Appendix B

National Audit Office Value for Money indicators (procurement)

Primary indicators	
Primary indicator 1	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.
Primary indicator 2	Actual spend committed against pre-established contract arrangements as a percentage of non-pay spend.
Primary indicator 3	Percentage of non-pay spend which is actively managed by procurement professionals.
Primary indicator 4	Average (weighted) savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year.
Primary indicator 5	Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users. **Commissioner 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 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.
Primary indicator 6	Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10:

	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. 2) Customer satisfaction surveys are undertaken at least annually to understand user views on the added value brought about by the professional procurement function, with the results published internally and fed into an improvement plan which is regularly monitored. 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. 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. 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). 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. 7) Benchmarking data from both public and private sector sources is actively used to undertake price comparisons on key goods and services. 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 (in larger organisations this will include having facilitated collaborative procurement with smaller organisations). 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. 10) A rolling programme is in place to develop procurement skills and capabilities across the organisation at all levels.

Secondary indicators	
Secondary indicator 1	Professionally qualified procurement employees (FTEs) as a percentage of total procurement employees (FTEs).
Secondary indicator 2	Average invoice value.
Secondary indicator 3	Number of the organisation's top 10 suppliers (by spend value) who have a formal partnership / framework agreement with the organisation.
Secondary indicator 4	The percentage of non-pay spend that is channelled directly through SMEs (Small and Medium sized Enterprises).
Secondary indicator 5	The percentage of total non-pay spend channelled through collaborative procurement arrangements with other buying organisations.
Secondary indicator 6	Management of supplier base: a) Average spend per accredited supplier; b) Percentage of total non-pay spend represented by the top 20 per cent of suppliers (by value); and c) Percentage of suppliers on an accredited list with no orders in the previous 12 months.
Secondary indicator 7	The use of technology within procurement: a) The percentage of total goods and services spend that is sourced electronically; and b) The percentage of total goods and services spend managed through e-Purchasing.
Secondary indicator 8	Benchmarking a defined set of goods: a) Relatively low value generic items applicable to all sectors; and b) Relatively high value specific items applicable to a specific sector (to be developed).