



Procurement performance measurement framework

Procurement performance measurement framework

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Introduction

Background

Scottish Executive policy, which should apply throughout the public sector, requires that public money is spent wisely so that 'value for money' is achieved. Value for money involves ensuring that there are proper attitudes to management and management arrangements. Supplies are the largest area of expenditure after staff pay, with the NHS in Scotland (NHSS) spending an estimated £600 million each year on goods and services. Successive studies and reviews have been conducted over the past 20 years into various aspects of supplies management in the National Health Service in Scotland but there has been limited success in implementing many of the recommendations.

Audit Scotland therefore, conducted a Supplies Management VFM study during Year 2000 and published the outcomes and actions in a national report¹ on the National Health Service in Scotland in October 2001. A key action from the national report on the Trusts and Scottish Healthcare Supplies is to improve management information and use it to measure and benchmark the management of supplies using key performance indicators. Specifically, managers need to be able to identify their baseline performance position and then they need to be able to monitor progress over time. This needs to be done in two ways -

- Tracking the performance of their own organisation over time
- Tracking their performance in comparison to their peers

The aims are to help those who are responsible for managing non pay expenditure demonstrate that -

- Appropriate management arrangements for non pay expenditure have been put in place
- Opportunities for improving value for money are being identified and followed up by looking at -
 - ❑ Economy – did we buy at the right total price?
 - ❑ Efficiency – did we buy “right” in terms of the processes we used?
 - ❑ Effectiveness – did we buy the right thing to meet end users’ needs and are they using the goods and services appropriately?
- Measurable improvements are evident over time, whether in terms of quality or savings.

¹ In Good supply

Previous attempts to undertake this kind of initiative have foundered largely due to problems with data collection, analysis and interpretation. Developing the information to meet the needs outlined above is an evolutionary process. Work on this has started with representatives from the Strategic Alliance Partnership (SAP), in partnership with Audit Scotland, seeking to identify suitable measures or indicators that can be phased in over time.

As a starting point, we have used the Procurement performance measurement framework produced in April 2001 by the NHS Purchasing and Supply Agency, who are responsible for overseeing Supplies Management activity in the Trusts in England. This draft document is based on that framework but with relatively minor modifications to take account of the organisational arrangements that exist in the Health Service in Scotland. It also takes account of the recommendations produced in August 2000 by a short life working group on procurement in Scotland about the development of performance indicators.

It is therefore proposed that this draft is adopted by the NHS Trusts in Scotland and Scottish Healthcare Supplies as the basis for developing their performance measurement framework for Supplies Management. Further work is being undertaken by the working group to identify the key elements which should be mandatory in the first instance and the detailed timetable for the ongoing development of the process.

It is intended that Trusts should complete the information across all non-pay expenditure where procurement responsibility is held: procurement, works, catering, pharmacy, and others. Management of non-pay expenditure depends not only on price but also on usage, so end users also have a role to play in ensuring that they use appropriate amounts of the right product for the right purpose. Performance monitoring needs to be developed on a phased basis to take account of all these aspects of supplies management.

Objectives

In developing these performance indicators, we aim to -

- Demonstrate effective management.
- Provide a framework for self-monitoring and continuous improvement.
- Provide a benchmark for comparison with similar Trusts.
- Validate that the value for money criteria of Economy, Efficiency and Effectiveness are being applied to Trust supply chains.
- Ensure benefits exceed cost through accessing and using information.
- Provide consistency of approach and general direction with regard to all aspects of NHS Scotland's procurement.
- Support the recommendations and performance expectations detailed 'In good supply' and provide an appropriate framework to validate status with regard to implementation.
- Develop a strategic overview and framework whilst providing sufficient flexibility for Trust's to link in operational performance indicators.

Key challenges

Achieving our objectives depends on -

- Obtaining access to relevant data
- Avoiding potential data overload
- Engendering commitment from the stakeholders to a continuous improvement process.

Presentation

The performance measures shall be in two categories -

1. Performance measures for all Trusts/Scottish Healthcare Supplies

These core measures shall be mandatory for all Trusts and Scottish Healthcare Supplies and will be reported centrally because -

- Achievement in specific areas is important to improve procurement across the NHSS. Relevant recommendation(s) shall be shown against each measure.
- It is important that we work towards the development of a common data set and presentation between the Trusts and SHS. Trusts commit the expenditures for products and services in areas covered by National contract, not SHS.
- They can be used to identify effective practices which can be shared between Trusts

2. Performance measures for Trusts only

These additional measures are recommended to supplement both the core measures and other key local measures reported to Trust Boards. Other key measures would include locally developed indicators to identify progress in achieving the Trust's strategic procurement objectives.

3. Phased implementation

To provide an audit trail from the original PASA framework, the original PM number indexes and background content to each indicator has largely been preserved in this revision. However, later revisions shall reflect the developed status. Stage 1 and Stage 2 references have been put against each indicator to reflect where each indicator is in the phased development and implementation timetable.

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Each performance measure is presented in the enclosed guidance as follows -

- reference and name of measure
- objective of measure
- development status and commentary (*in italics*)
- content and layout of measure
- explanatory notes on completion of measure

Timetable

Implementation of the procurement performance measurement framework will be ongoing with key milestones for **each** phase as follows -

Accept revised pro forma framework status	October 2001
Commence data collection on pro forma measures in stage 1	October - December 2001
Resolve stage 1 data collection and reporting issues	January - March 2002
Full implementation of stage 1 performance measures	April 2002
Agree final content of stage 2 performance measures	May 2002
<i>Submit stage 1 (year 2001/2002) report</i>	June 2002
Commence data collection on pro forma measures in stage 2	September - December 2002
Resolve stage 2 data collection and reporting issues	January - March 2003
Report stage 1 performance measures for 2002/03	June 2003
Full implementation	April 2004

Implementation

With the publication of the Audit Scotland report 'In good supply' **all** Trusts are expected to commence in October 2001 putting in place appropriate arrangements to provide relevant information against **Stage 1** indicators to the timetable identified above. The SAP, in partnership with Audit Scotland, shall continue to address the outstanding issues surrounding those PMs identified under **Stage 2** and it is anticipated that sufficient consensus will have been reached on these during 2002 for any remaining indicators to be fully defined and for implementation of reporting against these to commence in accordance with the timetable specified above. SAP members propose to closely manage the introduction of information gathering in a selected number of Trusts for each indicator with the express objective of identifying and resolving barriers to production and passing on advice or assistance to other Trusts if required.

However, for the sake of clarity Trusts should not wait on the outcomes from these closely managed introductions elsewhere before commencing their own efforts to gather relevant information to report, and any difficulties encountered in the process of compiling relevant information for any one performance indicator does not excuse making progress against any of the others.

The Strategic Alliance Partnership is available to provide individuals and Trusts with advice and assistance if required. Regular updates with regard to the development of these indicators and the status with regard to reporting shall be made available to all Trusts through the SAP web site or other appropriate communication channels.

Procurement performance measurement framework

PM1 Expenditure influenced by procurement management (Stage 1)

Objective: There is the need for Trusts to have plans to extend the range of goods and services influenced by the procurement management. All Trusts need to demonstrate that effective control exists in all areas of external/non-pay expenditure which will include the use of locally or nationally agreed contracts. This is consistent with good practice and conformance with control assurance.

Minimum measurement frequency: Annually

		Total expenditure 2000/2001 £	Anticipated expenditure 2001/2002 £	Actual expenditure 2001/2002				Total £
				Qtr 1 £	Qtr 2 £	Qtr 3 £	Qtr 4 £	
		A	B	C	D	E	F	G
1	Expenditure on goods and services ⁽¹⁾ influenced ⁽²⁾ by procurement management or a consortium ⁽³⁾							
2	Expenditure on Goods purchased through SHS National contracts							
3	Expenditure which cannot be influenced by Procurement management ⁽⁴⁾							
4	Sub-total							
5	Expenditure not yet influenced ('procurement gap') ⁽⁵⁾							
6	Total expenditure	⁽⁶⁾						

Process -

High level non-pay expenditure analysis

- Annual expenditure by supplier.
- Identify and report all Utilities. (See note 10)
- Identify and report all rates & other local authority charges. (See note 11)
- Identify and report all Clinical waste disposal charges.(See note 12)
- Classify remainder Influenceable/non-influenceable by Procurement management. (See note)
- Apply Pareto 90/10 to Influenceable. (90% of total value.)
- Categorise Influenceable by
 - ❑ National Contract
 - ❑ Consortium Contract
 - ❑ Local Contract
 - ❑ Not yet influenced
- Report Benchmark position **by June 2002**.(including items under notes 10,11 and 12)
- Identify Benchmark partners.
- Implement continuous improvement

Notes

1. Expenditure to include all goods and services purchased. Capital expenditure should be detailed separately. See also note 4.
2. Influence is where the following requirements have been met -
 - best procurement practice and expertise is brought to bear on the expenditure in question

and

- the expenditure is covered by a contract or agreement developed *in conjunction with* the procurement function and conforms with the criteria of NHS Executive Controls Assurance Standard 'Control of Contracts and Contractors. (*NHSS equivalent protocol to be published before March 2002*)

Procurement function can include the following -

- The Trust department(s) authorised to undertake procurement
- Scottish Healthcare Supplies

3. Consortium is where a contract has been arranged by a Trust on behalf of two or more other Trusts.
4. We recommend that best procurement practice and expertise is brought to bear on all bought-in goods, capital equipment and services (apart from permanent staff).
5. 'Procurement gap' is the difference between row 6 and row 4. It represents the amount of expenditure not yet influenced, ie not subjected to best procurement practice and a formal contract. The expectation is that the gap should reduce over a period of time through the actions of the procurement function by implementing the Trust's procurement strategy.
6. This figure should be the same as shown in the Trust Financial report.
7. Trusts shall be provided with advice and assistance if required to establish the most efficient method of accessing the baseline non-pay expenditure report.
8. A list of external expenditures classified as non-influenceable by procurement management shall be published. Items such as Capital charges and inter-Trust billing fall into this classification.
9. Reports to be submitted by Trusts to SAP appointed central point/nominated person by the specified deadline and also to be available.
10. All gas, electricity, fuels, water and telecommunications annual expenditures by supplier should be reported separately.
11. All charges levied by local authorities eg rates etc should be reported separately.
12. Clinical waste disposal costs represent a significant area of annual external expenditure for Trusts and should be reported separately by supplier.

Procurement performance measurement framework

PM2 Expenditure and overall procurement efficiency improvement (Stage 2)

Objective: Trusts are required to set an overall procurement efficiency ⁽¹⁾ target each year.

There is a need to clarify the definition of this PM for all NHS Scotland stakeholders. It is important that the differentiation between budget efficiency and expenditure savings is understood. It is also important that the variables of price and volume with regard to expenditure savings is taken into account in any reported savings format. Trust Supplies and Procurement managers are currently being encouraged to publish on the SAP web-site price savings that have been identified in their Trusts and different methods and formats are already apparent. Further work is required on this PM by the SAP before Trusts are requested to report against this PM. This shall include a review of the validity of the current notes and suggested targets as detailed below.

Target: See note 6 - important

Minimum measurement frequency: Annually

Total expenditure 2001/2002 ⁽²⁾

£

Total anticipated expenditure 2002/2003 ⁽³⁾

£

Overall procurement efficiency improvement target to be achieved in 2002/2003

£

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		Total (actual)			Cumulative (actual)		
		Expenditure £	Efficiency £	Efficiency % ⁽⁴⁾	Expenditure £	Efficiency £	Efficiency % ⁽⁴⁾
		A	B	C	D	E	F
1	Quarter 1						
2	Quarter 2						
3	Quarter 3						
4	Quarter 4						
5	Total	⁽⁵⁾					

Notes

1. Procurement efficiency improvements include the following -

- cash savings through better prices or lower whole life costs
- reduced process time and cost
- lower stockholdings
- less wastage
- improved service quality

Detailed guidance shall be prepared for Trusts to enable the consistent identification and calculation of procurement efficiency improvements which take into account the latest guidance on measuring value for money benefits.

The guidance will make a clear distinction between the following types of improvements -

- those which demonstrate the effectiveness of the *professional* procurement and have a direct impact on trust budgets, eg cash releasing savings
- those which demonstrate the effectiveness of *professional* procurement but do not have a direct impact on trust budgets, e.g. price avoidance through reduction of suppliers' price increase requests

2. This figure to be the same as the figure in box A6 of PM1.

3. This figure to be the same as the figure in box B6 of PM1.

4. To be calculated as follows:

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$$C = \frac{B}{A+B} \times 100$$

5. This figure to be same as the figure in box G6 of PM1.
6. In setting their procurement efficiency target for 2002/2003, Trusts will need to take into account the following -
 - The chief executive supplies review group recommendation in 1997 that logistics on-costs should be targeted at a level of 2.5% of turnover.
 - That a service and financial framework overall efficiency of 2% year on year is considered a realistic target.
 - Achievement of long term objectives in the Trust procurement strategy

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PM3 Cost of procurement (Stage 2)

Objective: Trusts should identify the costs associated with all procurement within the Trust. This information is of use when taking into account the added value of *professional* procurement and the level of expenditure influenced when compared with other trusts. It is considered a key performance indicator.

Minimum measurement frequency: Annually

There are key challenges for Trusts in accessing and providing this information. There is a need for detailed definition to avoid varying interpretations of what to include/exclude and there are a number of other variables and issues to consider. Further work, (including a review of the relevance of the notes below) will be required by the SAP before Trusts are requested to compile relevant information.

		WTE	Budgeted costs ⁽¹⁾		Outsourcing costs ⁽²⁾
			Pay £	Non-pay £	
Function ⁽³⁾		A	B	C	D
1	Procurement department/supplies team ⁽⁴⁾				
2	Pharmacy				
3	Estates/Facilities				
4	Other departments with procurement responsibilities – please list separately				
5	Creditor payments				
6	Total				

Notes

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1. Full budgeted pay costs including employment costs and all associated non-pay costs including purchase order processing system.
2. Cost paid to another Trust or third party service provider for procurement services.
3. To include all staff wholly or partly employed in arranging purchase contracts, placing purchase orders, receiving, storing and moving goods, materials management, invoice certification and all supporting activities. Includes creditor payments staff but excludes requisitioning. It is recognised that to be meaningful, this area will require detailed definition to avoid varying interpretations of what to include/exclude by trusts. Further guidance will be developed.
4. If the procurement department provides a service to more than one trust, figures required are those associated with the 'host' trust only.

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PM4 Procurement competencies (Stage 1)

Objective: Staff, regardless of the Trust department in which they work, who spend the **majority** of their time on procurement related activity should have, or be working towards attainment of procurement competencies or an equivalent procurement qualification.

Minimum measurement frequency: Annually

*The SAP have established a focus group who are addressing this topic. The introduction of an SVQ in Procurement into the service is an early output. The establishment of a benchmark position in each Trust with regard to the level of current competencies of Procurement and Supplies staff is required and the SAP focus group led by Colin Parkinson shall be requested to take forward the content of this PM and ensure that Trusts provide relevant information within the specified timescale (**ie:-by June 2002**) The relevance of content of the notes and framework below and the revision of same if appropriate will be addressed by the SAP focus group.*

		Procurement competencies ⁽²⁾			Equivalent procurement qualification ⁽³⁾		
		WTE ⁽¹⁾	Below expected standard ⁽⁵⁾ (WTE)	Achieves expected standard ⁽⁴⁾ (WTE)	Exceeds expected standard ⁽⁴⁾ (WTE)	Qualified (WTE)	Studying (WTE)
Function		A	B			D	E
1	Procurement department/ Supplies team						
2	Pharmacy						
3	Estates/Facilities						
4	Other departments with procurement responsibilities – please list separately						
5	Total						

Notes

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1. These figures to be the same as the figures in column A of PM3 .
2. The procurement competencies are based on the National Standards of Competence for Procurement developed by The Purchasing and Supply Lead Body.
3. The type of qualification required will depend on each individual's duties and responsibilities. A matrix is being prepared to link various types of job to the range of qualifications which will include: MSC in Supply Chain Management, MBA in Procurement, Graduate Diploma (CIPS), NVQ levels 2, 3 and 4 and certificates of competence.

NB Staff will fall into **either** the procurement competencies column **or** the equivalent procurement qualification column
4. Guidance in the form of a competence framework will be issued to trusts to enable this assessment to be made.
5. As above, but for these individuals the crucial factor will be the existence of a personal development plan to close the skills gap through training and/or qualification.

Procurement performance measurement framework

PM5 Information technology strategy for procurement. (Stage 1)

Objective: Greater use of information technology across all procurement activity will deliver a range of benefits. The purpose of this measure is to determine progress being achieved towards paperless, electronic requisitioning and ordering as well as integration/interfacing with trusts' existing payment systems.

Minimum measurement frequency: Annually

As an initial benchmark it is proposed that Trusts will have the option of substituting the need to compile and provide the data requested with a detailed position statement with regard to this PM. Within the position statement the Trust should identify plans for improvement in each area where procurement activity is carried out and subsequent reports should identify the extent to which these have been implemented. Where no significant improvements are planned or implemented Trusts may be required to provide the specified data and justify continued use of existing processes in each procurement area.

Types of purchase transactions		System purchase orders per annum ⁽¹⁾		Manual purchase orders per annum ⁽²⁾		Purchasing card transactions per annum ⁽³⁾		Total purchase transactions per annum	
		No	£	No	£	No	£	No	£
Function		A	B	C	D	E	F	G	H
1	Procurement department/supplies team								
2	Pharmacy								
3	Estates/facilities								
4	Other departments with procurement responsibilities – please list separately								
5	Total								

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Paperless, electronic requisitioning, ordering and invoice reconciliation		Electronic requisitions ⁽⁴⁾	Electronic orders ⁽⁵⁾	Electronic invoice reconciliation ⁽⁶⁾
		%	%	%
Function		A	B	C
1	Procurement department/supplies team			
2	Pharmacy			
3	Estates/facilities			
4	Other departments with procurement responsibilities – please list separately			
5	Total			

Notes

1. The number and value of purchase orders raised via a computer system with purchase order raising facilities.
2. The number and value of purchase orders raised manually, ie not via a computer system with purchase order raising facilities.
3. The number and value of transactions via a purchasing card or charge card.
4. The proportion of ‘electronic’ requisitions compared with the total number of requisitions. Electronic requisitions can include the following:
 - requisitions entered direct onto the computer system by requisitioners
 - requisitions captured by materials management systems and other methods of automated data capture

The key requirement is the absence of paper requisitions.

5. The proportion of ‘electronic’ purchase orders compared with the total number of orders. Electronic orders can include the following -

- orders sent to suppliers by autofax
- orders raised via a purchasing or charge card
- orders sent to suppliers via EDI
- orders sent to suppliers by the Internet
- orders sent to suppliers by E-mail

The key requirement is the absence of paper purchase orders for suppliers. *Where orders are replicated, e.g. faxed and paper confirmation they are considered paper orders.*

6. The proportion of invoices which, when compared with the total number of invoices, are matched electronically with receipted purchase orders.

The key requirement is for creditor payments staff to be able to match and reconcile invoices with receipted orders on a computer screen without supporting paperwork.

Procurement performance measurement framework

PM6 Low value purchasing (to be merged and reported by Trusts within the content of PM 5)

Objective: Low value purchasing and the associated transactions may cost more to administer than the cost of the item itself. Progress both in reducing high cost/low value purchasing should be measured and conducting it electronically where it remains.

Target: By 2005, 90% of low value goods and services (by volume) are to be purchased electronically. This is consistent with the expectations that have been raised in Scotland through the reduction in bureaucracy key objective within the NHS Scotland Health Plan.

Minimum measurement frequency: Quarterly

Purchase orders		Total number of orders			Total value of orders	
		Below £100	£100 and above	% below £100 electronic	Below £100	£100 and above
Function		A	B	C	D	E
1	Procurement department/supplies team					
2	Pharmacy					
3	Estates/facilities					
4	Other departments with procurement responsibilities – please list separately					
5	Total					

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Invoices		Total number of invoices			Total value of invoices	
		Below £100	£100 and above	% below £100 electronic	Below £100	£100 and above
Function		A	B	C	D	E
1	Procurement department/supplies team					
2	Pharmacy					
3	Estates/facilities					
4	Other departments with procurement responsibilities – please list separately					
5	Total					

Notes

1. Include orders to external distribution/ logistics service providers

Procurement performance measurement framework

PM7 Key supplier identification (to be merged and reported within the content of PM1.)

Objective: Information on the suppliers with whom the NHSiS spends the majority of its money needs to be collated and analysed centrally. Trusts will also wish to share this information to explore consortium procurement opportunities.

Minimum measurement frequency: Annually

Name of company or organisation ⁽¹⁾	External Distribution/ Logistics service provider ⁽²⁾	Expenditure per annum ⁽³⁾	Number of invoices per annum
A	B	C	D
		£	No.

Notes

1. Include only those creditors which equate to 80% of the total expenditure with all creditors. However, please include all creditors (local authorities, other NHS bodies, Scottish Healthcare Supplies etc) in addition to commercial organisations.
2. Indicate those companies or organisations which are external distribution/logistics service providers to the trust. These provide both a range of products and at least 100 deliveries to a single site per annum to the trust
3. List in descending order of value starting with the company or organisation with whom the trust spends most.

Procurement performance measurement framework

PM8 Supplier rationalisation (Stage 1)

Objective: Product and supplier rationalisation should feature as an objective in the Trusts procurement strategy. Progress achieved in reducing the number of suppliers used by the Trust should be monitored.

The validity of this PM is accepted and Trusts should establish and report their benchmark position. Further guidance or clarification regarding this PM will be provided by the SAP if required.

Minimum measurement frequency: Annually

Number of suppliers ⁽¹⁾ at the start ⁽²⁾ of the year (1 April):

Number of suppliers at the end ⁽³⁾ of the year (31 March):

Note

1. A supplier is defined as a commercial organisation with which the Trust undertakes business in an operating year. For the purpose of this measurement, exclude services provided by other NHS organisations including Scottish Healthcare Supplies.
2. The figure for the number of suppliers at the start of the year should be the total number of suppliers actually used (one or more purchase transaction) during the previous financial year.
3. As per note 2 above but during the current financial year.

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PM9 Internal supply chain (Stage 2)

Objective: The efficiency with which goods are requisitioned, stored and distributed to the final user will to a large extent depend on the coverage of automated stock management systems within a Trust. In addition, trends in balance sheet stockholding over time will be an indicator of the effectiveness of the Trust’s internal supply chain.

Consideration is currently being given to ‘merge’ the automated stock management systems element of this PM with PM5. There are also other factors that influence stockholding and the extent to which stock held is off balance sheet. This PM will require further review by the SAP prior to Trust’s being requested to provide information.

Minimum measurement frequency: Annually

Materials management ⁽¹⁾		Materials management service ⁽²⁾	Total service
		A	B
1	Number of requisition points/locations		
2	Number of requisition lines		
3	Value of requisition lines		

Accountable stockholding

Department (3)	Balance at end of previous financial year(4)	Balance at end of this financial year(4)
	£	£
A		
B		
C		
D		

Notes

1. Materials management or automated stock management systems require minimal operational input from clinical staff but meet their service expectations. The characteristics of these systems are listed in the Audit Scotland's 'In Good Supply' managing supplies in the NHS in Scotland.
2. A materials management service exists only where a majority of the requisition point/location's goods are processed through the materials management system.
3. Departmental figures are needed to identify the location of high value accountable stockholdings for attention.
4. Figure incorporated in Trust balance sheet.

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PM10 Service quality/stakeholder satisfaction (Stage 2)

Objective: An assessment of the level of satisfaction of users/stakeholders across the whole supply chain should be undertaken. The survey should include an assessment of third party service providers, outsourced services, materials management and all internal supply chain activities and be reported to the trust board.

Consideration is currently being given by the SAP to proposing and adopting a universal single page tick box proforma. A review of final content will be conducted before final proposals are put to Trusts.

Minimum measurement frequency: Annually

The outcome of the survey, undertaken either by postal questionnaire or face-to-face interview, should be an overall satisfaction rating and a list of areas requiring improvement. A model questionnaire covering key areas is being developed for Trust use. This will enable trusts to compare and benchmark their results with one another.

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PM* Usage. (Stage 2)

Objective: The establishment of a relevant performance measure which identifies the extent to which Trusts have in place suitable arrangements which monitor and control product or service usage has been highlighted in the Audit Scotland report 'In good supply'.

Further work will be required by the SAP to develop proposals in this regard prior to Trusts being requested to provide relevant information.

PM11(a), PM11b, PM12(a), PM12(b), PM13(a), PM13(b) External Distribution/Logistics service provider activity, lead times, performance and quality of service measurement.

These indicators as they stand, have been drawn up primarily for use by PASA and NHS Logistics to benchmark their service in England compared to alternatives. Given that there are different organisational arrangements in NHS Scotland the relevance of these indicators is being questioned before Trusts are requested to provide information.

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PM11(a) External Distribution / Logistics service provider activity(see note above.)

Objective: Collection and analysis of data to optimise the trust’s supply chain and comparative assessment of the trust’s external distribution/logistics service providers.

Minimum measurement frequency: Annually

Total number of requisitioning points throughout the trust:

Name of distribution / logistics service provider ⁽¹⁾	Expenditure per annum ⁽²⁾	Total number of order lines placed ⁽³⁾	Total number of orders raised ⁽⁴⁾	Number of requisition points using company or organisation ⁽⁵⁾	Number of invoices per annum

Notes

1. As indicated in column B of PM7 an external distribution/ logistics service provider to a Trust, both supplies a range of products and provides at least 100 deliveries to a single Trust site per annum.
2. List in descending order of value starting with the external distribution/ logistics service provider with whom the Trust spends most.
3. This figure represents the total number of order lines placed with each provider.
4. To measure the ratio of lines per order/invoices per order/invoices per provider.
5. Those requisition points which regularly receive a direct service from that company or organisation.

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PM11(b) External Distribution/Logistics service provider activity (See note above)

Objective: Collection and analysis of data to optimise the Trust's supply chain and comparative assessment of the Trust's external distribution/logistics service providers.

Minimum measurement frequency: Annually ⁽²⁾

Total number of deliveries into the trust:

Name of logistics service provider ⁽¹⁾	Number of lines received on schedule	Number of lines with 100% fill on schedule ⁽²⁾	Number of deliveries made by company or organisation	Number of deliveries made within agreed time window ⁽³⁾

Notes

1. List in descending order of value starting with the company or organisation with whom the Trust spends most.
2. A sample period may be used in which case the period of sample must be quoted ie number of weeks.
3. The Trust will have agreed delivery time windows for deliveries at an agreed time during day (+/- half hour tolerance).

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PM12(a) External Distribution/Logistics service provider lead times (See note above)

Objective: PM9 identifies the internal supply chain costs. The procurement strategy and the Trust’s principal external distribution/logistic providers should be working to reduce the lead time effect on the Trust’s balance sheet. Effective stock control measures will minimise stock holding.

Minimum measurement frequency: Annually

Name of logistics service provider	Normal lead time ⁽¹⁾		Special service lead time provided ⁽²⁾			Emergency service provided ⁽³⁾		
	Claimed	Achieved	Claimed	Achieved	Cost	Claimed	Achieved	Cost

Notes

1. Normal delivery from receipt of order request.
2. Special service offered, negotiated and agreed (24 hour arrangement) and limited to special points within the Trust.
3. If there is a cost encountered with ⁽²⁾ and ⁽³⁾ it should be stated.

Procurement performance measurement framework

PM12(b) External Distribution/Logistics service provider delivery and invoicing (See note above.)

Objective: An effective distribution/logistics service provider to the Trust will seek to minimise costs through all aspects of the supply chain. Where the Trust has an effective logistics strategy and is working with its principle providers these costs will be reduced. This will need to be extended to include all delivery schedules throughout the Trust.

Minimum measurement frequency: Annually

Name of logistics service provider	Frequency of delivery per week	Volume		Pallets	C'board	Other (State)	No. of invoices	No. of order lines	Average No. of order lines
		Tote boxes	Roll cages						

Notes

Procurement performance measurement framework

PM13(a) Supply chain performance (See note above)

Objective: It is critical that all elements of service provision can be monitored. Trusts should as a matter of principle identify those suppliers that are key to the delivery of services.

Minimum measurement frequency: Annually

Name of key companies or organisations	Monitoring procedure in place		Details of measures	Are there agreed targets with the supplier	Are these shared with other NHS organisations
	Yes	No			

Notes

1. These are not just the suppliers based upon value or frequency of service but those that have been identified through risk assessment.
2. If the measures are agreed with the company, complete PM13(b) for indicative quality and service measure.

Procurement performance measurement framework

PM13(b) Quality of service measurement (See note above)

Objective: As with all service providers, quality and service levels must be incorporated within a contract for service provision. Logistics/supply chain distribution is no exception. The Trust will need to ensure that its service providers are confirming to agreed standards, contained within its service level agreement.

Minimum measurement frequency: Annually

Name of companies or organisations	Service level measure	Delivery time measure ⁽¹⁾	Purchasing savings target ⁽²⁾	Management information provided ⁽³⁾	Medium of information ⁽⁴⁾	Frequency of information

Notes

1. Where a delivery time measure has been agreed
2. Where a target has been established for cost reduction ie margin or unit price, the overall effect assuming volume remains static should be used.
3. The level of management information should be identified – reporting methodology etc.
4. An important aspect is the quality of the management information and its ability to interface with existing information management's systems.

Other areas of procurement performance measurement

In addition to the above measures Trusts are expected to develop additional operational performance measurements to reflect their local priorities and these may be no less important. They could include

- level of single tender actions and waivers
- degree of product rationalisation and clinical involvement in selection processes