



modern procurement practice in local government

# local performance indicators for procurement

## IDeA procurement

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## introduction

This set of local performance indicators has been developed through the Library of Local Performance Indicators (IDeA and Audit Commission) with the Society of Procurement Officers (SOPO) and a wide group of stakeholders in local government procurement. These stakeholders include local authorities, national organisations and government departments.

These indicators are designed to help English local authorities with the implementation of the National Procurement Strategy for Local Government that was launched in October 2003. It is hoped that with suitable adjustment, the indicators will be useful to colleagues in other parts of the public sector.

This set is one of many available on the Library of Local Performance Indicators website at [www.local-pi-library.gov.uk](http://www.local-pi-library.gov.uk).

## what are local performance indicators?

Local performance indicators are voluntary measures that local authorities may use to monitor performance and progress. The present set of indicators is designed to help authorities improve their procurement practices and ultimately deliver better services to citizens.

## how to use these indicators

Authorities may wish to monitor progress over time or compare performance with others. In both cases the same methodology should be used each time information is collected to ensure a like-for-like comparison.

The IDeA and Audit Commission would like to hear about authorities' experience of using these indicators so that improved versions and new indicators can be developed as necessary.

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## using these indicators in a procurement setting

For the purpose of these indicators procurement means 'the process of acquiring goods, works and services from suppliers.' In other words it covers everything from 'paperclips to PFI.' The procurement process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset. The process includes option appraisal (the 'make or buy' decision).

A pre-requisite to any measurement of procurement performance is that the authority has produced a written procurement strategy that is aligned with the authority's corporate objectives and that this strategy is being implemented. There is little point in measuring procurement performance if the reasons for collecting such information and how it will be used are unclear.

Authorities will be monitoring their progress towards the National Procurement Strategy for Local Government. This set of indicators offers authorities a choice of measures to enable them to monitor progress.

Authorities may choose a variety of ways in which to present and use the PIs, including presentation in terms of the Balanced Scorecard, the Procurement Excellence Model for Local Authorities or the themes in the National Procurement Strategy for Local Government. For convenience within this set the indicators are grouped under the following headings:

- strategy
- major projects
- purchasing including e-procurement
- equalities and competition.

It may be noted that the reference numbers allocated to each indicator in this set will differ from the reference numbers used on the Library website. This is because this set will follow on from existing sets in the Library that are already organised in chronological order.

## national procurement targets

There are several national procurement targets, for example, one National Procurement Strategy for Local Government target is to reduce the time from the publication of the Official Journal of the European Union notices (Gate 2) to contact signature (Gate 3) (for projects taking more than a year) by 25% over three years and by 10% in the first year using 2003 as the base year. The Office of Government Commerce has set the following strategic targets for construction that may also be applied in the local government sector.

By March 2005, 70% (by volume) of construction projects reaching Gate 5 in the period 1 April 2003 – 31 March 2005 to be delivered:

- on time
- within budget
- to exceed consumer and stakeholder expectations
- with zero defects.

By March 2005, for each key sector to reduce the average time period from the start of procurement (Gate 2) to award of contract (Gate 3) by:

- 25% for construction projects taking over a year between Gates 2 and 3
- 15% for all other construction projects.

### who might use the indicators?

This set of indicators is particularly useful for:

- heads of procurement
- heads of service
- finance directors
- heads of policy and performance.

### how these indicators were developed

This work started with the SOPO national survey on procurement performance indicator usage in summer 2002. The IDeA and SOPO created a list of indicators that would be useful to local authorities at the time that the National Procurement Strategy for Local Government was being developed.

The IDeA circulated a consultation paper to a range of stakeholders and published it on the Library of Local Performance Indicators and IDeA Knowledge websites. A series of meetings and workshops was held leading to the development of agreed definitions for each indicator.

### acknowledgements

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### other relevant indicators

The construction indicators listed in this document are taken from the Construction Industry Key Performance Indicators 2003, Constructing Excellence, (available on the Constructing Excellence website at

<http://www.constructingexcellence.org.uk/resourcecentre/kpizone/default.jsp>). Although further clarification has been added to these definitions to enable consistent collection of data, the indicators themselves have not been changed.

OGC's Achieving Excellence in Construction Information Note March 2004 also provides related measures for central government departments, which authorities and organisations may also wish to consider at website [http://www.ogc.gov.uk/embedded\\_object.asp?docid=1001712](http://www.ogc.gov.uk/embedded_object.asp?docid=1001712).

## what these indicators cover

The short titles for the initial set are as follows.  
Detailed definitions and supporting information is given later:

strategy	page no.
<b>LIB/P1 - Strategy implementation</b> Percentage of milestone activities completed in the National Procurement Strategy for Local Government	9
<b>LIB/P2 - Skills development</b> Average time per officer spent on structured training in procurement-related skills	11
<b>LIB/P3 - Best practice</b> Percentage of the value of contracts awarded that commence in the financial year in accordance with standing orders aligned with procurement best practice	14
<b>LIB/P4 - Aggregation 1</b> Percentage of corporate spend aggregated through corporate framework agreements and corporate contracts	15
<b>LIB/P5 - Aggregation 2</b> Percentage of corporate spend aggregated through collaboration with other public sector organisations	17
<b>LIB/P6 - Project management</b> Percentage of medium and high-risk projects managed under a structured project management method	18
<b>LIB/P7 - Gateway reviews</b> Percentage of medium and high-risk projects to which the 4ps Gateway Review Process is applied	19
<b>LIB/P8 - Sustainable procurement</b> Percentage of framework agreements and contracts awarded following best practice on sustainable procurement	20
<b>LIB/P9 - Local government market 1</b> Percentage of corporate spend placed with small and medium sized enterprises (SMEs)	21
<b>LIB/P10 - Local government market 2</b> Percentage of corporate spend including grants placed with the third sector i.e. suppliers in the voluntary, community and social enterprise sectors	22
<b>LIB/P11 - Local government market 3</b> Percentage of corporate spend placed with ethnic minority (EMB) businesses	24
<b>LIB/P12 - Satisfaction with the corporate procurement function</b>	26
<b>LIB/P13 - Supplier satisfaction with the authority</b>	28

major projects	
<b>LIB/P14 - Predictability - time to procure</b> Average time from publication of Official Journal of the European Union (OJEU) notice (Gate 2) to contract signature (Gate 3) as percentage of time allotted in any approved business case	30
<b>LIB/P15 - Predictability - time to service delivery</b> Average time from contract signature (Gate 3) to operational start (Gate 4) as a percentage of time allotted in any approved business case	32
<b>LIB/P16 - Predictability - advisory fees</b> Average percentage of over or underspend on project advisory services	34
<b>LIB/P17 - End user/client satisfaction:</b> a) at the point of handover when everything agreed has been completed b) after a period of 24 months of operations/finished product	35
<b>LIB/P18 - Change in construction costs</b>	36

purchasing	
<b>LIB/P19 - Energy price comparison</b> of gas, electricity, oil and water	38
<b>LIB/P20 - Commodity goods price comparison</b> A "shopping basket" of 10 commodity goods	40
<b>LIB/P21 - Average minimum cost of raising an order</b> Total cost of the process from requisition to payment	42
<b>LIB/P22 - Average invoice value</b> Corporate spend divided by total number of invoices	44
<b>LIB/P23 - Accuracy of deliveries</b> Percentage of orders that were correct (i.e. as ordered) when received	45
<b>LIB/P24 - Average spend per supplier</b> Corporate spend divided by the total number of suppliers	46
<b>LIB/P25 - Percentage of corporate spend through electronic orders</b> (i.e. over the Internet, excluding fax and telephone)	48
<b>LIB/P26 - Percentage of invoices received electronically</b>	49
<b>LIB/P27 - Percentage of corporate spend through electronic sourcing</b> (e.g. electronic tendering/requests for quotes/auctions)	50
<b>LIB/P28 - Percentage of orders raised electronically</b>	52
<b>LIB/P29 - Percentage of invoices paid electronically</b> e.g. through BACS (Bankers Automated Clearing System), CHAPS (Clearing House Automated Payment System) or direct debit	53
<b>LIB/P30 - Percentage of corporate spend through procurement cards</b>	54

equalities & competition	
<b>LIB/P31 - Equal opportunities</b> The inclusion of equality considerations in strategies and plans and their influence at each stage of procurement and contract management	56
<b>LIB/P32 - Ethnic minority business (EMB) satisfaction with the council</b> in terms of a) the accessibility of contracts b) support from the authority in relation to business opportunities	57
<b>LIB/P33 - Small and medium sized enterprises' (SMEs) satisfaction with the council</b> in terms of a) the accessibility of contracts b) support from the authority in relation to business opportunities	58
<b>LIB/P34 - Third sector satisfaction with the council</b> in terms of a) the accessibility of contracts b) support from the authority in relation to business opportunities.	59

## glossary

IDeA	Improvement and Development Agency
LPI	Local Performance Indicator
BV	Best Value
PI	Performance Indicator
BVPI	Best Value Performance Indicator
SOPO	Society of Procurement Officers
FTE	Full Time Equivalent
VAT	Value Added Tax
BACS	Bankers Automated Clearing System
CHAPS	Clearing House Automated Payment System
SME	Small or Medium Enterprise
OJEU	Official Journal of the European Union
EMB	Ethnic Minority Business
CRE	Commission for Racial Equality

## format of indicator definitions

### Short Title

A short description of what the PI is providing a measure of.

### Rationale

A user-friendly explanation of why it might be useful to collect and monitor this PI.

### Definition

More detailed information, including specific references to other information sources as appropriate, to ensure consistent interpretation of the information required for the PI.

### Source of PI

Some of the PIs have been drawn from other well-known sets of PIs - this section outlines their origin.

### Type of PI

This gives an indication of the mechanism used to collate performance information per indicator, e.g. via a survey, sample or calculation.

### Related Indicators

Where there are other relevant PIs that should be considered alongside the PI specified these have been shown.

### Additional Information

Further information where useful to provide additional clarification or background to assist with use of the PI.

## performance indicators with definitions

### Short Title

**LIB/P1 - Strategy implementation** Percentage of milestone activities completed in the National Procurement Strategy for Local Government

### Rationale

The Government expects all local authorities in England to comply with the requirements of the 'National Procurement Strategy for Local Government'. 'This indicator allows authorities to track their progress against these requirements. The Government's vision for local public services can only be realised if councils adopt world-class practices in procurement and the management of contracts and supplier relationships. The Government's vision for local public services is outlined on page 11 of the National Procurement Strategy for Local Government (see definition for further details of this strategy).

### Definition

This indicator is measured by being able to 'tick' the achievement of each objective outlined in the Key Themes at the beginning of Chapters 3 to 6 inclusive of the National Procurement Strategy for Local Government (as outlined on pages 25, 33, 41 and 47), which is available from the Office of the Deputy Prime Minister's website at [http://www.odpm.gov.uk/stellent/groups/odpm\\_localgov/documents/page/odpm\\_locgov\\_023394.hcsp](http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_023394.hcsp).

To be able to provide a 'tick' against an objective means fulfilling that objective totally. For example, if there are sub-points beneath the bullet, all the sub-points relating to that bullet must have been implemented in full or on each occasion as necessary to be able to tick:

### Chapter 3 - Key Theme: Providing leadership and building capacity - There are four deadline objectives:

Objectives	Yes	No
By 2004 - Every council should adopt a corporate procurement strategy, based on a Best Value or other review. The strategy should be owned by members and senior managers and its implementation monitored regularly.		
By 2005 - Every single tier and county council should carry out a health check on progress against this National Strategy and the associated guidance as part of their corporate procurement strategy.		
By 2005 - Every council should be involved with a regional centre of excellence in procurement and project management.		
By 2006 - Every district council should have carried out a health check on progress against this National Strategy and the guidance endorsed as part of their corporate strategy.		

**Chapter 4 - Key Theme: Partnering and collaboration** - There are seven time-based, bulleted objectives:

Objectives	Yes	No
By 2004 - Every council's corporate procurement strategy should set out the council's approach to partnering in service delivery and in construction projects.		
By 2004 - Every council's corporate procurement strategy should set out the council's approach to collaboration (including purchasing consortia, joint procurement and commissioning, and shared services), and how it intends to use the new trading powers.		
By 2004 - Every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available.		
By 2005 - The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 10 per cent on the 2003 base.		
By 2005 - Smaller district councils without dedicated procurement resources of their own should be collaborating with others, through the regional centres of excellence, to create shared services for procurement and project management. (All other councils should exclude this objective from their calculation - see calculation methodology).		
By 2005 - Councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services.		
By 2006 - The average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 25 per cent on the 2003 base.		

**Chapter 5 - Key Theme: Doing business electronically** - There are three deadline objectives:

Objectives	Yes	No
By 2005 - Every council should have implemented an appropriate e-Procurement solution as part of its e-Government programme.		
By 2005 - For low value purchases, every council should be making appropriate use of a procurement card, the Government Procurement Card (GPC) or a suitable electronic alternative.		
By 2006 - Every council should be using an appropriate e-Marketplace.		

**Chapter 6 - Key Theme: Stimulating markets and achieving community benefits** - There are eight deadline objectives:

Objectives	Yes	No
From 2003 - Where relevant, all councils shall consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act 2003, Circular 03/2003 and the associated code of practice.		
By 2004 - Every council should publish a 'Selling to the Council' guide on its corporate website together with details of bidding opportunities and contact details for each contract.		
By 2004 - All corporate procurement strategies should address: <ul style="list-style-type: none"> <li>the relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability;</li> <li>how the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.</li> </ul>		
By 2004 - Every council should build sustainability into its procurement strategy, processes and contracts.		
By 2004 - Every council should conclude a compact with the local voluntary and community sector.		
By 2004 - Procurement processes for partnerships should include: <ul style="list-style-type: none"> <li>issuing an information memorandum to prospective bidders setting out the background to the project, the council's objectives and an outline of the procurement process and timetable, with roles and responsibilities made clear;</li> <li>inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms. This should continue to be examined as part of contract management.</li> </ul>		
By 2005 - Every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan.		
By 2005 - Every council should have signed up to the national concordat for SMEs.		

To calculate this indicator, use the following method. In total, there are 22 deadline objectives (or 21 if calculated by councils that are not smaller districts). Therefore performance is measured as the total number of objectives ticked, divided by 21 or 22 as appropriate. This number is then multiplied by 100 to give the percentage required for this indicator:

$$\frac{\text{the number of objectives ticked}}{21 \text{ or } 22} \times 100$$

**Type of PI** Table format (see above table)

**Source**

New performance indicator referring to the National Procurement Strategy for Local Government

**Additional information**

Each Chapter in the National Procurement Strategy for Local Government describes in detail what councils should be doing in respect of these objectives. Councils should be able to provide evidence to show they have met these objectives.

**Short Title**

**LIB/P2 - Skills development** Average time per officer spent on structured training in procurement-related skills

**Rationale**

The National Procurement Strategy for Local Government states that local authorities should carry out a skills audit and implement a training and development programme for procurement.

All staff involved in procurement should receive Continuing Professional Development (CPD).

Time can be used as a way of accounting for internal as well as external training. It is acknowledged however that time is only one way of measuring investment in training; other dimensions include quality, additional capacity, qualification and impact, e.g. via staff competencies. It is also acknowledged that structured learning is just one method of learning and that other opportunities, such as work-shadowing, mentoring and coaching can be as effective. Similarly, clear guidance documents and procedures can reduce the amount of time required on procurement related training. However, as a starting point, and as a way of being able to measure some of this activity, this indicator focuses on the time spent on structured training. Local authorities therefore may wish to consider other measures in relation to the training and development of procurement officers.

**Definition**

'Time' for this indicator is defined as the total number of hours attended on procurement-related training by officers who spend more than 50% of their time specifically on procurement related work.

Structured training refers specifically to training which is undertaken away from the officers' procurement work, e.g. attending a course, going through a learning module or taking an examination.

For the purpose of these indicators, "procurement means the process of **acquiring goods, works and services** from suppliers. In other words, it covers everything from "paperclips to PFI". The procurement process spans the whole **cycle** from identification of **needs** through to the end of a services contract or the end of the useful life of an asset. The process includes **option appraisal** (the "make or buy" decision)."<sup>2</sup>

The expression "related skills" refers to skills and competencies (as outlined in the Skills Framework for Procurement Projects and the Skills Framework for the Procurement Function as per the National Procurement Strategy for Local Government, available at:

<http://www.idea.gov.uk/procurement/?id=skills>), which directly impact on procurement work, such as project management, contract law and interpersonal skills.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the number of hours spent on procurement-related training by officers who spend more than 50% of their time specifically on procurement-related work. Divide this figure by the number of full time equivalent (FTE) local authority officers who spend more than 50% of their time specifically on procurement-related work to give the average required for this indicator:

$$\frac{\text{total number of hours spent on procurement training by relevant officers}}{\text{the number of FTE relevant officers}}$$

**Type of PI** Calculation

**Source** New performance indicator

**Additional information**

Should local authorities wish to compare their results against this indicator with others, it is advisable to provide a breakdown of the types of structured training included.

This indicator may be of particular use to authorities that have employed their own procurement specialists as opposed to those who have outsourced their procurement expertise.

It is also acknowledged that not all staff involved in procurement will spend more than 50% of their time on procurement related work, e.g. staff in service units who are involved in procurement from time to time. Authorities may therefore wish to develop further indicators locally to reflect this.

Local authorities may also wish to consider measuring the proportion of staff involved in procurement who should have been trained against those that have had training. Similarly, councils could consider conducting a survey of staff involved in procurement asking how confident they are about having the relevant skills and having received appropriate training and support.

<sup>2</sup> Managers' Guide to Procurement, Improvement and Development Agency, 2003, page 3

**Short Title**

**LIB/P3 - Best practice** Percentage of the value of contracts awarded that commence in the financial year in accordance with standing orders aligned with procurement best practice

**Rationale**

Authorities must award contracts in accordance with legal requirements and their own standing orders. They should be aiming to ensure all contracts are let in a professional way employing current best procurement practice and aligning standard orders with that best practice. This indicator will allow authorities to gauge and manage progress and success in this area, and should increase until it reaches 100%.

**Definition**

For the purpose of this indicator, contracts are written agreements with third parties for the provision of goods, services and works, including framework agreements. Contracts and their value can be identified through the authority's corporate contracts register.

'Procurement best practice' is the practice set out in the IDeA's procurement guidance, including 'Procurement Essentials' and its supporting literature, which is available from (<http://www.idea-knowledge.gov.uk/idk/aio/68704>) (you will need to register onto this site if you are new to IDeA Knowledge). This indicator is not appropriate for use if standing orders relating to procurement are not in line with best practice.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the value of contracts awarded that commence in the financial year in accordance with standing orders aligned with procurement best practice. Divide this figure by the total value of contracts. Multiply that figure by 100 to give a percentage:

$$\frac{\text{value of contracts awarded in line with standing orders aligned with best practice}}{\text{total value of contracts}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Short Title**

**LIB/P4 - Aggregation 1** Percentage of corporate spend aggregated through corporate framework agreements and corporate contracts

**Rationale**

Economies of scale obtained through aggregating requirements improve value for money and this has been reflected in the National Procurement Strategy for Local Government. This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

Aggregation is the adding together of particular requirements, e.g. stationery, within an authority and/or between a number of authorities within a set period of time. For example, suppliers will be more interested in supplying an authority's entire cleaning materials needs over three years than each individual order on an ad hoc basis.

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding Value Added Tax VAT) in respect of the purchase of goods, works and services in a local authority (as defined in the EC public procurement regulations [www.ogc.gov.uk](http://www.ogc.gov.uk)) i.e. where:

- 'goods' are tangible products such as pens or computers but also energy, and are also known as 'supplies'.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>3</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need to be excluded where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

Framework agreements and contracts are 'corporate' if available for use by any service unit in the authority.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the value of each framework agreement/corporate contract total each of those values together to give a complete aggregate value. Divide this figure by the authority's corporate spend. Multiply that figure by 100 to give a percentage of corporate spend subject to aggregation:

$$\frac{\text{the complete aggregate value of corporate agreements and contracts}}{\text{corporate spend}} \times 100$$

<sup>3</sup> Race Equality & Procurement in Local Government: A Guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P1, LIB/P3, LIB/P5

**Additional information**

If an authority considers this indicator useful but does not have sufficient data systems to record this information as described above, the authority may wish to provide alternative information. This indicator will not always be comparable with other authorities but will inform year-on-year progress for an authority looking at this issue internally.

Authorities may wish to consider developing further local indicators that quantify the effect of aggregation on prices paid.

Authorities may also wish to measure the amount of non-compliant spend i.e. where a collaborative or framework contract is in place, what is the value of spend on relevant items not purchased via the framework agreement as a percentage of overall spend.

As the Office of Government Commerce (OGC) suggests, "Aggregation of demand need not necessarily lead to aggregation of supply, and steps can be taken to specify requirements in such a way as to encourage suppliers to bid for distinct elements of the requirement." For further details, refer to the OGC's Aggregation Guidance, which is available from:  
[http://www.ogc.gov.uk/sdtkdev/new\\_content/aggr egat520304.pdf](http://www.ogc.gov.uk/sdtkdev/new_content/aggr egat520304.pdf).

**Short Title**

**LIB/P5 - Aggregation 2** Percentage of corporate spend aggregated through collaboration with other public sector organisations

Chapter 4 in the National Procurement Strategy for Local Government states that collaboration among local authority clients obtains better value through creating increased buying power. This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding Value Added Tax VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>4</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

Collaboration is for the purpose of this indicator is the establishment or use of joint contracts and framework agreements (e.g. consortium contracts including catalogues) and joint projects (e.g. highway works or PPP) with other public sector bodies. Local authorities are encouraged to look further at what measures would be useful for them in this context.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the value of expenditure placed in collaboration with other public bodies. Divide this figure by the authority's corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{expenditure placed in collaboration with other public bodies}}{\text{corporate spend}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P4

**Additional information**

Authorities may wish to consider developing further local indicators that quantify the effect of collaborative working and aggregation on prices paid.

<sup>4</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

**Short Title**

**LIB/P6 - Project management** Percentage of medium and high-risk projects managed under a structured project management method

**Rationale**

When projects carry a significant amount of risk, it is good practice to run them in as organised a way as possible. Indeed, interrelated projects should be also subject to programme management techniques. Structured project management helps to minimise the risks involved and to run projects as efficiently, economically and effectively as possible. This indicator allows local authorities the opportunity to monitor and address their progress in this area, which should increase until it reaches 100%.

**Definition**

'Medium and high-risk projects' are as defined in the 4ps Gateways Project Assessment Spreadsheet (which can be obtained through <http://www.4ps.gov.uk/documents2/Gateways/Project%20Assessment%20Spreadsheet%20v5.xls>). To establish which projects are medium or high-risk, it is necessary to undertake the whole Spreadsheet assessment per project.

The spreadsheet provides high-level criteria against which project owners can assess the intrinsic characteristics and degree of difficulty of a proposed procurement project. The spreadsheet can be used as a starting point in assessing the likely levels of risk associated with a project, including medium and high-risk.

'A structured project management method' primarily refers to the appropriately tailored use of PRINCE2 but can also include other accredited project management methods. It excludes methodologies developed exclusively in-house on the basis that non-accredited methods are difficult to assess in terms of comparable quality.

'Projects managed' are those which are running within a financial year (i.e. 1st April to 31st March). This includes projects that commenced during that financial year or were completed.

Then multiply this figure by 100 to get a percentage.

To calculate this indicator, total the number of medium and high-risk projects managed under a structured project management method. Divide this figure by the total number of medium and high-risk projects. Multiply that figure by 100 to give a percentage:

$$\frac{\text{no. of medium, high-risk projects using a structured project management method}}{\text{total number of medium and high-risk projects}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P7

**Additional information**

Authorities may also wish to consider developing local indicators on:

- the effective application of the method, rather than just whether a structured project management method has been used
- the proportion of red/amber/green gateways and the occurrence of the common causes of failure within each gateway.

**Short Title**

**LIB/P7 - Gateway reviews** Percentage of medium and high-risk projects to which the 4ps Gateway Review Process is applied

**Rationale**

When projects carry a significant amount of risk, it is good practice to run them in as organised a way as possible. This helps to minimise the risks involved and to run projects as efficiently, economically and effectively as possible.

Gateways provide a structured way of checking that the project is developing in accordance with what was envisaged originally, e.g. in the business case.

Although this indicator could be based on either a wide range of projects or a very small number, the emphasis is on the consistent and appropriate use of the Gateway process up to the appropriate stage. All medium and high-risk projects should be taken through the Gateway Review Process.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, which should increase until 100% is reached.

**Definition**

'Medium and high-risk projects' are as defined in the 4ps Gateways Project Assessment Spreadsheet (which can be obtained through <http://www.4ps.gov.uk/documents2/Gateways/Project%20Assessment%20Spreadsheet%20v5.xls>). To establish which projects are medium or high-risk, it is necessary to undertake the whole spreadsheet assessment per project.

The spreadsheet provides high-level criteria against which project owners can assess the intrinsic characteristics and degree of difficulty of a proposed procurement project. The spreadsheet can be used as a starting point in assessing the likely levels of risk associated with a project, including medium and high-risk.

Those projects 'to which the 4ps Gateway Review Process is applied' refers to those medium and high-risk projects that go through the 4ps Gateway Review Process appropriately. Clearly all medium and high-risk projects that have gone through the whole Gateway Process right through and completed Stage 5 will have been carried out in a structured and methodical way, which will help ensure the project is carried out as effectively and successfully as possible. Equally however, those medium and high-risk projects that have undergone fewer Stages but then terminated are also valid because they have been considered and addressed properly.

Projects that are excluded from this indicator are those medium and high-risk projects that are successfully completed but only go through the initial Gateway Stages when in fact they need to have gone through all five. It also excludes those medium and high-risk projects that have not gone through the Gateway process at all.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the total number of medium and high-risk projects to which the 4ps Gateway Review Process is applied to the appropriate level. Divide this figure by the total number of medium and high-risk projects. Multiply that figure by 100 to give a percentage:

$$\frac{\text{number of medium, high-risk projects using the 4ps Gateway Review Process}}{\text{total number of medium and high-risk projects}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Short Title**

**LIB/P8 - Sustainable procurement** Percentage of framework agreements and contracts awarded following best practice on sustainable procurement

**Rationale**

The National Procurement Strategy for Local Government states that local authorities should implement sustainable design and procurement strategies, building sustainability into procurement processes and contracts. This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator 'framework agreements and contracts' must have been awarded following best practice in the field as set out in the IDeA's guidance on Sustainability and Local Government Procurement (<http://www.idea.gov.uk/procurement/sustainability.pdf>) including in particular Chapter 8 Evaluating Tenders, page 57.

Since this indicator is concerned with volume rather than value, it is important that contracts are not counted more than once. It therefore does not include individual call-off orders against framework agreements or other standing arrangements.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the number of agreements and contracts that have been awarded having followed the above IDeA guidance on sustainable procurement. Divide this figure by the total number of agreements and contracts awarded during the financial year. Multiply that figure by 100 to give a percentage:

$$\frac{\text{no. of agreements and contacts awarded following best practice}}{\text{total number of agreements and contracts awarded during the financial year}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Additional information**

Sustainability includes environmental, social and economic considerations. These matters can only be taken into consideration in procurement in so far as permitted under UK and European law, including the public procurement regulations (EU directives). The IDeA guidance is consistent with the legal requirements.

**Short Title**

**LIB/P9 - Local government market 1** percentage of corporate spend placed with small and medium enterprises (SMEs)

**Rationale**

The National Procurement Strategy for Local Government states that by 2006 local authorities should be confidently operating a mixed economy of service provision with ready access to diverse competitive range of suppliers, providing quality services including small firms, social enterprises, minority business and voluntary and community sector groups.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding Value Added Tax VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>5</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

For the purposes of this indicator 'Small and Medium Sized Enterprises' (SMEs) are those that have up to 250 employees. In order to measure performance against this indicator, local authorities should be able to identify whether businesses are SMEs. This may be for example as simple as asking as part of the tendering process if the business competing for the work is an SME as defined above.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the value of all contracts and orders placed with SMEs. Divide this figure by the authority's corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{total value of all contacts and orders placed with SMEs}}{\text{corporate spend}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P13, LIB/P33

**Additional information**

Further related information and recommendations are available through the Better Regulation Task Force Report 'Government: Supporter and Customer?' at

<http://www.brtf.gov.uk/docs/pdf/smeprocurement.pdf>

**Short Title**

**LIB/P10 - Local government market 2** Percentage of corporate spend including grants placed with the third sector i.e. suppliers in the voluntary, community and social enterprise sectors

**Rationale**

The National Procurement Strategy for Local Government states that by 2006 local authorities should be confidently operating a mixed economy of service provision with ready access to diverse competitive range of suppliers, providing quality services including small firms, social enterprises, minority business and voluntary and community sector groups. This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding Value Added Tax VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>6</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded, especially whether grants have been included or excluded.

For the purpose of this indicator, 'supplier' is defined as a private, public or voluntary organisation that is interested in providing, or actually providing, goods, works or services to a local authority - also referred to as a 'provider'.

The third sector comprises suppliers in the voluntary, community and social enterprise sectors. In order to measure performance against this indicator, local authorities should be able to identify whether businesses are voluntary, community and social enterprise sectors. This may be for example as simple as asking as part of the tendering process if the business competing for the work is from this sector.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the value of all contracts and orders placed with the third sector as described above. Divide this figure by the authority's corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{total value of all contacts and orders placed with the third sector}}{\text{corporate spend}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P13, LIB/P34

**Short Title**

**LIB/P11 - Local government market 3** Percentage of corporate spend placed with ethnic minority businesses

**Rationale**

The National Procurement Strategy for Local Government states that by 2006 local authorities should be confidently operating a mixed economy of service provision with ready access to diverse competitive range of suppliers, providing quality services including small firms, social enterprises, minority business and voluntary and community sector groups. This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding Value Added Tax VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>7</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

An ethnic minority business is defined as "a business 51% or more of which is owned by members of one or more ethnic minority groups. Or, if there are few owners, where at least 50% of the owners are members of one or more ethnic minority groups."<sup>8</sup> In order to measure performance against this indicator, local authorities should be able to identify whether businesses are ethnic minority businesses. This may be for example as simple as asking as part of the tendering process if the business competing for the work is from this sector.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the value of all contracts and orders placed with ethnic minority businesses. Divide this figure by the authority's corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{total value of all contacts and orders placed with ethnic minority businesses}}{\text{corporate spend}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P13, LIB/P32

<sup>7</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

<sup>8</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 11

**Short Title**  
**LIB/P12 - Satisfaction with the corporate procurement function**

**Rationale**

Authorities may wish to consider internal customers' views on the corporate procurement function as part of establishing an overall picture of performance. This data helps establish a baseline, allows customers to specify improvements to the service, enabling authorities to prioritise their resources, monitor and address their progress in this area, which should increase until 100% is reached.

**Definition**

For the purpose of this indicator it is suggested that a selection of council employees who use or come into contact with the corporate procurement function, e.g. budget holders or managers, should be surveyed with the question below.

To enable this indicator to be comparable over time within an authority or with other local authorities, it is useful to ask the same question. Even slight differences between authorities' questions can influence the answers given, making the indicator less comparable. The following wording is therefore suggested:

"How satisfied are you with the overall service provided by your corporate procurement function?"

Authorities can supplement this question with an explanation of what the corporate procurement function is as relevant to the authority. This allows the authority to tailor the question to suit it but at the same time allows comparability over time or with others.

'Corporate procurement function' refers to officer(s) available at corporate level who spend more than 50% of their time specifically on procurement related work. Upper tier and single tier authorities will usually have at least one officer. For smaller councils, the corporate procurement function may comprise less than one person - if there is such a service at all.

With regard to measuring people's responses, use the system adopted through the Best Value User Satisfaction Performance Indicators through the grading categories: very satisfied, fairly satisfied, neither, fairly dissatisfied, very dissatisfied, it does not apply/don't know.

With regard to the survey in which this question will be asked, it is down to authorities to decide which other questions to ask of whom - there is no prescription in terms of which questions should be asked or in what order and so forth.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator for very and fairly satisfied, total the number of all responses in those two categories together. Divide this figure by the total number of responses to that question. Multiply that figure by 100 to give a percentage:

$$\frac{\text{number of all responses either very or fairly satisfied}}{\text{all responses to that question}} \times 100$$

**Type of PI** Survey

**Source** New performance indicator

**Related indicators** LIB/P23

**Additional information**

Smaller councils with a small or no corporate procurement service may wish to consider how useful this indicator would be for them, i.e. whether to collect it or not.

Any authority wishing to benchmark their performance against this indicator with other authorities should liaise with those authorities to ensure that all use the same measurement option.

As well as establishing the *level of* satisfaction, authorities should also look into the reasons for responses given, e.g. possibly offering an open question or the opportunity to comment on the service.

**Short Title****LIB/P13 - Supplier satisfaction with the authority****Rationale**

Authorities may wish to consider suppliers' views on the authority as a business partner as part of establishing an overall picture of performance. This data helps establish a baseline for improvement and allows suppliers the opportunity to specify improvements to business relationships. Progress in this area should increase until 100% is reached.

**Definition**

For the purpose of this indicator, 'supplier' is defined as a private, public or voluntary organisation that is providing goods, works or services to a local authority - also referred to as a 'provider'.

The question below should be asked of the top 30 suppliers by value (or more).

To enable this indicator to be comparable over time within an authority or with other local authorities, it is useful to ask the same question. Even slight differences between authorities' questions can influence the answers given, making the indicator less comparable. The following wording is therefore suggested:

"How satisfied are you with the authority as a business partner in respect of the following issues:

- (i) access to council contracts
- (ii) the council's procurement procedures
- (iii) general working relationship including communications
- (iv) compliance with what was agreed in any contract or order between you and the council, including issues such as terms and conditions, volume of work/value of business"

With regard to measuring people's responses, use the system adopted through the Best Value User Satisfaction Performance Indicators through the grading categories: very satisfied, fairly satisfied, neither, fairly dissatisfied, very dissatisfied, it does not apply/don't know.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

Separately for (i), (ii), (iii) and (iv):

To calculate this indicator for very and fairly satisfied, total the number of all responses in those two satisfaction categories together. Divide this figure by the total number of responses to that question. Multiply that figure by 100 to give a percentage:

$$\frac{\text{number of all responses either very or fairly satisfied}}{\text{all responses to that question}} \times 100$$

**Type of PI**

Survey

**Source**

New performance indicator

**Related indicators**

BVPI 8 on the number of invoices paid on within 30 days, LIB/P31, LIB/P32 and LIB/P33.

**Additional information**

There are different types of suppliers, e.g. companies from different sectors, large, small suppliers, local and national, so authorities may wish to consider how to sample this as relevant to them. It is acknowledged that this indicator will be difficult to compare between authorities. It may therefore be more useful for authorities as an internal indicator rather than to compare this with others. Should authorities want to compare with others however, a breakdown of suppliers would be useful to aid comparison.

Any authority wishing to benchmark their performance against this indicator with other authorities should liaise with those authorities to ensure that all use the same measurement option.

Authorities may wish to select their top 30 suppliers based on strategic importance as well as, or instead of, by value.

As well as establishing the level of satisfaction, authorities should also look into the reasons for responses given, e.g. possibly offering an open question or the opportunity to comment on the service.

**Short Title**

**LIB/P14 - Predictability - time to procure** Average time from publication of Official Journal of the European Union (OJEU) notice (Gate 2) to contract signature (Gate 3) as percentage of time allotted in any approved business case

**Rationale**

This area of work forms a key milestone of the National Procurement Strategy for Local Government and seeks to monitor not only average time taken but also to assess how these timescales fit in with project plans, i.e. how accurate project management agreements are.

**Definition**

For the purpose of this indicator, 'time' is defined as the total time taken in calendar weeks. Where any time period includes a period of less than a week, i.e. less than seven days, these calendar days should be calculated at a value of 0.14 each and added to the number of weeks.

The 'publication' is when the notice appears in the OJEU (Gate 2).

Contract signature or Gate 3 is the financial close, when both the Service Provider and the Local Authority will have reached agreement on all the contractual documents, on all relevant technical issues, and the financing rate incurred on the bank debt taken out to finance the project will have been fixed.

The time being measured is that from when the notice appears in the OJEU (which counts as the first day in this calculation) to the date of the contract signature (which is the last day counted in this calculation).

This indicator should be measured over a financial year (i.e. 1st April to 31st March), only including contracts signed in the financial year regardless of when the notice appeared in the OJEU.

To calculate this indicator, total the number of weeks (and any additional days) taken from the appearance of the OJEU notice (Gate 2) to contract signature (Gate 3) for each project to be included. Divide this figure by the time (in weeks and days) allotted in the approved business case per project and multiply this new figure by 100 to get the percentage per project:

$$\frac{\text{time taken from Gate 2 to Gate 3}}{\text{time allotted in the approved business case}} \times 100$$

Add up the total number of project percentages (i.e. where there is more than one project) and divide by the number of projects to get an average percentage for this indicator:

$$\frac{\text{total number of project percentages}}{\text{total number of projects}}$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P15

Council officers working on the Office of the Deputy Prime Minister's asset management process need to be collecting similar information and therefore it may be worth liaising with them in this area of work.

**Additional information**

Local authorities cannot not always control this time and may wish to consider this indicator more as management information. Nevertheless, this area of procurement practice forms a key milestone within the National Procurement Strategy for Local Government and authorities are expected to monitor and address their performance in relation to this.

For further information, visit the Office of Government Commerce's website at [www.ogc.gov.uk](http://www.ogc.gov.uk).

Local authorities may alternatively wish to consider simply the average number of days to procure:

To calculate this indicator, total the number of weeks taken from the appearance of the OJEU notice (Gate 2) to contract signature (Gate 3) for each project to be included. Add together the total number of weeks for all these projects. Divide this figure by the total number of projects to get an average:

$$\frac{\text{total number weeks between Gates 2 and 3 for all projects}}{\text{total number of projects}}$$

**Short Title****LIB/P15 - Predictability - time to service delivery**

Average time from contract signature (Gate 3) to operational start (Gate 4) as a percentage of time allotted in any approved business case

**Rationale**

This area of work forms a key milestone of the National Procurement Strategy for Local Government and seeks to monitor not only average time taken but also to assess how these timescales fit in with project plans, i.e. how accurate project management agreements are. Time compression should not however be at the cost of quality - this indicator may therefore be more useful as a management rather than a performance indicator.

**Definition**

For the purpose of this indicator, 'time' is defined as the total time taken in calendar weeks. Where any time period includes a period of less than a week, i.e. less than seven days, these calendar days should be calculated at a value of 0.14 each and added to the number of weeks.

Contract signature or Gate 3 is the financial close, when both the Service Provider and the Local Authority will have reached agreement on all the contractual documents, on all relevant technical issues, and the financing rate incurred on the bank debt taken out to finance the project will have been fixed (this counts as the first day in this calculation).

Operational start date or Gate 4 is the date of the first day of full operation of the new facilities/services (this is the last day counted in this calculation).

This indicator should be measured over a financial year (i.e. 1st April to 31st March), only including those contracts that started operation in the financial year regardless of contract signature.

To calculate this indicator, total the number of weeks (and any additional days) taken from the time of contract signature (Gate 3) to operational start (Gate 4) for each project to be included. Divide this figure by the target time (in weeks and days) allotted in any approved business case per project and multiply this new figure by 100 to get the percentage per project:

$$\frac{\text{time taken from Gate 3 to Gate 4}}{\text{time allotted in the approved business case}} \times 100$$

Add up the total number of project percentages (i.e. where there is more than one project) and divide by the number of projects to get an average percentage for this indicator:

$$\frac{\text{total number of project percentages}}{\text{total number of projects}}$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P14

Council officers working on the Office of the Deputy Prime Minister's asset management process need to be collecting similar information and therefore it may be worth liaising with them in this area of work.

**Additional information**

Local authorities cannot not always control this time and may wish to consider this indicator more as management information. Nevertheless, this area of procurement practice forms a key milestone within the National Procurement Strategy for Local Government and authorities are expected to monitor and address their performance in relation to this.

Local authorities may also wish to consider the average time from contract signature (Gate 3) to operational start (Gate 4):

To calculate this indicator, total the number of weeks taken from Gate 3 (Contract signature) to Gate 4 (Operational start date) per project to be included.

Add together the total number of weeks for all projects to be included. Divide this figure by the number of projects to get an average:

$$\frac{\text{total number weeks between Gates 3 and 4 for all projects}}{\text{total number of projects}}$$

**Short Title**

**LIB/P16 - Predictability - advisory fees** Average percentage of over or underspend on project advisory services

**Rationale**

Costs to external advisers can be a significant part of any total project cost and therefore these costs (and advice) need to be carefully managed to ensure the best use of resources. This indicator helps to measure these costs.

**Definition**

This indicator refers to any fees that were paid to external advisers, i.e. legal and technical advisers, who assisted with the project(s), excluding Value Added Tax (VAT).

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

There are two calculations required to measure this indicator.

Firstly, for each project, total the advisory services fees that were actually paid and divide this figure by the fees predicted in the project's business case. Multiply this figure by 100 to get the percentage of over or underspend:

$$\frac{\text{total of actual fees}}{\text{fees allotted in the approved business case}} \times 100$$

Secondly, total the percentage figures of over/underspend for all projects in the financial year and divide by the number of projects involved to get the average percentage of over or underspend on advisory services against predicted spend in business cases over the financial year:

$$\frac{\text{total number of project percentages}}{\text{total number of projects}}$$

**Type of PI** Calculation

**Source** New performance indicator

**Additional information**

Local authorities may also wish to relate fee levels to overall project costs:

To calculate this indicator, total the number of fees paid for each project to be counted. Divide this figure by the total project costs involved across all the projects counted. Multiply this figure by 100 to get a percentage:

$$\frac{\text{total of fees paid for all projects included}}{\text{total project costs for all projects included}} \times 100$$

Local authorities may simply wish to calculate the percentage of projects in which adviser fees exceeded the allocated budget in the business case.

To calculate this indicator, total the number of projects where the advisory fees exceeded that outlined in the business case. Divide this figure by the number of projects. Multiply this figure by 100 to get a percentage:

$$\frac{\text{total of exceeded fees for all projects included}}{\text{total number of projects included}} \times 100$$

Local authorities may also wish to consider these issues in relation to:

- the quality of the outcomes and impacts achieved
- reducing their reliance on external advisers (by learning from the advice given skills transfer) and moving from day rate type contracting (which for example encourages payment on basis of hours worked rather than results)

**Short Title**

**LIB/P17 - End user/client satisfaction:**

- a) at the point of handover when everything agreed has been completed
- b) after a period of 24 months of operations/finished product

**Rationale**

The purpose of measuring user/client satisfaction is to establish a baseline of the authority's contractor's performance so that improvements can be measured and addressed. Progress in this area should increase until 100% is reached.

**Definition**

This indicator is to be used per project.

'Users/clients' for this indicator are those people who are specifically responsible for managing the operations/finished products once it has been handed over by the contractor.

'Handover' is the point in time when responsibility for the deliverable or service passes from the contractor to the client - the date of 'handover' will be recorded in the relevant contract.

To enable this indicator to be comparable over time within an authority, it is useful to ask the same question for both parts a) and b) described above. Even slight differences in the question year on year or project on project can influence the answers given, making the indicator less comparable. The following wording is therefore suggested for both stages a) and b):

"How satisfied are you with the:

- Overall effectiveness of the deliverable/service
- Rectification of any substandard performance?"

With regard to measuring people's responses, use the system adopted through the Best Value User Satisfaction Performance Indicators through the grading categories: very satisfied, fairly satisfied,

neither, fairly dissatisfied, very dissatisfied, it does not apply/don't know.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator for very and fairly satisfied results for parts a) and b), total the number of all responses in those two categories together. Divide this figure by the total number of responses to that question. Multiply that figure by 100 to give a percentage:

Separately for parts a) and b):

$$\frac{\text{number of all responses either very or fairly satisfied}}{\text{all responses to that question}} \times 100$$

**Type of PI** Survey

**Source** New performance indicator

**Related indicators**

Council officers working on the Office of the Deputy Prime Minister's asset management process need to be collecting similar information and therefore it may be worth liaising with them in this area of work.

OGC's Achieving Excellence in Construction Information Note March 2004 - Project to Have Zero Defects Measure ([http://www.ogc.gov.uk/embedded\\_object.asp?docid=1001712](http://www.ogc.gov.uk/embedded_object.asp?docid=1001712) - particular reference on page 5)

**Additional information**

It is acknowledged that this is not strictly a procurement performance indicator, rather a qualitative measure of the satisfaction of users. However, user satisfaction is likely to be partly linked to the quality of the specification and procurement process, and might be useful as a means to assess this.

Any authority wishing to benchmark their performance against this indicator with other authorities should liaise with those authorities to ensure that all use the same measurement option.

Authorities may also wish to measure their performance against this indicator from handover, within and after the 24 month period. Within 24 months, there could be the opportunity to address substandard performance without waiting for the 24 month time period. At the same time, some substandard performance may not come to light until after that period.

As well as establishing the level of satisfaction, authorities should also look into the reasons for responses given, e.g. possibly offering an open question or the opportunity to comment on the service.

Although this indicator focuses on satisfaction of contractor performance, authorities may also wish to consider an additional survey to gauge the views of service users/ the public.

**Short Title**

**LIB/P18 - Change in construction costs**

**Rationale**

Monitoring construction costs enables authorities to consider how to reduce costs further in an efficient and effective way. This indicator addresses this by looking at costs on a project by project basis.

**Definition**

This indicator measures the normalised construction (i.e. construction of a building or infrastructure project) cost of a project in the current year, less the construction cost of a similar project one year earlier, expressed as a percentage of the construction cost of similar project one year earlier.

‘Normalisation’ is a statistical method for removing the effects of location, function, size and inflation.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, work out the normalised construction cost of a project in the current year, minus the construction cost of a similar project one year earlier, expressed as a percentage of the construction cost of similar project one year earlier:

$$\frac{\text{normalised construction cost of a project in current year} - \text{construction cost of a similar project one year earlier}}{\text{construction cost of a similar project one year earlier}} = Y$$

Therefore:

$$\frac{Y}{\text{construction cost of a similar project one year earlier}} \times 100$$

**Inflation adjustment**

Should authorities wish to compare performance year on year or to develop targets, adjustments will need to be made to take the effects of inflation into account. To express figures in real terms, authorities should adjust them using the GDP deflator. This is published by HM Treasury and updated annually:

[http://www.hm-treasury.gov.uk/Economic\\_Data\\_and\\_Tools/GDP\\_Deflators/data\\_gdp\\_fig.cfm](http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_fig.cfm)

**Type of PI** Calculation

**Source**

Construction Industry Key Performance Indicators 2003, Constructing Excellence (<http://www.constructingexcellence.org.uk/resourcecentre/kpizone/default.jsp>)

**Related indicators**

Construction Industry Key Performance Indicators 2003, Constructing Excellence (<http://www.constructingexcellence.org.uk/resourcecentre/kpizone/default.jsp>)

OGC’s Achieving Excellence in Construction Information Note March 2004 - Project Delivery on Budget Measure ([http://www.ogc.gov.uk/embedded\\_object.asp?docid=1001712](http://www.ogc.gov.uk/embedded_object.asp?docid=1001712) - particular reference on page 4)

**Additional information**

Council officers working on the Office of the Deputy Prime Minister’s asset management process need to be collecting similar information and therefore it may be worth liaising with them in this area of work. It could be for example that colleagues are using construction indicators from the Construction Industry Key Performance Indicators 2003, Constructing Excellence, (available on the Constructing Excellence website at <http://www.constructingexcellence.org.uk/resourcecentre/kpizone/default.jsp>).

Although further clarification has been added to these definitions to enable consistent collection of data, the indicators themselves have not been changed from the Constructing Excellence version.

Local authorities may want to:

- use this indicator simply as management rather than performance information
- consider the effects of inflation on these construction costs.

**Short Title**

**LIB/P19 - Energy price comparison** of gas, electricity, oil and water

**Rationale**

Although price is just one aspect of cost, it nevertheless needs monitoring to ensure that energy and water are purchased as efficiently as possible.

It is acknowledged that there are many variables that affect energy and water prices but nevertheless it can be of interest to authorities to compare prices as a way of identifying potential cost savings.

**Definition**

All these measures are based on an average cost per unit including all taxes and should be measured over a financial year (i.e. 1st April to 31st March).

**Gas** - Total the annual consumption in kilowatt hours and multiply it by the unit rate per kilowatt hour.

Then add the total annual consumption in kilowatt hours, which has been multiplied by the climate change levy per kilowatt hour.

Add to this new figure all relevant taxes, e.g. Value Added Tax (VAT).

Then divide by the total annual consumption in kilowatt hours.

This will provide the average cost of gas per kilowatt hour.

**Electricity** - Total the cost of electricity including the climate change levy and all relevant taxes (obtained by looking at the total bill paid to the electricity provider over the financial year).

Then divide by the total consumption used in kilowatt hours.

This will provide the average cost of electricity per kilowatt hour.

**Oil** - Total the cost of oil including taxes (obtained by looking at the total bill paid to the oil provider over the financial year).

Then divide by the total number of litres of oil consumed in that same year.

This will provide the average cost per litre of oil.

**Water** - At the time of developing this indicator, there was no competition in the water market, so authorities have had to purchase from their local water supplier.

However, should authorities wish to, they could calculate the average cost per cubic metre of water as follows:

Total the cost of water including taxes (obtained by looking at the total bill paid over the given period to the provider).

Then divide by the total number of cubic metres of water consumed in that same year.

This will provide the average cost per cubic metre of water.

**Inflation adjustment**

Should authorities wish to compare performance year on year or to develop targets, adjustments will need to be made to take the effects of inflation into account. To express figures in real terms, authorities should adjust them using the GDP deflator. This is published by HM Treasury and updated annually:

[http://www.hm-treasury.gov.uk/Economic\\_Data\\_and\\_Tools/GDP\\_Deflators/data\\_gdp\\_fig.cfm](http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_fig.cfm)

**Type of PI** Price comparison basket

**Source** New performance indicator

**Related indicators**

There are a variety of indices for volatile commodity markets, such as electricity, gas and oil that plot market trends, enabling authorities to monitor the prices they are paying at any given time. Examples include:

- for electricity, the Heren Index ([www.heren.com](http://www.heren.com))
- for gas, the International Petroleum Exchange (<http://www.theipe.com>)
- for oil, the Platt Index (<http://www.platts.com>)

although many other indices exist.

**Additional information**

Commodities such as gas, electricity and oil are highly volatile, i.e. their prices fluctuate regularly due to a variety of market forces and other factors such as the weather, supply and so forth. Therefore it is only feasible for authorities to compare unit prices contracted at the same time.

Furthermore, gas and electricity unit prices are site-specific and therefore authorities will often be paying different prices at different sites within the same authority. One way however to compare unit prices is to compare 'over 100kwh sites only' or similar buildings, e.g. leisure centres or libraries across authorities.

Authorities should also consider whether they are still with their original host supplier and therefore without competition and whether they are still on tariffs as if so, there is scope for efficiency savings.

Despite this volatility, authorities should be interested in reducing unit prices where possible. This indicator keeps the calculations simple and produces figures that can be base lined.

**Short Title****LIB/P20 - Commodity goods price comparison**

A "shopping basket" of 10 commodity goods

**Rationale**

Although price is just one aspect of cost, it nevertheless needs monitoring to ensure that resources are deployed effectively.

It is acknowledged that there are many variables that affect prices of goods but nevertheless it can be of interest to authorities to compare prices as a way of identifying potential cost savings.

**Definition**

For the purpose of this indicator, the shopping basket comprises the following 10 items on the basis that they are commonly used goods that could be comparable between authorities:

1. A4 80g white photocopy paper virgin pulp grade B - five reams per box
2. paper towel single fold creped, one ply 254mm x 254mm sheet size - case of 3600
3. black refuse sack 455 x 755 x 990mm 25 micron 100 gauge 100% recycled plastic - 200 sacks per box
4. A4 laminating pouches gloss 100 micron per leaf, 200 micron per pouch, pouch carrier included, 50% polyester 50% EVA, 95 degree Fahrenheit / low melting temperature - 100 pouches per box
5. four drawer metal filing cabinet, locking, grey or similar, manufactured to BS4438, BS5459 (strength), BS 4875 (stability)
6. A4 clear OHP transparencies for photocopiers paper backed 100 microns - 100 per box
7. nationally branded glue stick, e.g. Pritt or similar 20g box of 24

8. A4 reinforced transparent embossed pockets multipunched for ring binders portrait open on top edge copy safe box of 100

9. toilet rolls two ply white 100 x 124mm sheet size, 324 sheets per roll, 40.2m roll - case 36

10. free standing bottled mineral water 18.9 litres price of 7oz cup per 1000, dispenser free on loan, bottle racks free on loan cost of 4 sanitisation visits per annum

This indicator should be measured with regard to most recent purchases of each item within the financial year (i.e. 1st April to 31st March).

To calculate a price comparison for each of the above items, an 'average price per unit' should be calculated by totalling the price paid each time one of the items has been ordered within the financial year excluding Value Added Tax (VAT) and dividing this figure by the number of units ordered.

Therefore per each item:

$$\frac{\text{total of the all the prices paid within the financial year}}{\text{total number of units ordered}}$$

When all items have been calculated for price, there should be 10 individual average unit prices, which can be compared at regular intervals.

**Inflation adjustment**

Should authorities wish to compare performance year on year or to develop targets, adjustments will need to be made to take the effects of inflation into account. To express figures in real terms, authorities should adjust them using the GDP deflator. This is published by HM Treasury and updated annually:

[http://www.hm-treasury.gov.uk/Economic\\_Data\\_and\\_Tools/GDP\\_Deflators/data\\_gdp\\_fig.cfm](http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_fig.cfm)

**Type of PI** Price comparison basket

**Source** New performance indicator

**Additional information**

It is recognised that this price comparison basket does not reflect the broad range of items purchased by authorities. It is however intended to be a simple starting point that authorities can use to illustrate that price comparisons are possible for benchmarking purposes. Authorities may therefore wish to devise their own price comparison baskets either for internal use or for comparisons with other authorities.

What is being measured is simply the price of the goods themselves. It does not include on-costs such as delivery charges, postage and packing, and all the other aspects of the total cost of acquisition such as the cost of raising an order in the first place.

**Short Title****LIB/P21 - Average minimum cost of raising an order**

Total cost of the process from requisition to payment

**Rationale**

This indicator helps monitor, address and ultimately reduce the cost of raising an order.

Since there are so many variables affecting this, it is recommended that this indicator is only used internally to generate opportunities for cost reduction rather than as a benchmark with other authorities.

**Definition**

For the purpose of this indicator, 'cost' is defined as the total amount of money required internally to raise an average order. This excludes the costs of inviting tenders, setting up framework agreements/contracts or the investment cost in e-procurement systems and Value Added Tax (VAT). Higher value orders can be more complex and run to thousands of pounds just to place the order so this indicator aims to highlight the minimum cost involved.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, use the following process:

- calculate the total *time* of each person's involvement in the whole chain of events in minutes, whether they be in the procurement team or from individual departments.
- calculate the *cost* of that time in relation to their hourly rate (which can be worked out from their salary or wage).
- cost out all the *materials and other resources* involved in raising the order and paying the invoice, such as stationery, postage and electricity.
- once the 20 orders have been costed, total these 20 costs. Divide this figure by 20 to give an average minimum cost of raising an order.

**Inflation adjustment**

Should authorities wish to compare performance year on year or to develop targets, adjustments will need to be made to take the effects of inflation into account. To express figures in real terms, authorities should adjust them using the GDP deflator. This is published by HM Treasury and updated annually:

[http://www.hm-treasury.gov.uk/Economic\\_Data\\_and\\_Tools/GDP\\_Deflators/data\\_gdp\\_fig.cfm](http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_fig.cfm)

- select 20 typical orders from across the local authority's departments, each with a value of up to a £1,000. Simple orders up to £1,000 should be used because business processes are basically the same for this type of order in any organisation, whether it is, for example, for stationery, office furniture or cleaning materials.
- the next stage is to cost out the process per order from identifying that something needs to be purchased to actually paying for it. To do this, 'walk' through each process in the cycle from identification of a need to buy something to the time the invoice has been paid:

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P26

**Additional information**

Authorities are encouraged to use this indicator within departments by selecting several departmental orders and using the same calculation above to give a more thorough analysis of the minimum cost of raising an order.

Authorities are also encouraged to use the findings from this indicator to assist process mapping and business process re-engineering.

The bulk of the cost will be in terms of employees' time which is why solutions such as e-procurement and purchasing cards, which speed up these processes, help to minimize the cost of raising an order.

This indicator is not an exact science and will clearly depend for example on the complexity of the order, the salaries of those involved in placing different orders and the business processes that are already in place. It is therefore imperative, to aid comparison, to record in detail what has actually been measured to enable a consistent approach each time.

Local authorities may alternatively have the necessary information available to assess the total cost of staff time to raise orders, in which case the calculation can be:

$$\frac{\text{total number of orders raised per annum}}{\text{total cost of all staff salaries involved in raising orders}}$$

**Short Title****LIB/P22 - Average invoice value**

Corporate spend divided by total number of invoices

**Rationale**

Invoices should be consolidated wherever possible to reduce costs and the amount of paperwork that needs to be processed. There is a limit to how many invoices can be consolidated but savings can be made in this respect. This indicator helps to monitor and address this issue.

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>9</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the corporate spend. Divide this figure by the total number of invoices processed by the authority during the financial year to get the average:

$$\frac{\text{corporate spend}}{\text{total number of invoices processed}}$$

**Inflation adjustment**

Should authorities wish to compare performance year on year or to develop targets, adjustments will need to be made to take the effects of inflation into account. To express figures in real terms, authorities should adjust them using the GDP deflator. This is published by HM Treasury and updated annually:

[http://www.hm-treasury.gov.uk/Economic\\_Data\\_and\\_Tools/GDP\\_Deflators/data\\_gdp\\_fig.cfm](http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_fig.cfm)

**Type of PI** Calculation

**Source** New performance indicator

**Additional information**

Authorities are encouraged to use this same method to target particular areas of spend or suppliers where low value invoices are an issue - most obviously stationery, building supplies or cleaning supplies. This would help to identify areas/suppliers where framework contracts (or amendments to existing contract terms) or purchasing cards could be an option.

**Short Title****LIB/P23 - Accuracy of deliveries**

Percentage of orders that were correct (i.e. as ordered) when received

**Rationale**

As part of supplier relationship management, it is necessary to gather data on the accuracy of a supplier's deliveries. This indicator provides an opportunity to liaise directly with end users, i.e. internal customers, to ensure they are getting what they ordered. Local authorities can monitor and address their progress in this area, the percentage of which should increase until 100% is reached.

**Definition**

This indicator should be used for each individual supplier the authority wishes to monitor. For example, if an authority wishes to investigate the accuracy of delivery for three suppliers, it should employ this indicator three times. In any case, this indicator should be measured over a financial year (i.e. 1st April to 31st March).

Where the goods received note process does not exist, or where there is no electronic mechanism for capturing this information, a sample of orders as described below is a way of achieving the same end. This is to make the measurement against this indicator practical, since conducting a review of orders against a supplier without electronic assistance could be resource intensive.

For the purpose of this indicator the sample of orders to be selected should be from one supplier and endeavour to be as representative as possible, including value, volume, seasonality and the range of items delivered.

- Take a sample of 50 orders (or less where 50 is not possible). Where requirements have been consolidated (e.g. where departments join their orders together, or where requirements for a period of time have been ordered in one go), orders are likely to comprise several 'lines' (e.g. individual items that have been ordered). It is the individual lines that are being measured within each order - not just simply the number of orders, e.g. 50 purchase orders may very well represent several hundred lines. Having identified the sample of orders and their respective lines, total the number of lines from these (up to) 50 orders.

- Investigate with end users which of the goods and services received (i.e. individual 'lines') were not what was ordered, for example by looking at the corresponding delivery notes. Total the number of lines whereby what was ordered was not received. Divide this figure by the total number of lines on this sample of orders and then multiply this by 100 to give a percentage of received goods and services that were not as ordered. Then, take the 'not as ordered' figure away from 100 to give the percentage of orders that were correct when received.

When investigating with end users whether ordered goods and services were accurately delivered, authorities need to focus on what was actually ordered and delivered as opposed to what the end user may have wanted, particularly where an authority uses a requisition system.

<sup>9</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P12

**Additional information**

Suppliers may already provide this information, so it would be worth checking what information they have first and the audit trail to support this data.

Good management information generated at the time of goods received note being matched with the order is helpful and if this is done electronically, this will make the process easier.

Ensuring accuracy of delivered goods/services/works is an integral part of contract monitoring and those responsible for such monitoring should be doing this for each supplier as a matter of course. Therefore sampling should really be unnecessary where procurement practice is good - contract managers should have such information readily available.

Authorities may also wish to consider measuring the time aspects of delivery or part shipments.

**Short Title**

**LIB/P24 - Average spend per supplier**

Corporate spend divided by the total number of suppliers

**Rationale**

Having too many suppliers makes supplier relationship management onerous, negates opportunities for leverage and creates unnecessary administrative costs. Although this means that the spend per supplier will increase as the supplier base reduces, this should not be due to buying more or paying higher prices. Equally, the supplier base should not be reduced to the extent that competition is stifled, or reduces backup capability and therefore endangers continuity of supply.

It is acknowledged that average spend itself does not highlight the range of spend with individual suppliers, e.g. it could be that 80% of spend is with 20% of suppliers. It is therefore of use to consider this indicator with other measures to give a more overall view of performance.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the average should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>10</sup>

- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

The total number of suppliers can be identified through the creditor ledger, although this ledger may need to be 'cleaned' if it has creditors who are not suppliers on it as well. For the purpose of this indicator, 'supplier' is defined as a private, public or voluntary organisation that is interested in providing, or actually providing, goods, works or services to a local authority - also referred to as a 'provider'.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the corporate spend. Divide this figure by the number of suppliers used during the year to get the average:

$$\frac{\text{corporate spend}}{\text{total number of suppliers used during the year}}$$

**Inflation adjustment**

Should authorities wish to compare performance year on year or to develop targets, adjustments will need to be made to take the effects of inflation into account. To express figures in real terms, authorities should adjust them using the GDP deflator. This is published by HM Treasury and updated annually:

[http://www.hm-treasury.gov.uk/Economic\\_Data\\_and\\_Tools/GDP\\_Deflators/data\\_gdp\\_fig.cfm](http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_fig.cfm)

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators** LIB/P9, LIB/P10, LIB/P11

<sup>10</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

**Short Title**  
**LIB/P25 - Percentage of corporate spend through electronic orders**  
 (i.e. over the internet, excluding fax and telephone)

**Rationale**  
 This indicator is directly related to Chapter 5 of the National Procurement Strategy for Local Government, which is about achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**  
 For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>11</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

An electronic order is that placed with a supplier over the internet. It does not include procurement cards (which are included in LIB/P30), telephone or fax orders.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the cumulative value of all the electronic orders. Divide this figure by the authority's corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{cumulative value of all the electronic orders}}{\text{corporate spend}} \times 100$$

**Type of PI** Calculation

**Source**  
 New performance indicator

**Related indicators**  
 LIB/P26, LIB/P27, LIB/P28, LIB/P29, LIB/P30

**Short Title**  
**LIB/P26 - Percentage of invoices received electronically**

**Rationale**  
 This indicator is directly related to Chapter 5 of the National Procurement Strategy for Local Government, which is about achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.

Invoices paid electronically reduce administration costs and time taken to process invoices. It is therefore useful to monitor this area and address any issues arising, e.g. not enough suppliers using electronic processes through lack of awareness of payment opportunities available. The percentage should increase until it reaches 100%.

This indicator is not concerned with whether or not they are paid electronically, as that is the subject of LIB/P29.

**Definition**  
 Invoices received electronically are those sent via the internet using email or a secure route such as an extranet.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the number of invoices received by the authority electronically. Divide this figure by the total number of invoices. Multiply that figure by 100 to give a percentage:

$$\frac{\text{number of invoices received by the authority electronically}}{\text{total number of invoices}} \times 100$$

**Type of PI** Calculation

**Source** New performance indicator

**Related indicators**  
 LIB/P21, LIB/P25, LIB/P27, LIB/P28, LIB/P29, LIB/P30

<sup>11</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

**Short Title****LIB/P27 - Percentage of corporate spend through electronic sourcing**

(e.g. electronic tendering/requests for quotes/auctions)

**Rationale**

This indicator is directly related to Chapter 5 of the National Procurement Strategy for Local Government, which is about achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>12</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

'Sourcing' refers to those parts of the procurement cycle that occur before the order or contract is placed. Therefore e-sourcing can include, as individual parts:

- tenders that are invited, received and evaluated electronically
- requests for quotations dealt with electronically
- electronic auctions
- use of e-marketplaces.

Any one of these examples can be counted as e-sourcing.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, identify and total the value of those contracts that have been placed further to the use of e-sourcing. Divide this figure by the corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{value of contracts placed using e-sourcing}}{\text{corporate spend}} \times 100$$

**Type of PI** Calculation**Source**

New performance indicator

**Related indicators**

LIB/P25, LIB/P26, LIB/P28, LIB/P29, LIB/P30

<sup>12</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 13

**Short Title**  
**LIB/P28 - Percentage of orders raised electronically**

**Rationale**  
This indicator is directly related to Chapter 5 of the National Procurement Strategy for Local Government, which is about achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches 100%.

**Definition**  
A purchase order raised electronically is one that is raised via a computer system. The benefit of this is that management information is recorded and commitment accounting can take place. Ideally, the order should also be sent electronically to the supplier. However this indicator just focuses on those orders that have been raised electronically.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the number of purchase orders raised electronically. Divide this figure by the total number of all purchase orders raised by the authority. Multiply that figure by 100 to give a percentage:

$$\frac{\text{number of purchase orders raised electronically}}{\text{total number of all purchase orders raised by the authority}} \times 100$$

**Type of PI** Calculation  
**Source** New performance indicator  
**Related indicators** LIB/P21, LIB/P25, LIB/P26, LIB/P27, LIB/P29, LIB/P30  
**Additional information** Local authorities may also wish to consider the number or percentage of invoices received which could be matched to an electronic purchase order.

**Short Title**  
**LIB/P29 - Percentage of invoices paid electronically**  
e.g. through BACS (Bankers Automated Clearing System), CHAPS (Clearing House Automated Payment System) or direct debit

**Rationale**  
This indicator is directly related to Chapter 5 of the National Procurement Strategy for Local Government, which is about achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches 100%.

**Definition**  
It is not the intention to be specific about what is meant by 'electronically' in respect to the payment of invoices but three reasonable examples are the use of BACS, CHAPS and direct debit.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the number of invoices paid electronically. Divide this figure by the total number of all invoices paid regardless of the method of payment. Multiply that figure by 100 to give a percentage:

$$\frac{\text{total number of invoices paid electronically}}{\text{total number of all invoices paid}} \times 100$$

**Type of PI** Calculation  
**Source** New performance indicator  
**Related indicators** LIB/P21, LIB/P25, LIB/P26, LIB/P27, LIB/P28, LIB/P30

**Short Title****LIB/P30 - Percentage of corporate spend through procurement cards****Rationale**

This indicator is directly related to Chapter 5 of the National Procurement Strategy for Local Government, which is about achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.

This indicator allows local authorities the opportunity to monitor and address their progress in this area, i.e. the percentage should increase until it reaches the optimum level (for the authority to decide).

**Definition**

For the purpose of this indicator, 'corporate spend' is defined as the total value of invoices paid per annum to external providers (excluding VAT) in respect of the purchase of goods, works and services in a local authority where:

- 'goods' are tangible products such as pens or computers and are also known as supplies.
- 'works' are "the construction or demolition of buildings, both residential and non-residential, repair to the fabric of these buildings, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services".<sup>13</sup>
- 'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.

The total value of invoices per annum can usually be obtained by analysis of the accounts payable record. Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include:

- foster carer payments
- payments to pension funds
- payments to other local authorities for placement of clients or other non-commercial activities
- payments to individuals for expenses, insurance settlements, council tax refunds, etc.
- other payments.

This indicator excludes transfer payments.

If authorities wish to compare their results against this indicator with others, it will be essential to outline what has been included and excluded.

Procurement cards look like credit cards and are a means of payment (as described in Additional Information).

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, total the values on the monthly statements received from the bank providing the procurement card. Divide that figure by the corporate spend. Multiply that figure by 100 to give a percentage:

$$\frac{\text{total value of all monthly statements}}{\text{corporate spend}} \times 100$$

**Type of PI Calculation**

**Source** New performance indicator

**Related indicators**

LIB/P21, LIB/P25, LIB/P26, LIB/P27, LIB/P28, LIB/P29

**Additional information**

Procurement cards, sometimes called purchasing or p-cards, have been available for approximately 10 years, look like credit cards and are a means of payment. There are various cards available through well-known banks and the Government also has a procurement card available. Procurement cards help to minimise transaction costs involved in the purchase to pay cycle. Procurement cards can be used to place orders over the telephone but nowadays are used more in conjunction with e-procurement. Procurement cards are traditionally used for low value transactions. There are many benefits to these cards not least because one invoice/statement can be processed instead of all the invoices that would normally be paid for goods bought in the previous month using the card. The reason why one statement/invoice is paid is that this comes from the providing bank, i.e. the bank that issues the procurement card, as the bank has already paid all the suppliers during the previous month.

Local authorities may wish to use this as management rather than performance, given that local strategies will differ in respect of this area of work.

Further related information and recommendations are available through the Better Regulation Task Force Report 'Government: Supporter and Customer?' at <http://www.brta.gov.uk/docs/pdf/smeprocurement.pdf>

**Short Title****LIB/P31 - Equal opportunities in contracts**

The inclusion of equality considerations in strategies and plans and their influence at each stage of procurement and contract management

**Rationale**

Under the Race Relations Act as amended, local authorities must ensure they promote equality of opportunity in carrying out all their functions. If a relevant function is contracted out, authorities must ensure contractors are able to meet these requirements on their behalf.

**Definition**

This performance indicator is a percentage score against the checklist below.

To ensure that contractors meet equality requirements, the authority:

1. includes equality in its procurement strategy and policies and plans relating to it (5%).
2. includes procurement in the race equality scheme and other equality policies (5%).
3. assesses the relevance of equality to the contract (12%).
4. specifies the authority's requirements regarding equal opportunities, including requirements to meet the race equality duty, in contract documentation (12%).
5. includes contract conditions covering non-discrimination to enable the authority to meet its race equality duty (10%).
6. requiring that sub-contractors meet the above conditions (10%).
7. assesses at pre-qualification compliance with basic non-discrimination standards (12%).
8. assesses at pre-qualification technical capacity to meet the particular equality requirements of the contract (12%).
9. includes criteria relating to equalities at award stage (10%).
10. monitors compliance with contract conditions and equality specifications (12%).

This indicator is to be applied to all work awarded externally from the authority (i.e. for purchase of goods, services and works). Authorities with devolved procurement should use this indicator for each different department and for different types of contract.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator, award the given score for each yes answer to give a total score out of 100%.

**Type of PI** Table (through format identified above)

**Source**

Developed for the Library of Local Performance Indicators in conjunction with the Commission for Racial Equality (CRE) as part of the equality and diversity set (ED04).

**Short Title****LIB/P32 - Ethnic minority business (EMB) satisfaction with the council**

- in terms of
- a) the accessibility of contracts
  - b) support from the authority in relation to business opportunities

**Rationale**

Each local authority spends a considerable proportion of its budget in procuring goods, services and works. In meeting their duty to promote race equality, authorities can take steps to enable ethnic minority businesses to compete on an equal basis by removing barriers to access, providing information and support, regardless of geographical location.

**Definition**

Are you satisfied with the authority's performance in terms of a) the accessibility of contracts and b) support from the authority in relation to business opportunities (yes/no).

a) accessibility of contracts to include:

- advertising of contracts
- accessible and user-friendly pre-qualification questionnaires
- availability of assistance with completing questionnaires
- website pages on 'doing business with the council'
- small business concordat.

b) support from the authority in relation to business opportunities to include:

- capacity building
- training
- feedback
- mentoring and in-chain mentoring.

Other issues can be included if reference is given to them.

To be based on a survey of EMBs involved in the authority's contract processes. An ethnic minority business is defined as "a business 51% or more of which is owned by members of one or more ethnic minority groups. Or, if there are few owners, where at least 50% of the owners are members of one or more ethnic minority groups."<sup>14</sup> In order to measure performance against this indicator, local authorities should be able to identify whether businesses are ethnic minority businesses. This may be for example as simple as asking as part of the tendering process if the business competing for the work is from this sector.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator for parts a) and b) separately, total the number of EMBs in the survey answering 'yes'. Divide this figure by the total number of EMBs in the survey. Multiply that figure by 100 to give a percentage for each part:

$$\frac{\text{total number of EMBs answering 'yes'}}{\text{total number of EMBs in the survey}} \times 100$$

**Type of PI** Survey

**Source**

Developed for the Library of Local Performance Indicators in conjunction with the CRE as part of the equality and diversity set (ED05).

**Related indicators** LIB/P11, LIB/P13

<sup>14</sup>Race Equality & Procurement in Local Government A guide for authorities and contractors, Commission for Racial Equality, July 2003, page 11

**Short Title**

**LIB/P33 - Small and medium sized enterprises' (SMEs) satisfaction with the council** in terms of

- a) the accessibility of contracts
- b) support from the authority in relation to business opportunities

**Rationale**

Each local authority spends a considerable proportion of its budget in procuring goods, services and works. In offering equal opportunities to all local government markets, authorities can take steps to enable SMEs to compete on an equal basis by removing barriers to access, providing information and support, regardless of geographical location.

**Definition**

Are you satisfied with the authority's performance in terms of a) the accessibility of contracts and b) support from the authority in relation to business opportunities (yes/no).

a) accessibility of contracts to include:

- advertising of contracts
- accessible and user-friendly pre-qualification questionnaires
- availability of assistance with completing questionnaires
- website pages on 'doing business with the council' small business concordat

b) support from the authority in relation to business opportunities to include:

- capacity building
- training
- feedback
- mentoring and in-chain mentoring

Other issues can be included if reference is given to them.

To be based on a survey of SMEs involved in the authority's contract processes. For the purposes of this indicator 'Small and Medium Sized Enterprises' (SMEs) are those that have up to 250 employees.

In order to measure performance against this indicator, local authorities should be able to identify whether businesses are SMEs. This may be for example as simple as asking as part of the tendering process if the business competing for the work is an SME as defined above. In order to measure performance against this indicator, local authorities should be able to identify whether businesses are SMEs. This may be for example as simple as asking as part of the tendering process if the business competing for the work is from this sector.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator for parts a) and b) separately, total the number of SMEs in the survey answering 'yes'. Divide this figure by the total number of SMEs in the survey. Multiply that figure by 100 to give a percentage for each part:

$$\frac{\text{total number of SMEs answering 'yes'}}{\text{total number of SMEs in the survey}} \times 100$$

**Type of PI** Survey

**Source**

New performance indicator

**Related indicators** LIB/P9, LIB/P13

**Additional information**

Further related information and recommendations are available through the Better Regulation Task Force Report 'Government: Supporter and Customer?' at

<http://www.brtf.gov.uk/docs/pdf/smeprocurement.pdf>

**Short Title**

**LIB/P34 - Third sector satisfaction with the council** in terms of

- a) the accessibility of contracts
- b) support from the authority in relation to business opportunities

**Rationale**

Each local authority spends a considerable proportion of its budget in procuring goods, services and works. In offering equal opportunities to all local government markets, authorities can take steps to enable the third sector to compete on an equal basis by removing barriers to access, providing information and support, regardless of geographical location.

**Definition**

Are you satisfied with the authority's performance in terms of a) the accessibility of contracts and b) support from the authority in relation to business opportunities (yes/no).

a) accessibility of contracts to include:

- advertising of contracts
- accessible and user-friendly pre-qualification questionnaires
- availability of assistance with completing questionnaires
- website pages on 'doing business with the council'
- small business concordat.

b) support from the authority in relation to business opportunities to include:

- capacity building
- training
- feedback
- mentoring and in-chain mentoring.

Other issues can be included if reference is given to them.

To be based on a survey of third sector organisations involved in the authority's contract processes. The third sector comprises suppliers in the voluntary, community and social enterprise sectors. In order to measure performance against this indicator, local authorities should be able to identify whether businesses are voluntary, community and social enterprise sectors. This may be for example as simple as asking as part of the tendering process if the business competing for the work is from this sector.

This indicator should be measured over a financial year (i.e. 1st April to 31st March).

To calculate this indicator for parts a) and b) separately, total the number of third sector organisations in the survey answering 'yes'. Divide this figure by the total number of third sector organisations in the survey. Multiply that figure by 100 to give a percentage for each part:

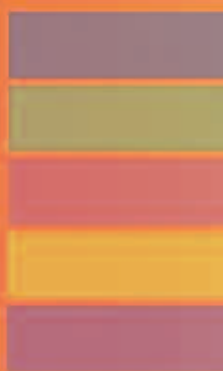
$$\frac{\text{total number of third sector organisations answering 'yes'}}{\text{total number of third sector organisations in the survey}} \times 100$$

**Type of PI** Survey

**Source** New performance indicator

**Related indicators**

LIB/P10, LIB/P13



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