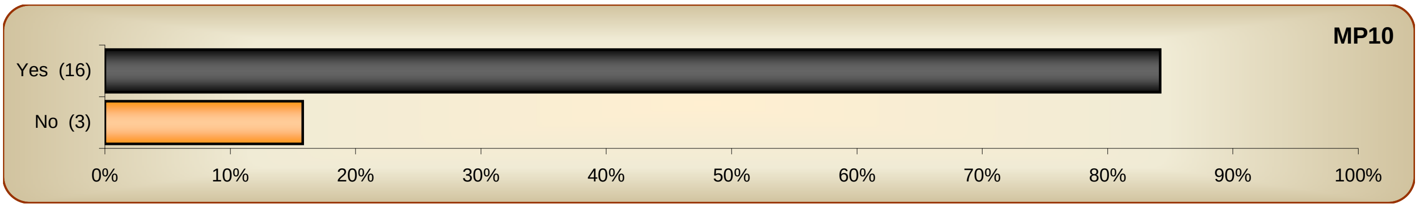



**PMP9**
The organisation has clearly defined ethical procurement standards in place which are in line with the CIPS Ethical Code and which are actively applied and monitored across the organisation, with any breaches recorded and acted upon.




**PMP10**

A rolling programme is in place to develop procurement skills and capabilities across the organisation at all levels.



# Section 5 - Tabular Data

| | | Woolforest | *Average* | Lower Quartile | Median | Upper Quartile |
|---|---|---|---|---|---|---|
| **PP1(a)** | Cost of the Procurement function as a % organisational running costs (expenditure) | **0.10%** | ***0.15%*** | **0.07%** | **0.15%** | **0.21%** |
| **PP1(b)** | Cost of the Procurement function as a % non-pay spend | **0.4%** | ***0.3%*** | **0.2%** | **0.4%** | **0.4%** |
| **PP2** | Actual spend committed against pre established contract arrangements as a % non-pay spend | **54.2%** | ***42.8%*** | **32.2%** | **46.0%** | **55.6%** |
| **PP3** | % of non pay spend that is actively managed by procurement professionals | **59.1%** | ***38.7%*** | **18.1%** | **37.1%** | **53.9%** |
| **PP4** | Average % savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year | **13.1%** | ***16.3%*** | **10.9%** | **14.6%** | **23.9%** |
| **PS1** | Professionally qualified procurement FTEs as a % total procurement FTEs | **73%** | ***54%*** | **33%** | **56%** | **75%** |
| **PS2** | Average invoice value | **£1,432** | ***£1,577*** | **£985** | **£1,217** | **£2,065** |
| **PS3** | Number of the organisation's top 10 suppliers who have a formal partnership / framework agreement with the organisation | **10.0** | ***9.9*** | **10.0** | **10.0** | **10.0** |
| **PS4** | % spend on goods and services channelled through SMEs | **16.0%** | ***35.4%*** | **27.9%** | **32.8%** | **45.2%** |
| **PS5** | % total spend on goods and services through collaboration with other public sector organisations | **7.0%** | ***9.5%*** | **7.0%** | **8.6%** | **9.7%** |
| **PS6(a)** | Average spend per accredited supplier | **£25,470** | ***£37,770*** | **£19,599** | **£21,596** | **£37,968** |
| **PS6(b)** | % total non-pay spend represented by the top 20 per cent of suppliers (by value) | **92%** | ***71%*** | **36%** | **93%** | **95%** |
| **PS6(c)** | % suppliers on an accredited list with no orders in the previous 12 months | **23%** | ***45%*** | **26%** | **41%** | **60%** |
| **PS7(a)** | % total goods and services spend that is sourced electronically | **13.0%** | ***9.7%*** | **0.8%** | **6.9%** | **13.7%** |
| **PS7(b)** | % total goods and services spend managed through ePurchasing | **82.0%** | ***46.4%*** | **6.0%** | **40.3%** | **87.0%** |

Woolforest