

Public Sector Corporate Services VfM Indicators
Procurement
2009/10

Barchester

compared with

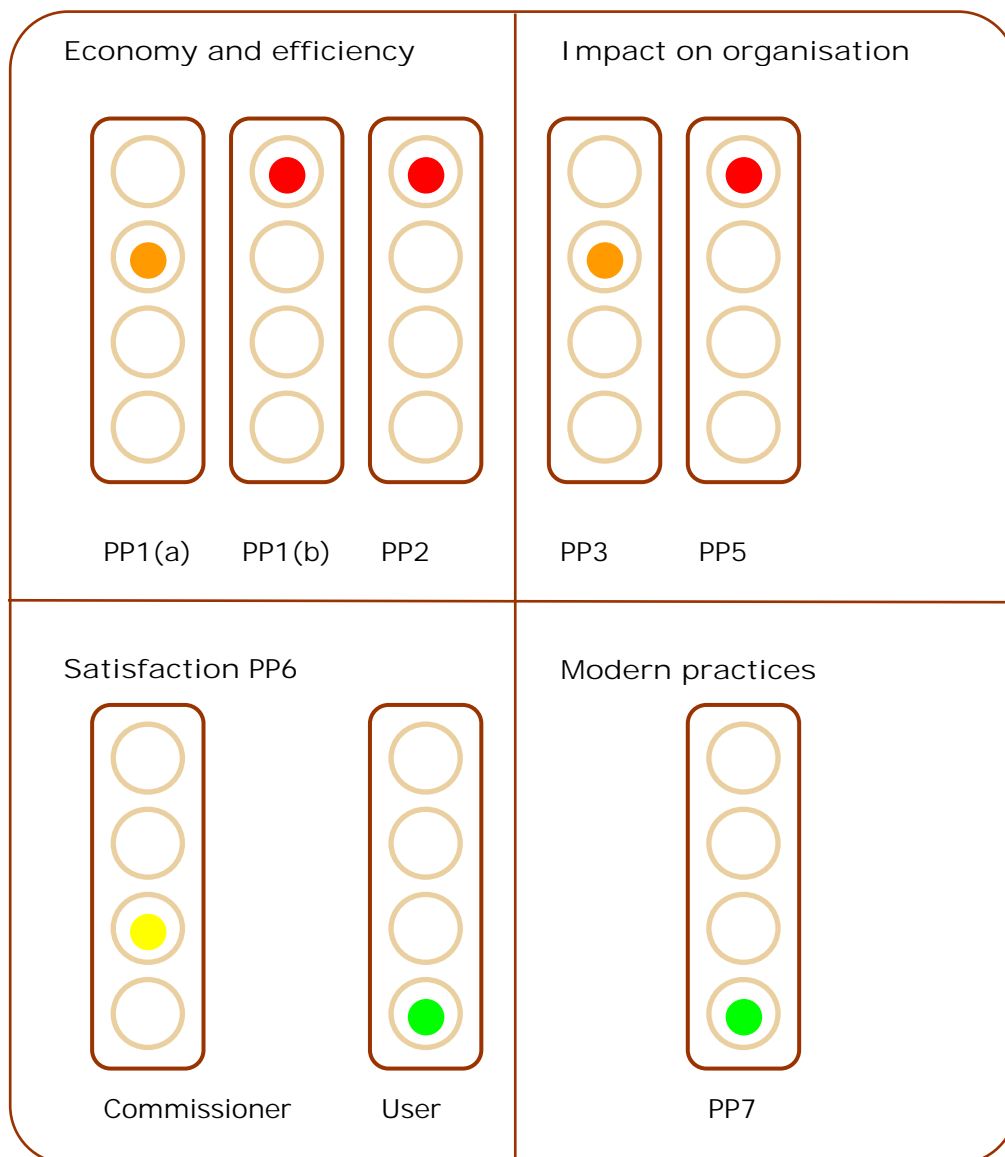
Lootgreen
Billcaster
Headforest
Flanworth
Lemonworth
Bullforest
Shortfield
Footcester
Thinham

Nearchester
Funton
Shortham
Totcester
Banshire
Cottchester
Bearcaster
Gunfield

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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:

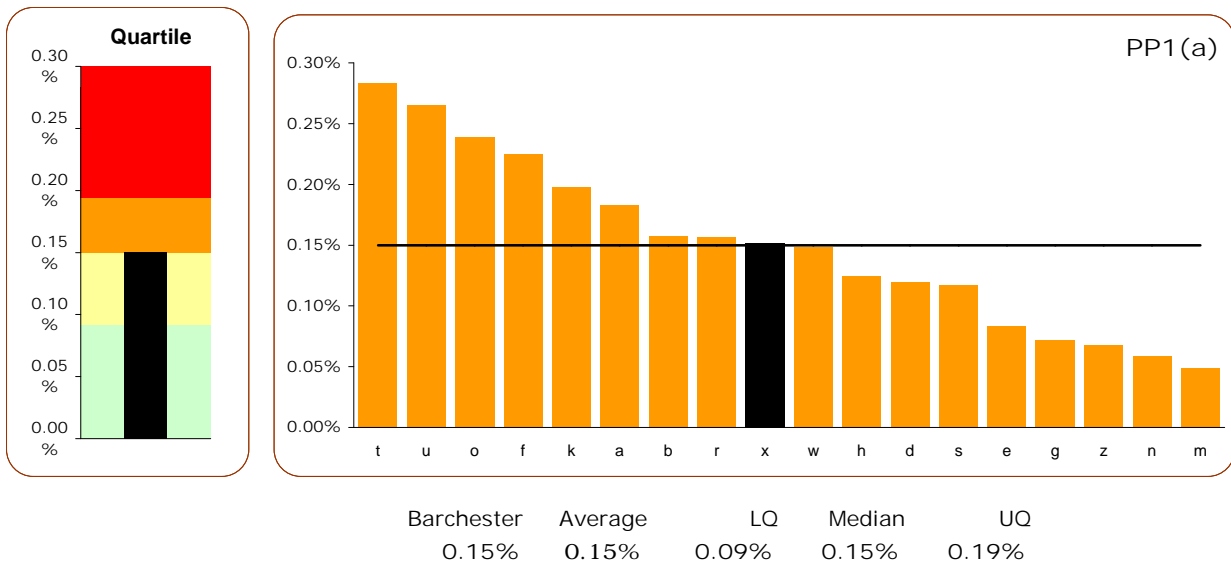
- A green light indicates performance in the best quartile; a yellow light indicates performance between the median and best quartile; an amber light indicates performance between the median and worst quartile and a red light indicates performance in the worst quartile.
- For the purposes of this report, high cost and low productivity are considered poor. However, we accept this is a generalisation 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

PP1 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), 5 (average savings achieved), 6 (the commissioner and user satisfaction index) and 7 (the management practice indicator).

PP1(a) Cost of the Procurement function as a percentage of organisational running costs



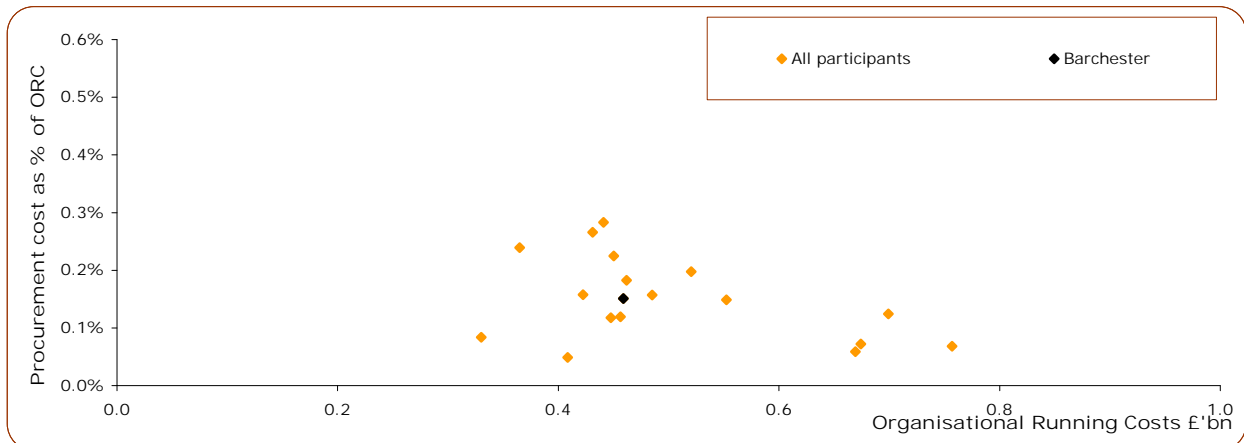
Cost of Difference

This shows the monetary value represented by the difference in percentage from the median (and lower quartile). Favourable variances are shown as negative figures.

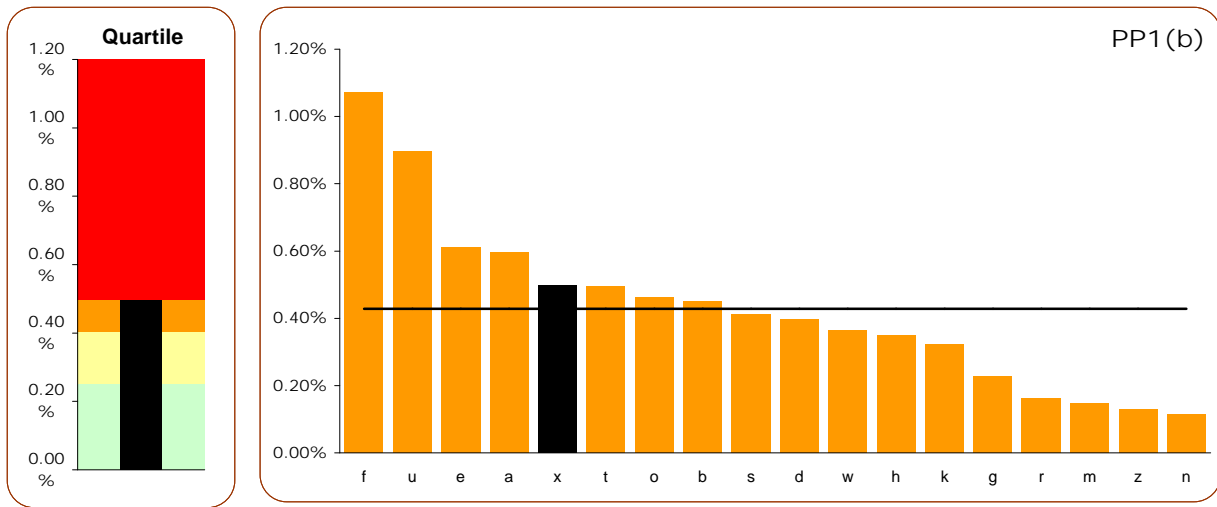
From median (£'000) £6 From lower quartile (£'000) £271

Economies of Scale

This chart investigates the relationship between cost and size of the organisation.



PP1(b) Cost of the Procurement function as a percentage of third-party spend



Barchester Average LQ Median UQ
 0.50% 0.43% 0.25% 0.40% 0.50%

PROCUREMENT COST/£'000 Organisational running costs 2009/10

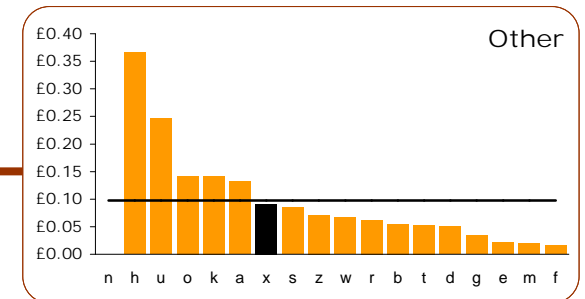
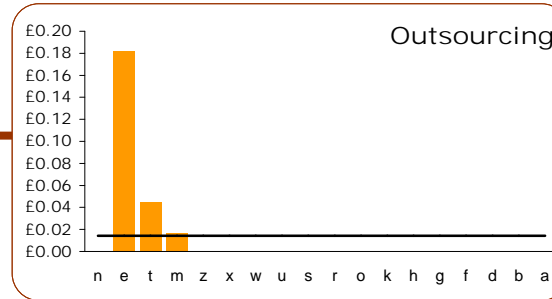
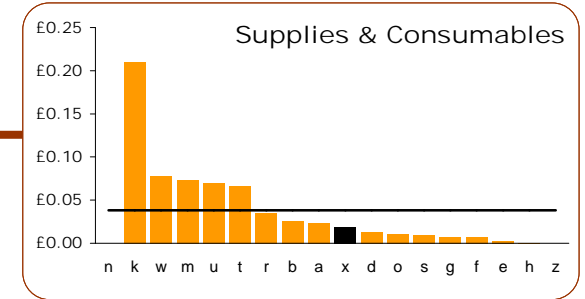
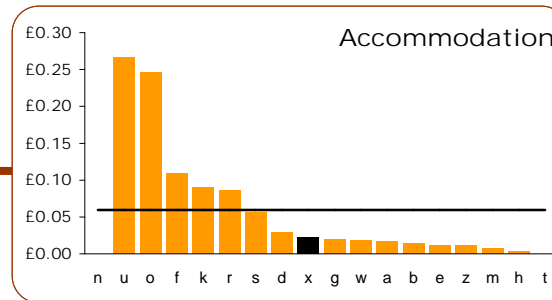
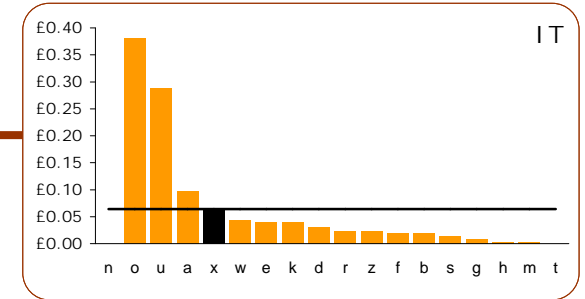
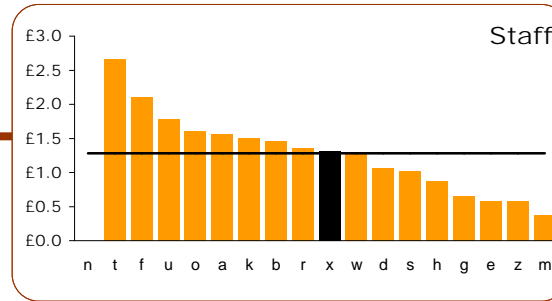
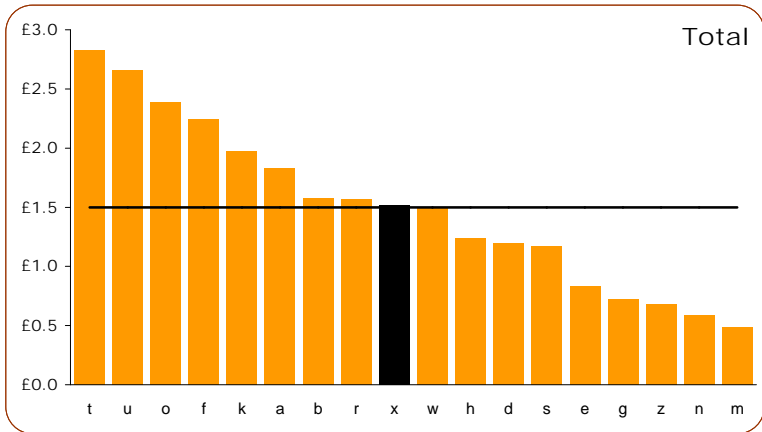
For each benchmark two figures are given, the first being the organisation's cost and the second (in italics) is the group average.

Category	Org. Cost (£'000)	Group Average (£'000)
Staff	£1.31	£1.28
IT	£0.06	£0.06
Accommodation	£0.02	£0.06
Supplies/Consumables	£0.02	£0.04
Outsourcing	£0.00	£0.01
Other	£0.09	£0.10
Total Cost	£1.51	£1.50

Costs 2009/10 (£'000)	
Staff	604
IT	30
Accommodation	11
Supplies/ Consumables	9
Outsourcing	-
Other	42
Total	694
Org. running costs	459,044
FTE	16.5

COST PER £'000 ORGANISATIONAL RUNNING COSTS

2009/10 Actuals



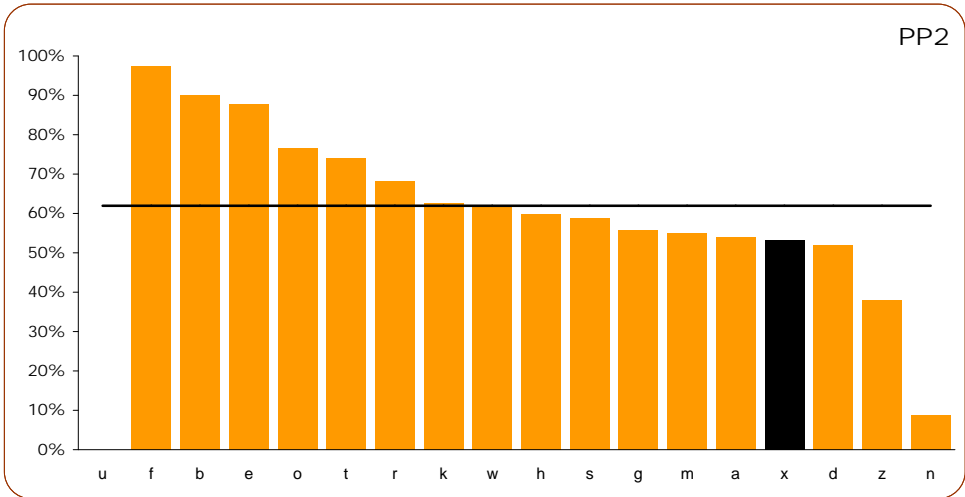
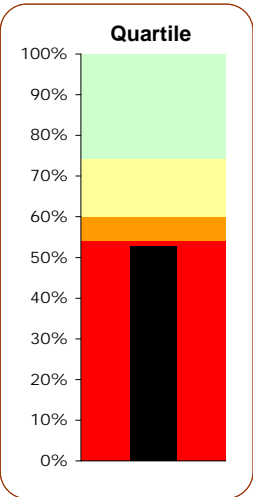
PP2 Actual spend through pre-established contract arrangements as a % of third-party spend

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.



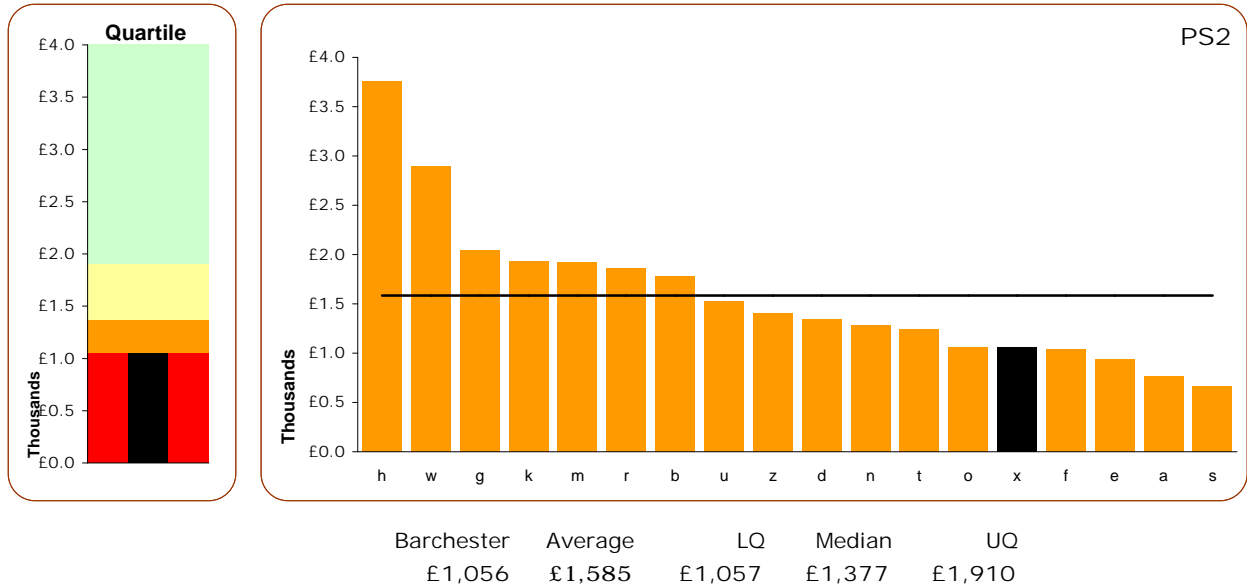
Barchester	Average	LQ	Median	UQ
53.0%	61.9%	54.0%	59.8%	74.1%

Secondary Indicators

PS2 Average invoice value

Rationale and expected impact on behaviour

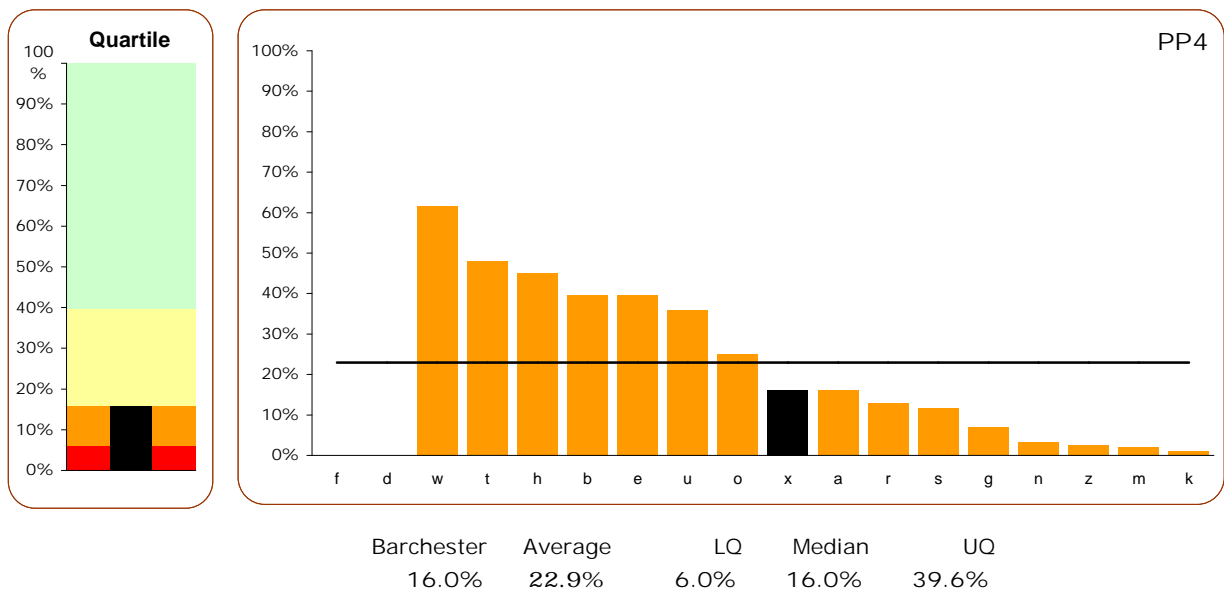
In most circumstances organisations should, wherever possible, ensure that invoices for their purchases are consolidated in order to reduce transaction costs. Organisations should therefore expect to see an increase in the average value of their invoices over time.



PP4 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.

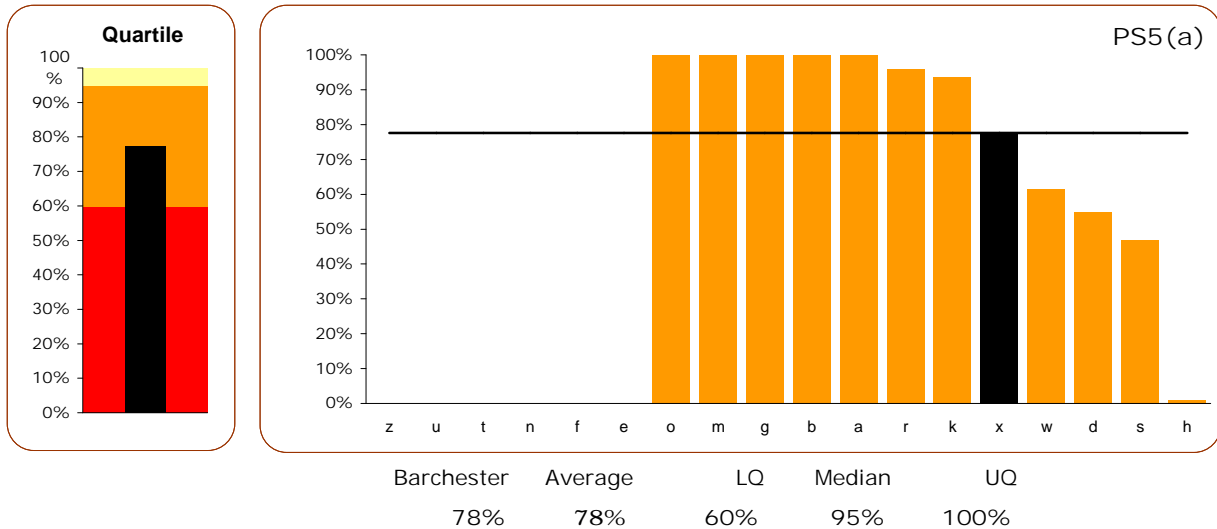


PS5 Management of supplier base

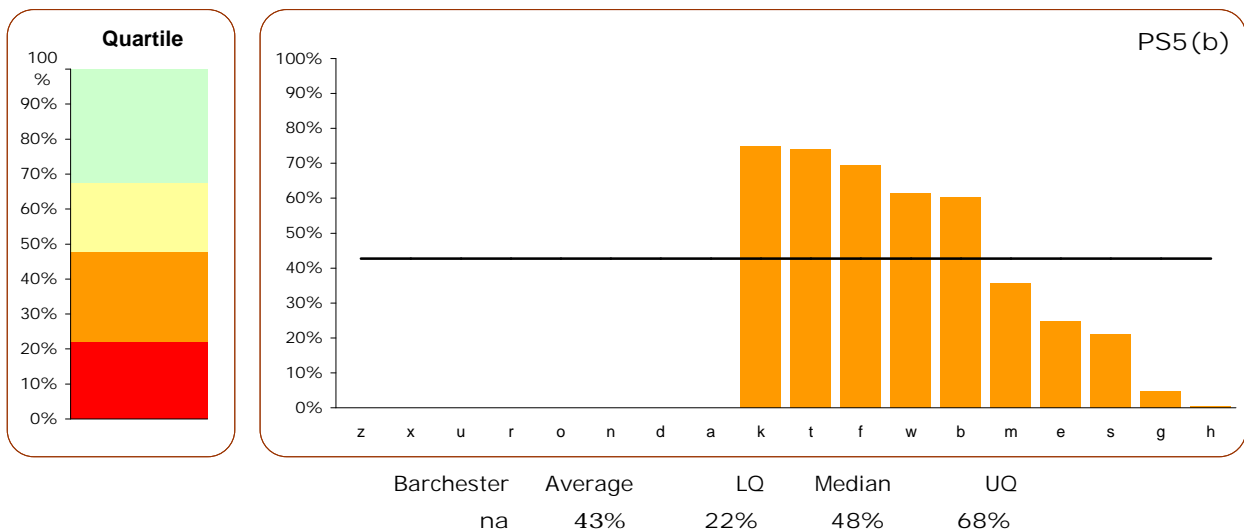
Rationale and expected impact on behaviour

This indicator provides a measure of the extent to which there is an effective in-house intelligent client function that optimises the value of external resources and expertise. Wherever feasible the procurement function should seek to maximise its use of proactive relationship management in order to achieve this. Organisations should use structured category management of their third-party spend to maximise the value obtained. In most circumstances departments would seek to increase the proportion of third-party spend subject to category management.

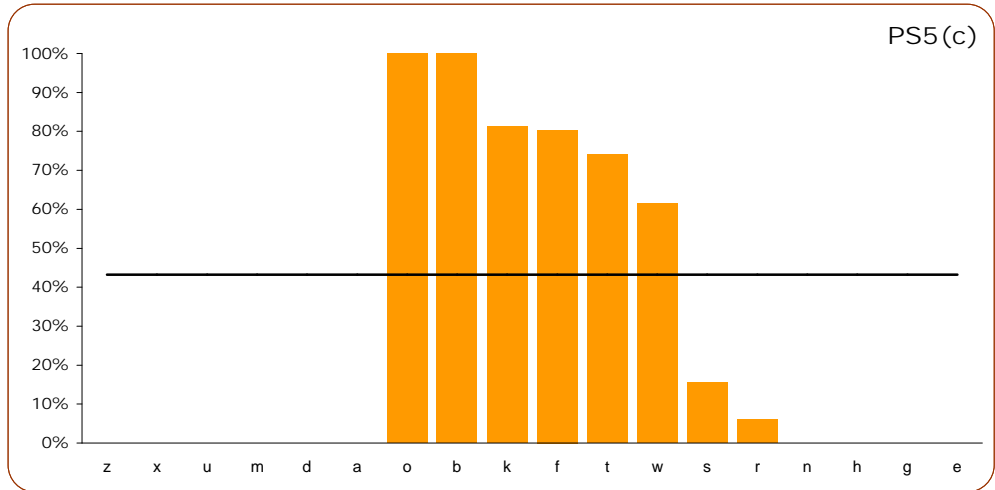
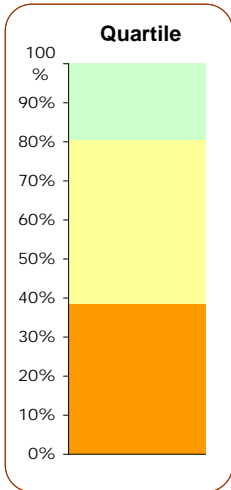
PS5(a) Percentage of third party spend categorised, understood and fully reported in the current year Public Sector Procurement Expenditure Survey



PS5(b) Percentage of third party spend subject to supplier relationship management



PS5(c) Percentage of third party spend managed via structured category management

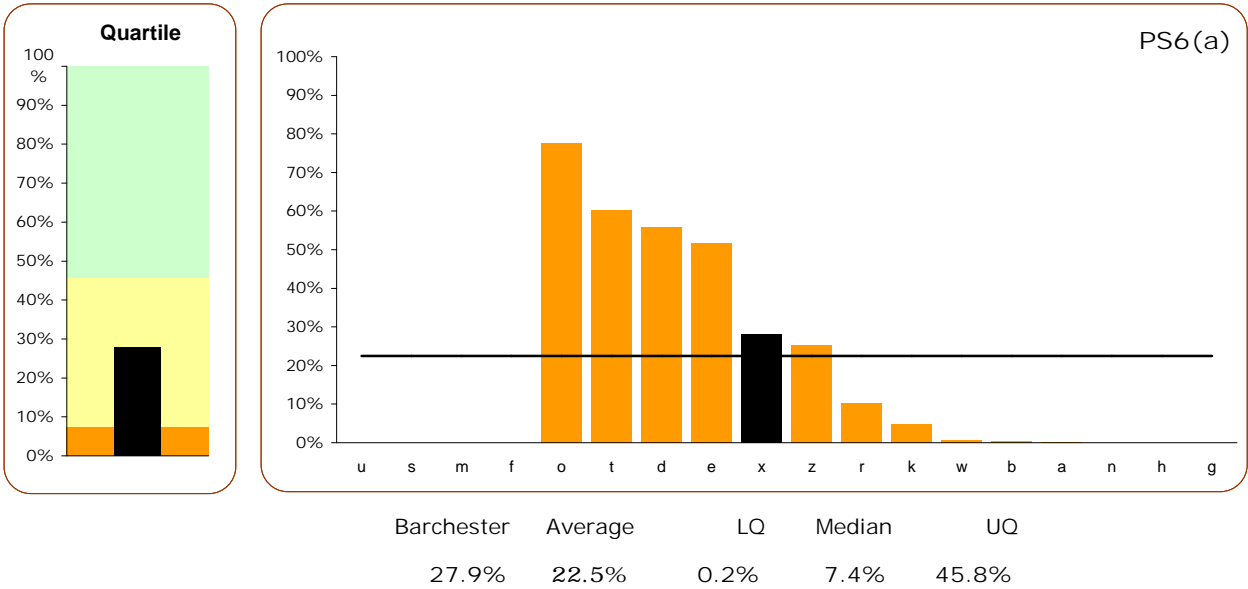


Barchester	Average	LQ	Median	UQ
na	43%	0%	39%	81%

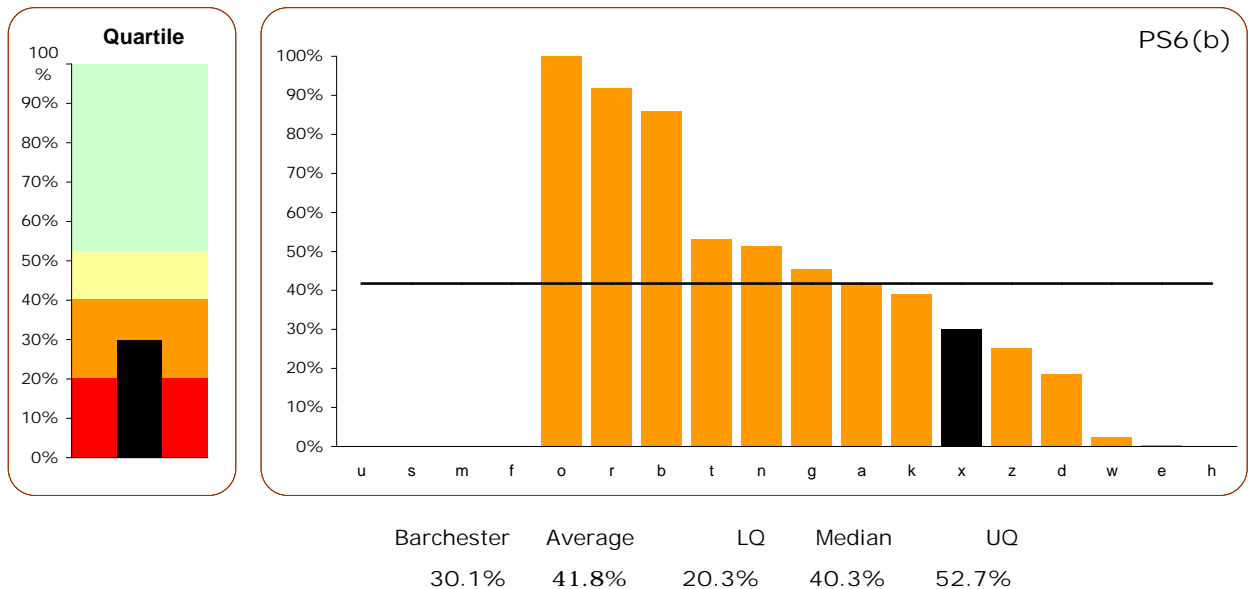
PS6 The use of technology within procurement

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.

PS6(a) The percentage of total third-party spend that is sourced electronically



PS6(b) The percentage of total third-party spend managed through ePurchasing

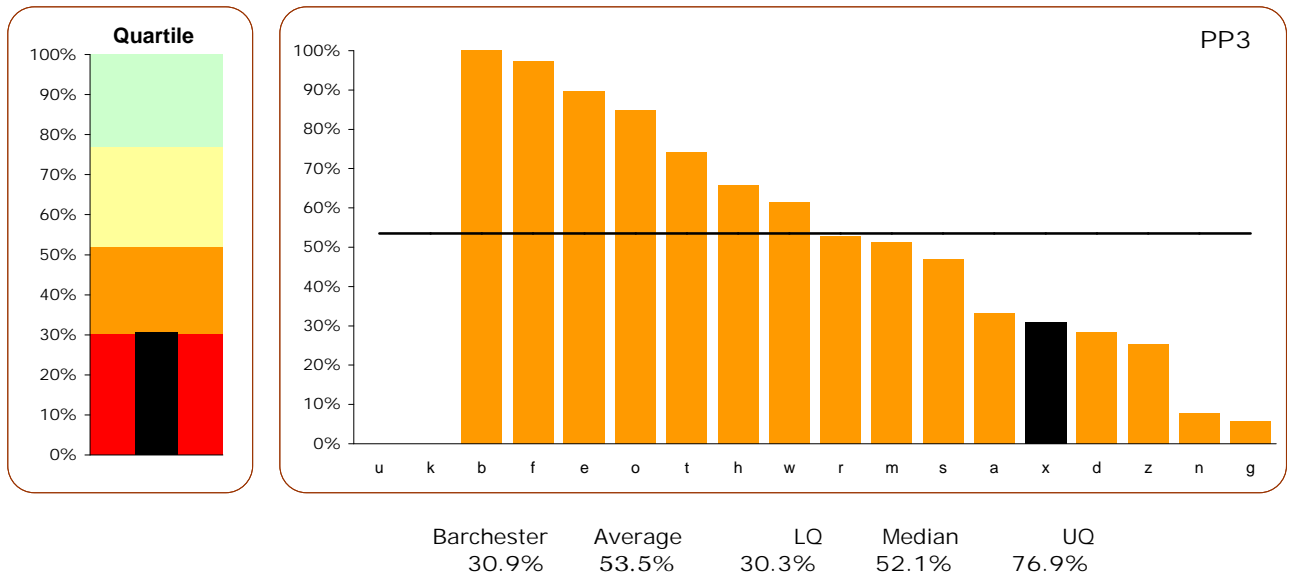


Section 2 - IMPACT

PP3 % of third-party spend that is actively managed by procurement professionals

Rationale and expected impact on behaviour

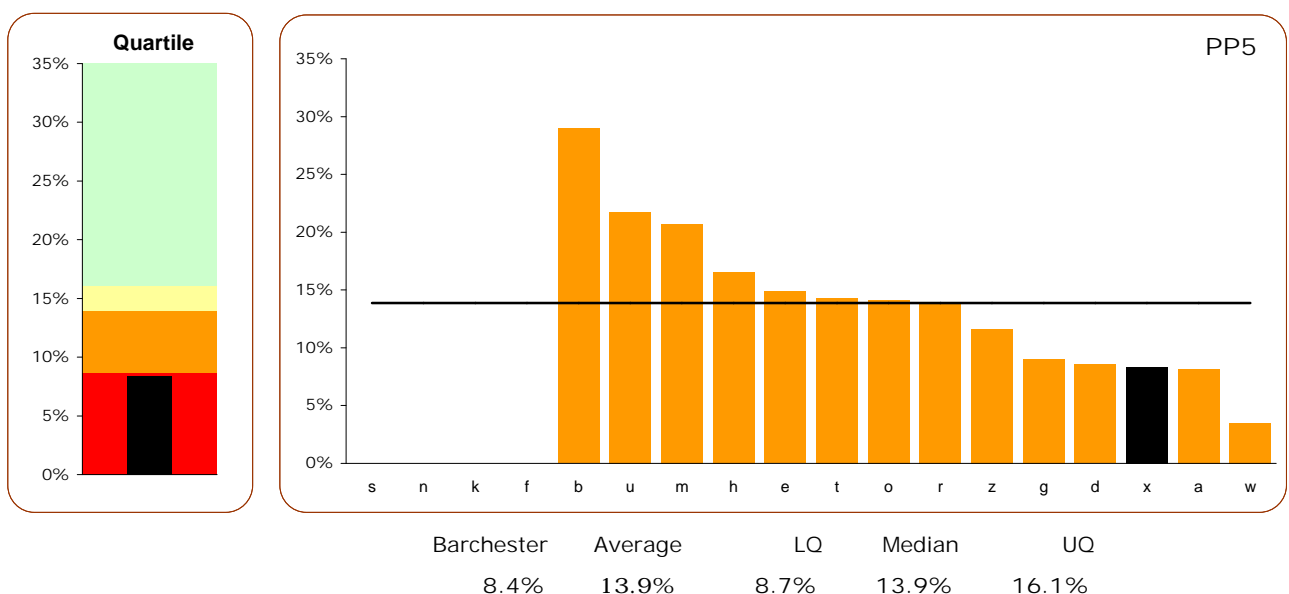
This indicator examines the extent to which procurement spend is managed by procurement professionals either working in a central procurement function or who work in business units (for example qualified procurement staff embedded in IT). Most organisations would aim to achieve a high percentage for this indicator and to increase it over time. Organisations should interpret their achievement against this indicator alongside primary indicator 5 (average savings achieved through procurement).



PP5 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).

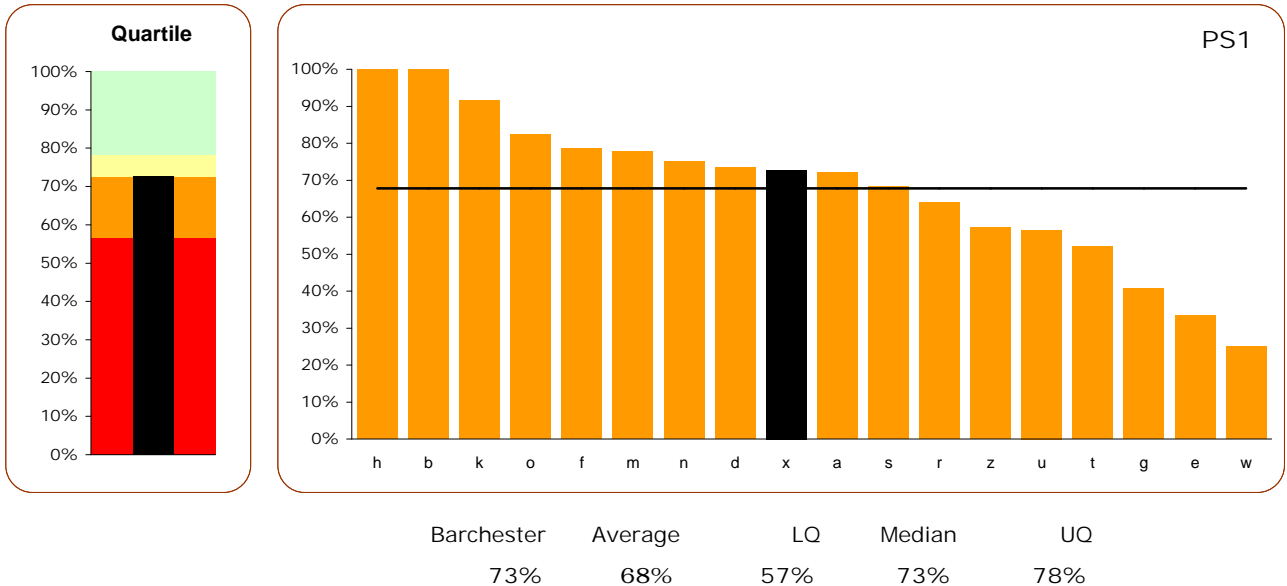


Secondary Indicators

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

Rationale and expected impact on behaviour

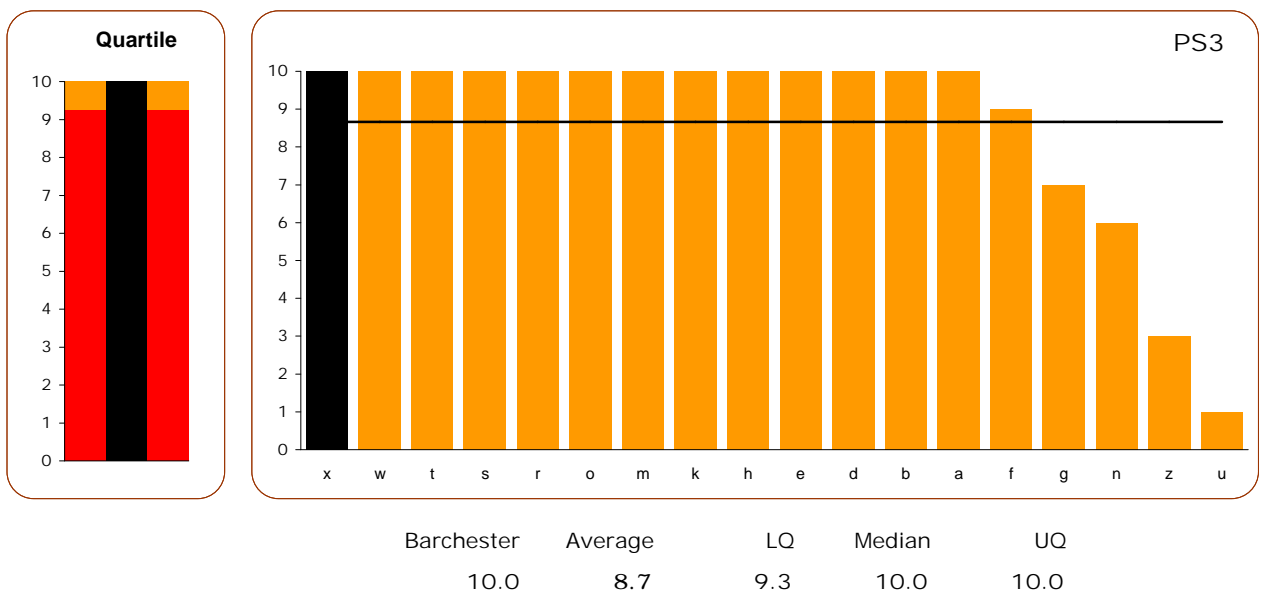
This indicator measures the proportion of procurement personnel (both within the procurement function and embedded in business units) who have procurement qualifications. In most cases organisations would aim to secure a period-on-period increase in respect of this indicator.



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.



PS4 The percentage of third-party spend channelled through SMEs

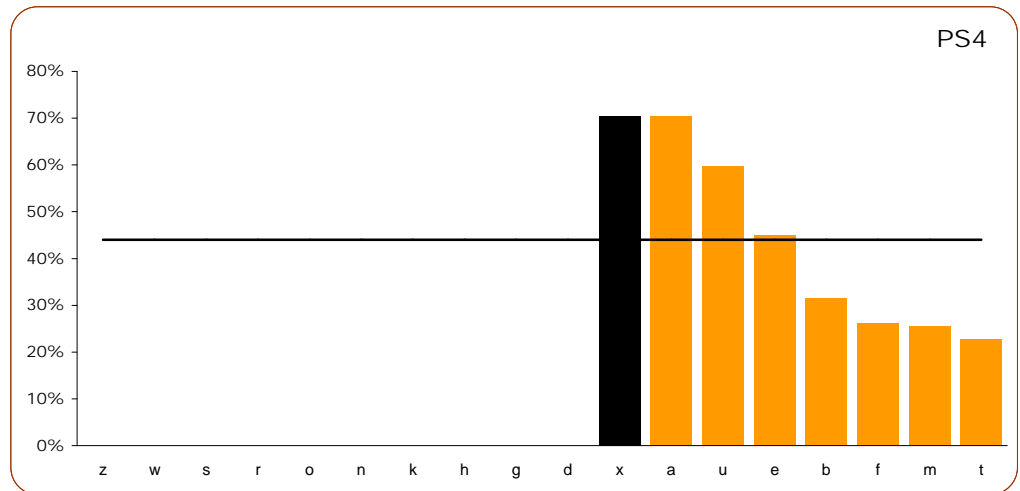
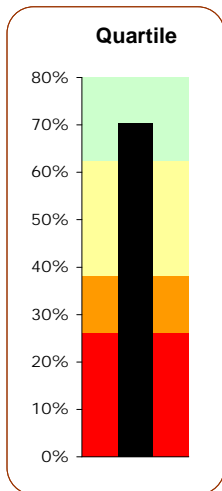
Rationale and expected impact on behaviour

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.

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.



Barchester	Average	LQ	Median	UQ
70.4%	44.0%	26.1%	38.2%	62.5%

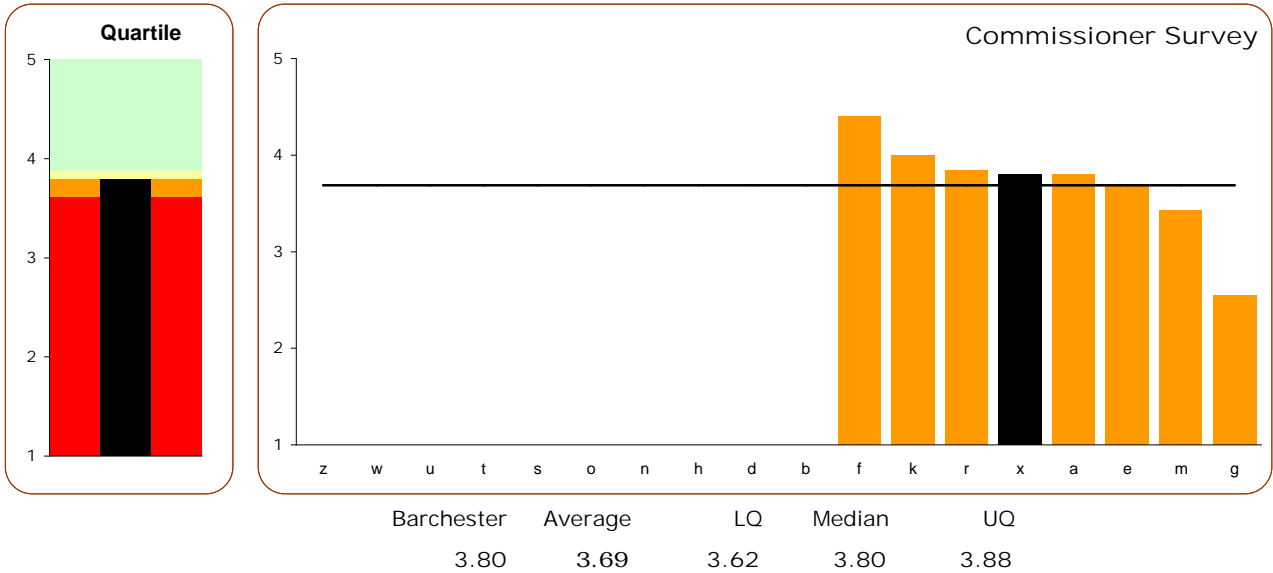
Section 3 - SATISFACTION

Rationale and expected impact on behaviour

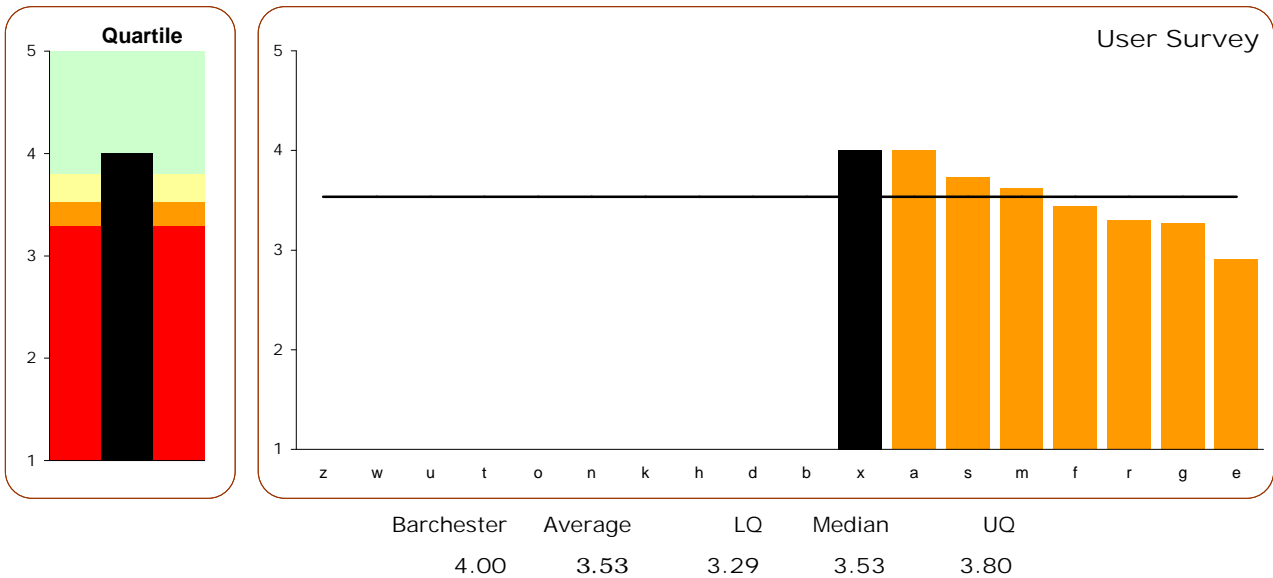
This indicator examines the effectiveness of the procurement function by assessing the perceptions of commissioners and users of procurement.

Over time, organisations should seek to increase the proportion of commissioners and users agreeing with the statements.

PP6(a) Commissioner satisfaction average score



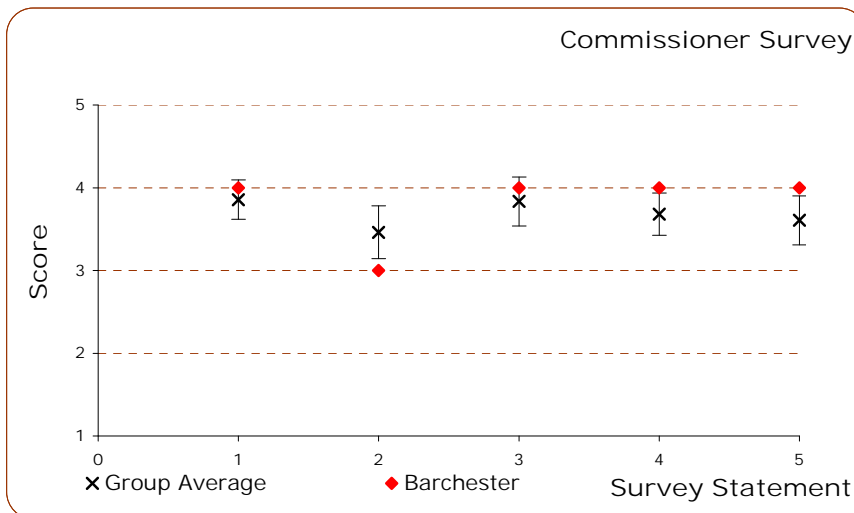
PP6(b) User satisfaction average score



Analysis of individual statement scores

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



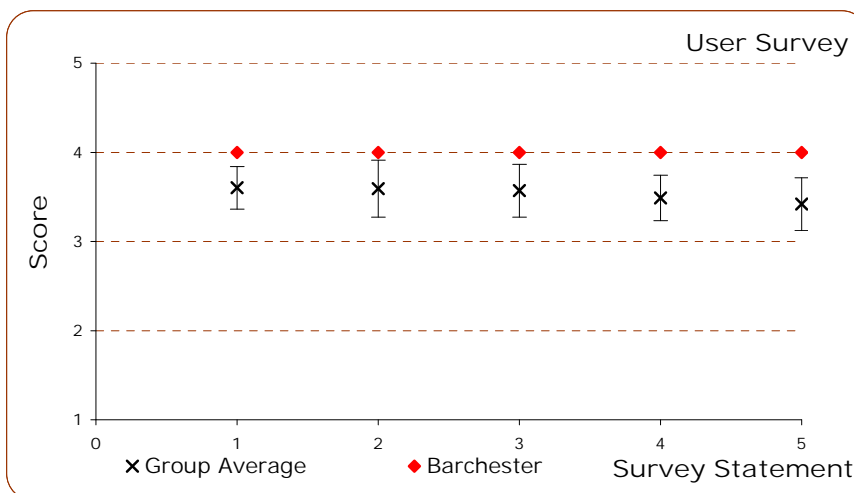
Scores

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

Survey Statements

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

User Survey



Scores

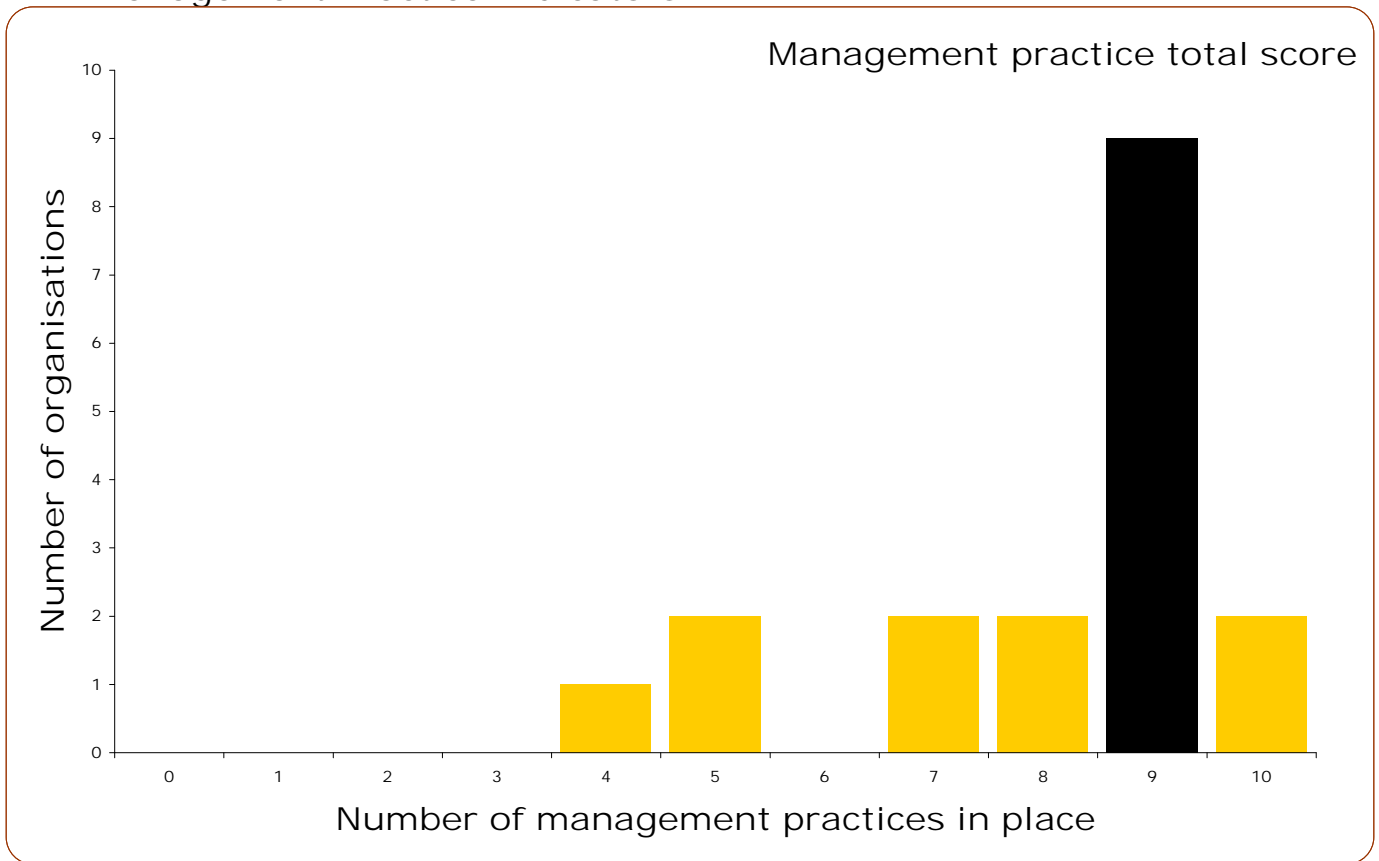
- 5 Strongly Agree
- 4 Agree
- 3 Neither
- 2 Disagree
- 1 Strongly Disagree

Survey Statements

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

Section 4 - MANAGEMENT PRACTICE INDICATORS

PP7 Management Practice Indicators

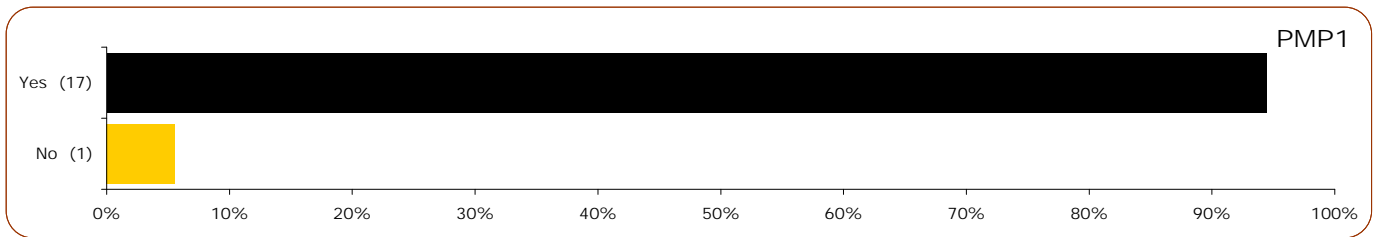


Barchester Average LQ Median UQ
 9.00 8.06 7.25 9.00 9.00

		Yes	No	% Yes	% No
PMP1	Yes	17	1	94.4%	5.6%
PMP2	Yes	11	7	61.1%	38.9%
PMP3	Yes	14	4	77.8%	22.2%
PMP4	Yes	10	8	55.6%	44.4%
PMP5	Yes	17	1	94.4%	5.6%
PMP6	Yes	15	3	83.3%	16.7%
PMP7	No	14	4	77.8%	22.2%
PMP8	Yes	17	1	94.4%	5.6%
PMP9	Yes	15	3	83.3%	16.7%
PMP10	Yes	15	3	83.3%	16.7%

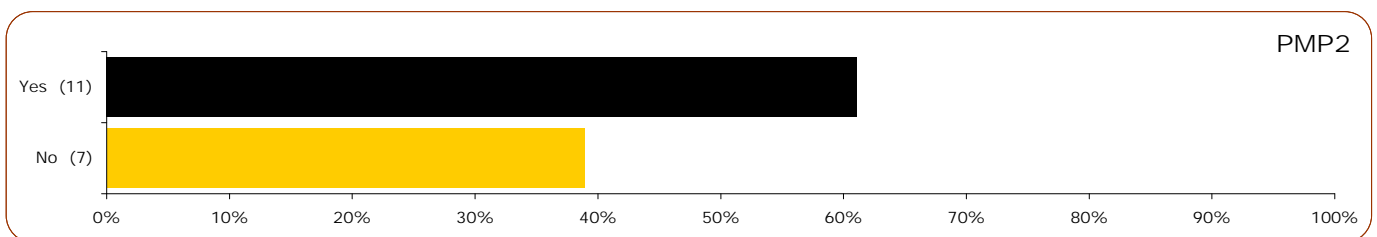
PMP1

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.



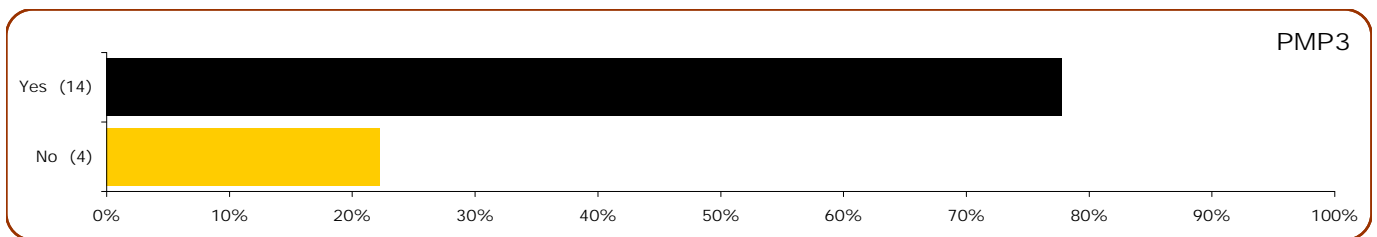
PMP2

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.



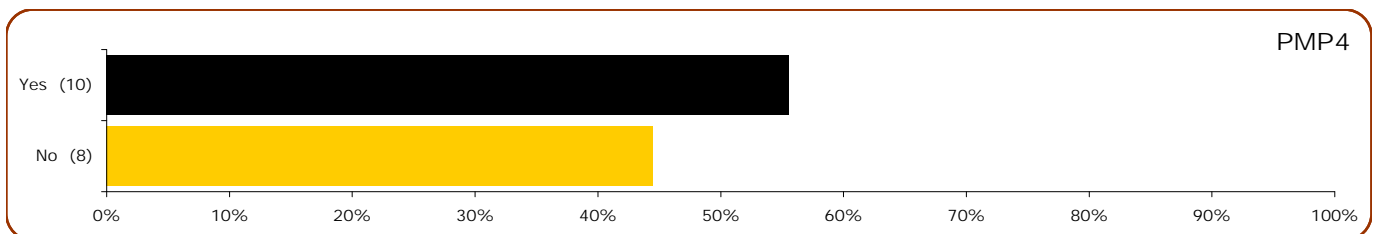
PMP3

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.



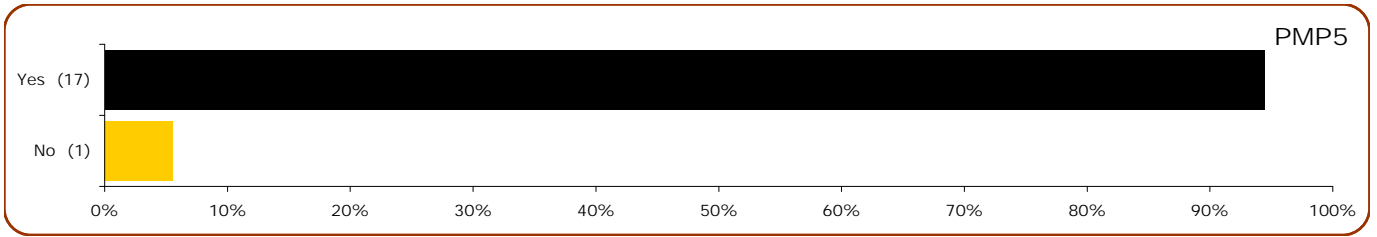
PMP4

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.



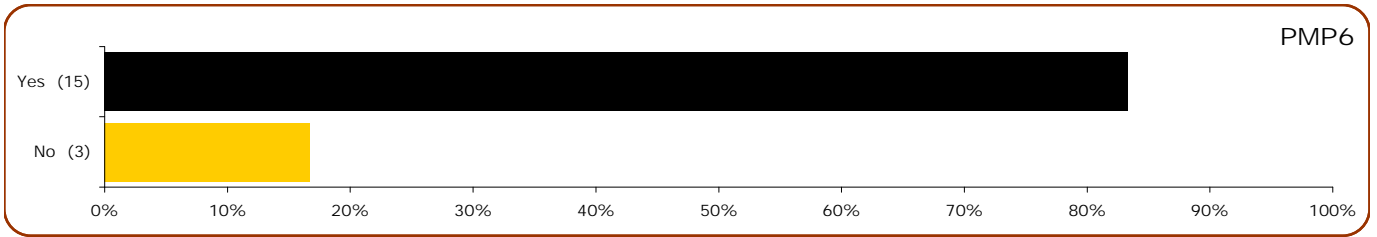
PMP5

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



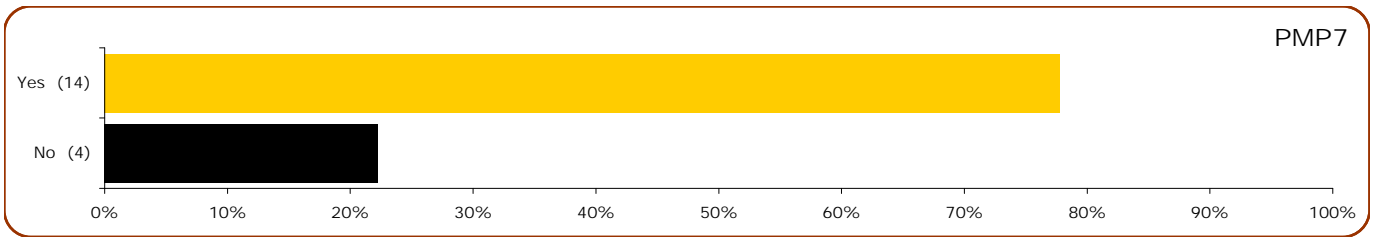
PMP6

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.



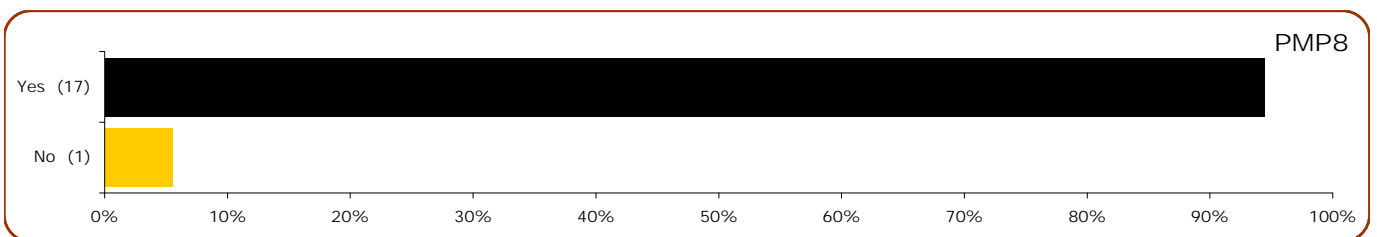
PMP7

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



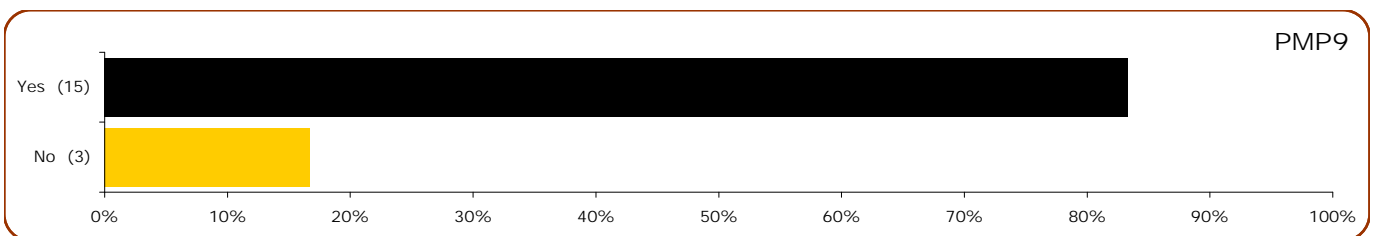
PMP8

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



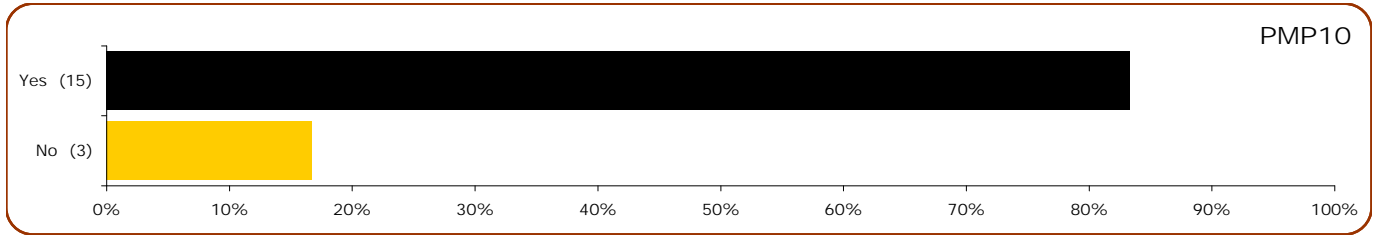
PMP9

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

		Barchester	Average	Lower Quartile	Median	Upper Quartile
Primary Indicators						
PP1 (a)	Cost of the Procurement function as a % organisational running costs	0.15%	0.15%	0.09%	0.15%	0.19%
PP1 (b)	Cost of the Procurement function as a % third-party spend	0.50%	0.43%	0.25%	0.40%	0.50%
PP2	Actual spend through pre-established contract arrangements as a % third-party spend	53.0%	61.9%	54.0%	59.8%	74.1%
PP3	% of third-party spend that is actively managed by procurement professionals	30.9%	53.5%	30.3%	52.1%	76.9%
PP4	% total third-party spend channelled through other collaborative procurement arrangements	16.0%	22.9%	6.0%	16.0%	39.6%
PP5	Average % savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year	8.4%	13.9%	8.7%	13.9%	16.1%
Secondary Indicators						
PS1	Professionally qualified procurement FTEs as a % total procurement FTEs	73%	68%	57%	73%	78%
PS2	Average invoice value	£1,056	£1,585	£1,057	£1,377	£1,910
PS3	Number of the organisation's top 10 suppliers who have a formal partnership/framework agreement with the organisation	10.0	8.7	9.3	10.0	10.0
PS4	% third-party spend channelled through SMEs	70.4%	44.0%	26.1%	38.2%	62.5%
PS5 (a)	% third-party spend categorised, understood and fully reported in the current year Public Sector Procurement Expenditure Survey	78%	78%	60%	95%	100%
PS5 (b)	% third-party spend subject to supplier relationship management	na	43%	22%	48%	68%
PS5 (c)	% third party spend managed via structured category management	na	43%	0%	39%	81%
PS6 (a)	% total third-party spend that is sourced electronically	27.9%	22.5%	0.2%	7.4%	45.8%
PS6 (b)	% total third-party spend managed through ePurchasing	30.1%	41.8%	20.3%	40.3%	52.7%