Department of Health

NHS

NHS Procurement Dashboard:

Specification

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Specification

Version 1 – October 2013

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Procurement, Investment & Commercial Division

Contents

Introduction

The NHS Procurement Dashboard is a tool developed to improve transparency and understanding of the procurement performance of NHS healthcare provider organisations.

The NHS Procurement Dashboard provides a balanced scorecard of core metrics focussed on three key areas of procurement performance, namely, enabling business continuity, procurement efficiency, and mitigating risk.

It will support internal governance and continual improvement in procurement performance of the organisation, external reporting, transparency and the identification of good and best practice.

The NHS Procurement Dashboard has been developed through an extensive process of consultation, dialogue and pilot testing with representatives from procurement, finance and senior management levels in NHS provider organisations, supplemented by input from professional associations and experts in the field of procurement.

While the core metric set has been developed for NHS provider organisations, many of the metrics address fundamental aspects of procurement practice and performance and could be applied to the procurement of any organisation.

Core metric specification

This document defines the data requirements and scope for each of the core metrics identified within the NHS Procurement Dashboard model. This will support the consistent calculation of metrics, which in turn will support effective use of the metrics for performance monitoring, management, and comparison.

Dashboard core metrics

NHS Procurement Dashboard – Core Metrics	
Doing It Well	
C1	Number of instances where patient outcome, experience or safety has been adversely affected by a lack of product or service availability
C2	Percentage of non pay expenditure captured electronically through purchase to pay systems
Doing It Efficiently	
C3	Value of contribution to cost improvement as a percentage of non pay expenditure
C4	Cost to procure as a percentage of non pay expenditure
C5	Percentage of non pay expenditure through national and/or collaborative purchasing arrangements
Doing It Right	
C6	Progress against the NHS Standards of Procurement
C7	Percentage of recognised procurement staff with an appropriate formal procurement qualification(s)

Definition of terms used repeatedly in this document

The following definitions apply to terms used repeatedly throughout this document and should be applied consistently. Definitions for terms only used in the context of one metric are defined in the guidance provided under that metric.

Non pay expenditure:
Non pay expenditure – covers all third party expenditure and includes all clinical and non-clinical supplies and services, pharmaceuticals, capital expenditure, infrastructure works and maintenance, utilities, rent and rates, purchased healthcare from independent sector providers, and professional services. It includes relevant expenditure through NHS Supply Chain and Crown Commercial Service purchasing arrangements.
It excludes:

- Directly employed workers and associated costs such as national insurance, pension contributions and administration costs, CRB checks.
- Non permanent workers (agency staff)
- Expenditure with other NHS Trusts (see Note2 and Note3)

- Expenditure with other public sector organisations
- PFI costs

Scope of Procurement:
The purpose of defining 'scope' is to identify the functions or departments within the organisation that might be considered, when collating data to support calculation of the metric. As procurement activity for an NHS organisation is rarely restricted to just one 'department' it is important to ensure that all relevant areas involved in procurement activity are considered.

The NHS Procurement Dashboard aims to improve transparency and understanding of the procurement performance of NHS healthcare provider organisations as a whole.

Dashboard metrics should cover all significant procurement activity within an organisation.

Where it is necessary for organisations to exclude any procurement activity, the exclusions should be clearly identified in all communication of dashboard metric output data.

Notes on scope of procurement for different types of provider organisations:
Acute Trusts: The scope of procurement activity covered by this metric should include; supplies departments, pharmacy, estates and facilities, sterile services, pathology, surgical appliances, hotel services and catering.

Mental Health and Community Health Trusts: The scope of procurement activity covered by this metric should include; supplies departments, estates and facilities, hotel services and catering.

Ambulance Trusts: The scope of procurement activity covered by this metric should include; supplies departments, estates and facilities, fleet management and maintenance.

Quality of data

It is recognised that it will be necessary in some instances to make assumptions or estimations where data is difficult to extract, or break down, against specific classifications. Where it is necessary to apply assumptions or estimates to data, these should be clearly identified in all communication of dashboard metric output data.

Reporting template

A simple NHS Procurement Dashboard reporting template has been developed to support adoption and communication of core metric data. This is available to download free of charge with this document.

The illustrative dashboard report shown below has been created through the reporting template.

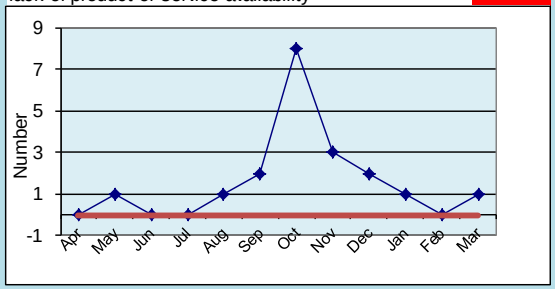
NHS Procurement Dashboard | **Trust name here** | **Report Date / Period**

Doing it Well

C1 - Impact on Patient Care

RAG: R

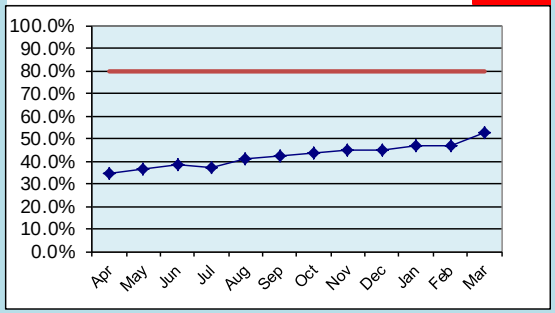
Number of instances where patient outcome, experience or safety has been adversely affected by a lack of product or service availability



C2 - Spend Control

RAG: R

Percentage of non pay expenditure captured electronically through purchase to pay systems



Commentary

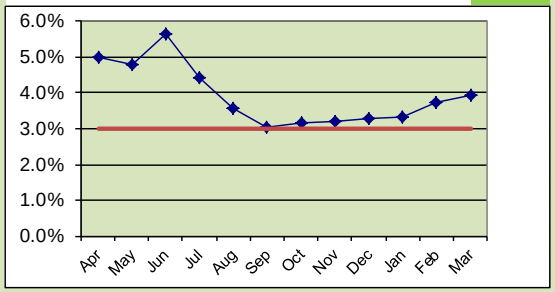
Enter notes to assist interpretation of dashboard

Doing it Efficiently

C3 - Cost Improvement

RAG: G

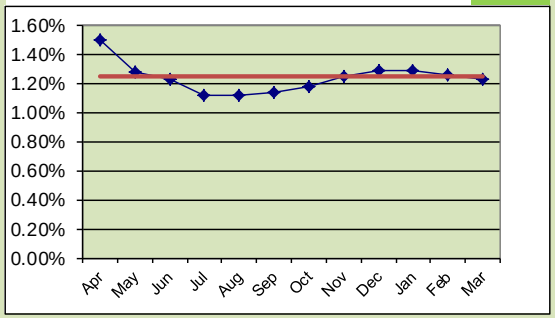
Value of contribution to cost improvement as a percentage of non pay expenditure



C4 - Cost to Procure

RAG: G

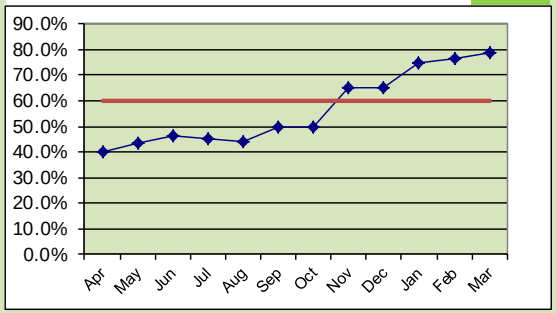
Cost to procure as a percentage of non pay expenditure



C5 - Collaboration

RAG: G

Percentage of non pay expenditure through national and/or collaborative purchasing arrangements

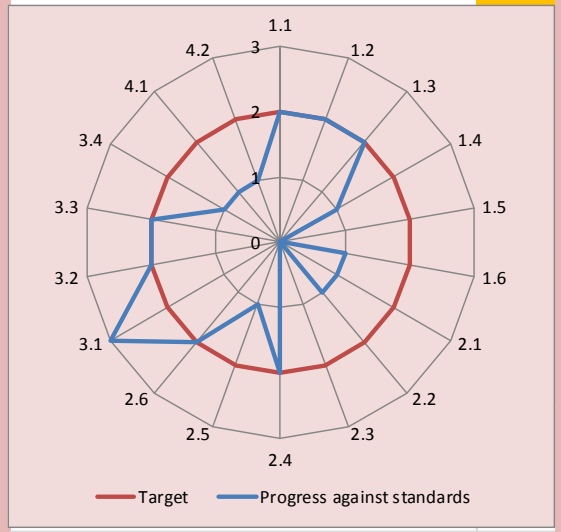


Doing it Right

C6 - Standards of Procurement

RAG: A

Progress against the NHS Standards of Procurement

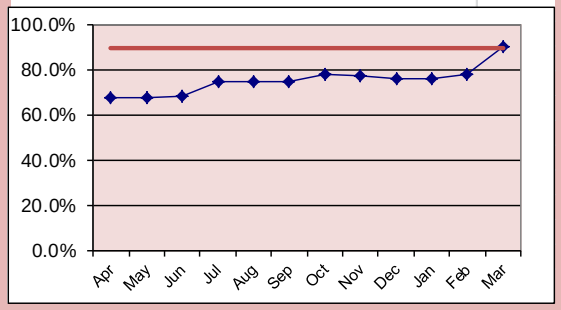


Enter notes on NHS Standards of Procurement

C7 - Staff Qualification

RAG: G

Percentage of recognised procurement staff with an appropriate formal procurement qualification(s)



Core metric specifications

Doing it Well

C1: Number of instances where patient outcome, experience or safety has been adversely affected by a lack of product or service availability

Purpose:
The aim of this metric is to indicate how good the organisation's procurement functions are at making the right products and services available at the right place and time, to support the delivery of high quality patient care.

Interpretation and Use:

Organisations should aim for this metric to be zero.

It should be recognised that there can be a wide range of reasons for failures in supply, ranging from stock keeping errors, misplaced requisitions and orders, ICT failure, internal logistics delays, supplier failure or more deep rooted supply chain disruption. The management of supply should be a key function of procurement and therefore it is important for organisations to have effective corrective and preventative practices in place that identify and address the root cause of the problem, not just the symptoms.

Where a lack of product or service availability could have, or did adversely affect patient outcome, experience or safety, this should be reported, irrespective of whether the problem is due to failures in internal procurement and materials management systems or those of a supplier, or its supply chain.

Note on Patient Safety and National Reporting and Learning Systems:

Patient safety incidents involving medical devices are responsible for preventable deaths and serious harm in the NHS. In 2012 the National Reporting and Learning System (NRLS) received reports of 13 deaths and 6,548 cases of harm involving medical devices in the NHS.

It is recognised, however, that there is great variation across the NHS in the extent and quality of information reported on patient safety incidents. In response to this, NHS England in conjunction with the MHRA will be introducing a range of measures in 2013 to address the standard of reporting and the response to incidents

Definitions:

- *Instances where patient outcome, experience or safety has been adversely affected* – Where a lack of availability of a product (equipment or consumable) or service leads to the standard of care being compromised. This is defined in the following ways for different types of health provider organisations:

- **Acute Hospital, Mental Health and Community Health Trusts:** Patient safety incidents reported to NHS England under the National Reporting and Learning System (NRLS) due to:
  - Lack/unavailability of device/equipment
  - Delay/failure to provide equipment to user
  - Other causes related to the failure of a contracted service provider to provide a service

  Patient safety incidents - are any unintended or unexpected incident which could have, or did, lead to harm for one or more patients receiving NHS funded healthcare.

- **Ambulance Trusts:** The failure to meet the national RED (Category A) 8 minute response time target for emergency calls due to:
  - Lack/unavailability of device/equipment
  - Delay/failure to provide equipment to user
  - Other causes related to the failure of a contracted service provider to provide a service

- *Number of Instances* – This is the number of separate incidents reported, even if they occur with the same patient.

- *Lack of product or service availability* – where the right product is not available in the right place at the right time or in the right condition, or where a service provider fails to provide an adequate service at the right time (e.g. failure to provide a translator).

Data Sources:

- **Acute Hospital, Mental Health and Community Health Trusts:** systems employed for capturing information on patient safety incidents for reporting to the National Reporting and Learning System, e.g. DATIX
- **Ambulance Trusts:** National reporting on response times.

Measurement Frequency
This metric could be measured and reported on a monthly basis given national reporting requirements.

Doing it Well

C2: Percentage of non pay expenditure captured electronically through purchase to pay systems

Purpose: The aim of this metric is to indicate the level of visibility the organisation's management has over its non pay expenditure (i.e. it can readily identify what is spent, on what, how, and with who).

Good visibility of non pay expenditure is fundamental to the maintenance of management control over procurement

Interpretation and Use:
Target should be 100%, higher percentages indicate better performance.

The capture of information in an electronic format that can be easily interrogated should help to increase the efficiency and effectiveness of the procurement function, supporting reductions in the cost to procure (addressed through metric C4) and the identification of cost improvement opportunities (addressed through metric C3). The NHS Standards of Procurement (metric C6) also encompass this aspect of procurement practice.

This metric is a practice measure, and therefore while the existence of a high level of electronic capture is indicative of good practice and can facilitate improved performance, it does not guarantee that expenditure is managed effectively or efficiently.

Definitions:

- *Purchase to pay systems* – this includes all of the systems employed in the process of purchasing products or services, including order placement, receipt confirmation, to invoice handling, approval and payment.

- *Captured electronically* – non pay expenditure should be counted as having been captured electronically through the purchase to pay system where an electronic record, that can be interrogated, has been created that captures details of the goods, services or works procured at the initial point of order placement with the supplier, or when goods or services are drawn or called off against a pre existing supply agreement (e.g. utilities).
  -
  This may, or may not, include internal purchase request processes. From order placement (or point of call off) with the supplier, a trail of electronic records should exist that can be interrogated and audited, and which clearly indicates the status of the procurement at subsequent critical control points throughout the purchase to pay process (i.e. receipt confirmation, receipt of invoice, invoice approval, invoice payment).

  Note: Electronic records that can be interrogated include records where key data fields can be extracted electronically for the purposes of data collation and analysis. Information that exists in an electronic format where key data can not be extracted automatically by electronic means (e.g. a scanned paper invoice, an e-mailed free text order) would not be considered as having been captured electronically for the purposes of this metric.

Data Sources:
General ledger
Financial accounts
Purchase to pay systems.

Measurement Frequency
It is envisaged that this metric could be measured and reported on a monthly basis. However, the rate of change in the metric will generally be limited, over short periods of time. Therefore, a quarterly, half yearly or annual reporting interval may be more appropriate.

Doing It Efficiently

C3: Value of contribution to cost improvement as a percentage of non pay expenditure

Purpose:
The aim of this metric is to indicate the degree to which procurement is integrated with, and contributes to, cost improvement programmes within the organisation.

Interpretation and Use:
Higher percentages represent better performance.

There is a direct relationship with metric C5, as effective collaboration and use of appropriate collaborative purchasing arrangements should deliver savings and efficiencies for the trust.

In addition, electronic capture of non pay spend (addressed through metric C2), meeting the higher levels of the NHS standards of procurement (addressed through metric C6) and investment in staff skills and development (addressed through metric C7) represent key process inputs that will support the delivery of ongoing cost improvement through procurement.

Definitions:

- *Value of contribution to cost improvement* – This is the financial value of 'agreed'* savings and revenues realised by the organisation, as a result of distinct procurement interventions. Examples of interventions that might achieve cost improvement and savings include improvements in product or service specifications, product rationalisation, reduced stock holding through shorter lead times, negotiated price reductions, 'zero inflation' initiatives, identification and adoption of innovative products or services, volume related rebates, utilisation of collaborative arrangements.

  Note*: 'agreed' savings are those calculated and approved in line with the organisation's rules and guidelines for calculating procurement cash releasing savings and cost avoidance.

  A standard national approach to the calculation of financial savings through procurement is scheduled for development under the NHS Procurement Development Programme. Once established, it is envisaged that this methodology will supersede local methodologies, for the purposes of measuring this metric, and improve consistency and comparability.

  Savings resulting from procurement interventions that are realised by other organisations should not be included. For example, Trust A contracts on behalf of itself, Trust B and Trust C for waste management services. Trust A realises savings of £500k in year one, while Trust B realises savings of £200k and Trust C £150K. Trust A should only report savings of £500k. The wider savings realised by other trusts should be reported by those trusts.

Data Sources:
Procurement benefits tracking systems
General Ledger
Financial accounts

Measurement Frequency
It is envisaged that this metric could be measured on a monthly basis, however, as savings realisation is unlikely to follow a smooth trend from month to month, reporting cumulative savings through the year / reporting period may be more informative.

Doing It Efficiently

C4: Cost to procure as a percentage of non pay expenditure

Purpose:
The aim of this metric is to indicate how much it costs the organisation to procure the goods, services and works that it needs, relative to its level of non pay expenditure.

Interpretation and Use:
This metric should be viewed in conjunction with other core metrics, in order to understand how the cost to procure impacts on other areas of performance. For example, a low (relative) cost to procure is not necessarily good if performance in other key performance areas suffers, as a result of a lack of investment in procurement skills and systems.

There is a direct relationship with the metrics in the 'doing it right' section of the dashboard (C6 and C7). A lack of investment in procurement systems, practices and skills is likely to result in slow or limited progress against the standards of procurement and gaps in capability. While this may enable the organisation to keep the cost to procure lower in the short term, it may render the organisation incapable of realising cost improvement, efficiencies, and wider benefits, in the mid to long term.

It should also be noted that economies of scale will apply, and as such, larger organisations are likely to be able to demonstrate a lower relative cost to procure than smaller organisations. Similarly the nature of the organisation and the associated complexity of its procurement requirements will also have an impact on cost to procure. These factors need to be taken into consideration in the event that this metric is used for comparison with other organisations.

For internal reporting purposes, it might be helpful to report the absolute cost to procure alongside the relative cost to procure, specified under this metric.

Definitions:

- *Cost to procure* – for the purposes of this metric, is the financial cost incurred by the organisation in the purchasing of, and payment for, goods, services and works. This includes:
  - Staff costs for all directly employed, contracted or temporary staff that perform activities under the full purchase to pay process. This includes order placement, receipt confirmation, invoice handling, and payment.
  - Costs associated with infrastructure and capital, in place, to support purchasing and payment activity.
  - Costs associated with ICT systems and software licences, in place, to support purchasing and payment activity.
  - Fees paid to third parties for services that support purchasing and payment activity (e.g. data analysis, training, legal advice, surveys and specialist advice)
  - Costs associated with legal action and settlements
  - Costs associated with purchasing and payment activity undertaken on behalf of the organisation by another trust, collaborative procurement partner or other third party.

- Income received through the provision of purchasing or payment services to third parties may be shown as an income, and deducted from the cost to procure.

Costs associated with the act of end user requisitioning and approvals are excluded from this definition of costs to procure.

Where the organisation provides purchasing or payment services to other organisations on a 'free of charge' basis, the costs associated with this service provision may be deducted from the cost to procure figure, where such costs are deemed significant and clearly identifiable.

Data Sources:
General Ledger
Financial Accounts

Measurement Frequency
It is envisaged that this metric could be measured and reported on a monthly basis. Where, significant exceptional costs are incurred in certain months, a quarterly, half yearly or annual reporting interval may be more appropriate.

Doing It Efficiently

C5: Percentage of non pay expenditure through national or collaborative purchasing arrangements

Purpose:
The aim of this metric is to indicate the extent to which the organisation collaborates with other organisations on procurement in order to realise process efficiencies, access specialist skills and lever improved value for money by aggregating demand.

Interpretation and Use:
Organisations should aim to place between 50% and 70% of non pay expenditure through national or collaborative purchasing arrangements.

It is recognised that there is probably an upper limit to the proportion of non pay expenditure through collaborative purchasing arrangements where benefit can be identified, and therefore the ultimate aim should not be 100%.

There is a direct relationship with the cost to procure (addressed through metric C4). Effective collaboration and use of appropriate collaborative purchasing arrangements should help to reduce the cost to procure. In addition it should help the organisation to achieve best value through procurement, effectively contributing to cost improvement (addressed through metric C3).
Further to this, effective collaboration can also support progress against the standards of procurement (addressed through metric C7).

Note on Collaboration:
Collaboration on procurement need not be restricted to collaboration with other NHS organisations. Collaboration with other public bodies is also encouraged, where there is a clear overlap in terms of the nature of goods, services or works being procured or where capability and competence synergies exist. Collaboration with private sector organisations, charities or other types of organisations may also be appropriate, however, NHS organisations must ensure such arrangements are fully compliant with current regulation governing public procurement.

Definitions:

- *National or collaborative purchasing arrangements* – This includes any contract, or service level agreement, for the supply of goods, services or works, put in place by a third party, or established under a framework agreement put in place by a third party. It also includes any contract, or framework agreement put in place by the organisation, that is also used by, one or more, other public sector organisation(s). Examples include purchases:
  - through NHS Supply Chain
  - under a Crown Commercial Service framework agreement
  - of pharmaceuticals under an agreement established by the Commercial Medicines Unit
  - through a contract let by a collaborative procurement organisation in conjunction with, and on behalf of, member organisations
  - under a contract let in collaboration between the organisation and another neighbouring NHS Trust.

- through a contract let by a local authority in conjunction and on behalf of public bodies in a specific region.

Unilateral contracts with suppliers that also happen to supply other NHS or public sector organisations under separate contractual arrangements would not be considered as collaborative purchasing arrangements.

Data Sources:
National procurement organisations such as NHS Supply Chain, Crown Commercial Service, Commercial Medicines Unit
Collaborative procurement organisations
Purchase to pay systems (order placement, receipt confirmation, invoice payment)
General ledger
Accounts payable
Financial accounts

Measurement Frequency
Once systems have been established to routinely capture the relevant information, this metric could be measured and reported on a monthly basis. Where, significant fluctuations in non pay expenditure exist from one month to another, a quarterly, half yearly or annual reporting interval may be more appropriate.

Doing it Right

C6: Progress against the NHS Standards of Procurement

Purpose:
The aim of this metric is to indicate the level of maturity of the organisations procurement practices and how this compares with identified best practice.

Interpretation and Use:
This metric should be viewed in conjunction with other core procurement metrics, in order to understand how progression against the NHS Standards of Procurement is supporting other areas of procurement performance. For example, good progress against the standards should result in strong performance on the other core metrics, whereas, limited progress, may be a cause of poor performance and act as a barrier to improvement.

NHS organisations should seek to achieve level 2 in all 18 standards, that make up the NHS Standards of Procurement, as a minimum.

Organisations are required to self declare their level of achievement against each of the 18 standards. The organisation should be able to demonstrate that it meets all of the characteristics described in the declared level of achievement and all preceding levels.

In reporting on progress against the NHS Standards of Procurement, organisations should clearly identify the nature and extent of any verification applied to its declared position (e.g. internal audit assurance, second party peer review, independent third party accreditation).

The level achieved for each of the 18 standards can be plotted onto a spider diagram to illustrate progress against the standards, the extent to which the organisation meets level 2, and to allow comparison with peer organisations.

If organisations wish to report progress as a single figure, they should report the percentage of the 18 standards where they fully meet (or exceed) the requirements of Level 2. Organisations should aim to achieve 100%.

All standards are considered relevant for all organisations.

There is a direct relationship with metrics C2, C5 and C7, the focus of which are covered specifically within the NHS Standards of Procurement.

Definitions:

- *NHS Standards of Procurement* –were first issued by the Department of Health in May 2012, they define good procurement practice through 18 standards arranged under four domains; leadership, process, partnerships and people. Good practice is broken down, for each of the standards, across three levels, providing a maturity matrix that supports benchmarking and action planning.

- *Progress against the NHS Standards of Procurement* – This is a declaration of the level (as determined within the NHS Standards of Procurement) that the organisation can demonstrate it meets in full, for each individual standard.

Data Sources:
Self assessment records
Internal audit assurance,
Second party peer review,
Independent third party verification or accreditation

Measurement Frequency
It is envisaged that this metric could be measured and reported on a monthly basis. However, the rate of change in the metric will generally be limited, over short periods of time. Therefore, a quarterly, half yearly or annual reporting interval may be more appropriate.

Doing it Right

C7: Percentage of recognised procurement staff with an appropriate level of formal procurement qualification(s)

Purpose:
The aim of this metric is to indicate the level of procurement capability within the organisation and to reflect investment in the development and maintenance of procurement skills.

Interpretation and Use:
Target should be 100%, higher percentages will support organisations in realising improved procurement performance.

This metric should be viewed in conjunction with other core procurement metrics, in order to understand the relationship between investment in procurement staff development and performance. For example, a high level of appropriately qualified staff should result in strong performance against other core metrics, whereas, low levels of qualification, may be a cause of poor performance and act as a barrier to improvement.

Investment in staff development and retention of appropriately qualified staff may have an upward pressure on the cost to procure (addressed through metric C4) in the short term. However, the avoidance of costs associated with poor procurement performance, and the increased effectiveness of capable staff, should see this reduce over the longer term.

Definitions:

- *Recognised procurement staff* – directly employed or directly contracted staff for who the specification or procurement of goods, services or works accounts for over 50% of their working time averaged over the course of a year.

  For the purposes of this metric, the processing and payment of invoices is not considered to be procurement activity.

  This does not include procurement staff working for third party organisations that the organisation might contract with to provide procurement services.

- *Appropriate formal procurement qualifications* – current, valid professional procurement qualifications issued by a recognised professional body or academic institution (UK or overseas) that are appropriate to the range, complexity and importance of procurement activity being undertaken by the individual in question.

  Notes on appropriate formal procurement qualifications

  NHS organisations should identify qualification, experience and competencies for specific roles. Where, roles are identified to involve a substantive level of specification or procurement activity, the organisation should ensure that the ‘appropriate levels of formal procurement qualification’ are documented, such that they can inform learning, development and recruitment activity.

It is important to recognise professional procurement qualifications issued by a range of recognised professional bodies or academic institutions, both in the UK and abroad, however, it is also recognised that the Chartered Institute of Purchasing and Supply (CIPS) qualifications are the most widely adopted across procurement in the NHS. In view of this, the CIPS Guide to Procurement Qualifications [http://www.cips.org/Qualifications/About-CIPS-Qualifications/], provides a useful reference point in terms of different levels of qualification available and the types of procurement roles that they are appropriate for.

A standard competency framework for NHS procurement professionals is scheduled for development in conjunction with a 'workforce review', under the NHS Procurement Development Programme. Once established, local role profiles and definitions of appropriate qualification, should be informed by this framework.

Where qualifications require evidence of continual professional development or other forms of maintenance (e.g. revalidation), the organisation should have procedures in place to check, at appropriate intervals, that any such requirements associated with the maintenance of a qualification have been met, and that qualifications remain current and valid.

While excluded for the purposes of this metric, it is good practice to exercise due diligence over the level of procurement expertise, competence and qualifications of staff working for third parties providing procurement services to your organisation.

Data Sources:
Human Resources / Learning Development
Personal development records
Continual professional development records
Training / learning and development records
Training / learning development needs assessments
Job descriptions and role profiles

Measurement Frequency
It is envisaged that this metric could be measured and reported on a monthly basis. However, the rate of change in the metric will generally be limited, over short periods of time. Therefore, a quarterly, half yearly or annual reporting interval may be more appropriate.