

## Appendix D

### Review of National Audit Office procurement VFM measures

<b>NAO procurement PI</b>	<b>Comments</b>	<b>Recommend using?</b>
<p><b>1.</b> Total cost of the procurement function:  a) Cost of the procurement function as a percentage of organisational running costs (expenditure); and  b) Cost of procurement function as a percentage of non-pay expenditure.</p>	<p>There is only one procurement officer; the rest of the procurement activity is decentralised, therefore it is difficult to measure the cost of the procurement "function".</p>	<p>As procurement is decentralised, it is not clear what value this PI would provide the Council.  The current procurement PI of savings achieved against the cost of the post is considered to be a better measure.</p>
<p><b>2.</b> Actual spend committed against pre-established contract arrangements as a percentage of non-pay spend.</p>	<p>It is unclear whether the Council's systems can provide these statistics.</p>	<p>It is not clear what value this PI would provide the Council.</p>
<p><b>3.</b> Percentage of non-pay spend which is actively managed by procurement professionals.</p>	<p>Most expenditure is not handled by the procurement officer.</p>	<p>As procurement is decentralised, the value of this PI to the Council is unclear.</p>
<p><b>4.</b> Average (weighted) savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year.</p>	<p>Procurement projects may vary in both nature and value from year to year and will therefore not be comparable either within the authority or between authorities.</p>	<p>This does not appear to provide an accurate basis for benchmarking.  The current procurement PI of savings achieved against the cost of the post is considered to be a better measure.</p>
<p><b>5.</b> Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.</p> <p><u>Commissioner statements</u>  The Procurement function:</p> <ul style="list-style-type: none"> <li>• supports the overall objectives of the organisation.</li> <li>• is proactive in sourcing goods and supplies which represent best value.</li> </ul>	<p>Staff across the authority are involved in the procurement process and can also be either commissioners or users.  The satisfaction survey suggested would therefore not be able to differentiate between their role and that of the procurement "function".</p>	<p>As procurement is decentralised, it is not clear what value this PI would provide the Council.</p>

<b>NAO procurement PI</b>	<b>Comments</b>	<b>Recommend using?</b>
<ul style="list-style-type: none"> <li>• provides appropriate advice and support on major strategic procurement projects.</li> <li>• is responsive to my ad hoc needs.</li> <li>• provides value for money.</li> </ul> <p><u>User statements</u></p> <ul style="list-style-type: none"> <li>• There is a consistent and easy to follow process for ordering goods and supplies.</li> <li>• The goods and supplies that we are given are of appropriate quality.</li> <li>• Technology is used to make the process of ordering and paying for goods easy and efficient.</li> <li>• The Procurement function <ul style="list-style-type: none"> <li>○ is responsive when I need help in sourcing or ordering goods and supplies</li> <li>○ is helping staff to develop their skills in relation to the procurement process.</li> </ul> </li> </ul>		
<p><b>6.</b> Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10:</p> <p>1) 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.</p> <p>-----</p> <p>2) Customer satisfaction surveys are undertaken at least annually to understand user views on the added value brought about by the professional procurement function,</p>	<p>In summary, the authority meets all the practices that it deems appropriate to its procurement needs (see below) and can thereby gain assurance.</p> <p>The Procurement Officer reports through the Finance Project Office to the Executive Director Corporate Services, who is a member of SMT. The Planning Portfolio Holder is responsible for procurement.</p> <p>-----</p> <p>Decentralised procurement means that customers are often directly involved in the procurement activity and therefore it would be difficult to differentiate between their role and</p>	<p>As the authority meets all the practices it deems appropriate to its procurement needs, reporting that the authority continues to do so will not provide any additional assurance.</p> <p>-----</p> <p>See 5. above – as procurement is decentralised it is not clear what value this PI would provide the Council.</p>

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with the results published internally and fed into an improvement plan which is regularly monitored.	that of the procurement “function”.	
----- 3) Future demand for goods and services is 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.	----- Future procurement needs are informed by the central contracts archive and by service plans. The service plan (and therefore work plan) for procurement includes both specific procurement projects and proposals to develop and improve the service.	----- New technology, commodities and developments will be taken into account for individual procurement projects, but will not necessarily inform the Procurement Strategy.
----- 4) 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 per cent of targets were met for the previous financial year.	----- Performance measures are already in place as part of the service planning process; these are monitored via Performance and Development Reviews; key PIs are monitored and reported through CorVu.	-----
----- 5) Specifications for high value purchasing decisions are made based on a detailed understanding of the total cost of ownership (TCO) (also known as whole life costs).	----- This is included in the Procurement Strategy and procurement procedures, although it is not clear how this would be measured and no guidance has been provided.	-----
----- 6) 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 end date.	----- The central contracts archive already does this.	-----
----- 7) Benchmarking data from both public and private sector sources is actively used to undertake price comparisons on key goods	----- The benchmark data is based on flawed metrics and the basket does not reflect the range of goods and services that the Council	----- It is considered better practice to check at time of going to market that the product is best value for money, using frameworks or

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<p>and services:</p> <ul style="list-style-type: none"> <li>- A4 copier paper</li> <li>- Toilet rolls</li> <li>- Toner cartridge</li> <li>- Standard office chair</li> <li>- Bottled mineral water</li> <li>- Telephone handset</li> <li>- Temporary labour</li> </ul> <ul style="list-style-type: none"> <li>- Photocopier</li> <li>- Laserjet</li> <li>- Electricity and Gas</li> </ul>	<p>requires / uses:</p> <ul style="list-style-type: none"> <li>- SCDC buys from an OGC contract.</li> <li>- SCDC buys from an ESPO contract.</li> <li>- SCDC buys from an OGC contract.</li> <li>- SCDC buys from ESPO.</li> <li>- SCDC does not buy bottled water</li> <li>- Handsets last bought in 2004.</li> <li>- SCDC uses a County Council Agency Framework and carries out a competitive process each time</li> <li>- SCDC uses an ESPO contract.</li> <li>- Phasing out and using photocopiers.</li> <li>- SCDC spot buys through a competitive process in advance of requirement.</li> </ul>	<p>collaborative procurement where possible.</p>
<p>-----</p> <p>8) 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.</p> <p>-----</p>	<p>-----</p> <p>Already in place – CPG, ESPO and OGC.</p> <p>-----</p>	<p>-----</p>
<p>-----</p> <p>9) 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.</p> <p>-----</p>	<p>-----</p> <p>The Council has officer and Member codes of conduct that provide ethical standards; the Procurement Strategy and Contract Regulations give particular direction in relation to procurement.</p> <p>-----</p>	<p>-----</p>
<p>-----</p> <p>10) A rolling programme is in place to develop procurement skills and capabilities across the organisation at all levels.</p>	<p>-----</p> <p>The Procurement Officer provides training in line with the service plan for procurement.</p>	<p>-----</p>