

Best Practice Indicators for Public Procurement in Scotland: Guidance

Public Procurement in Scotland

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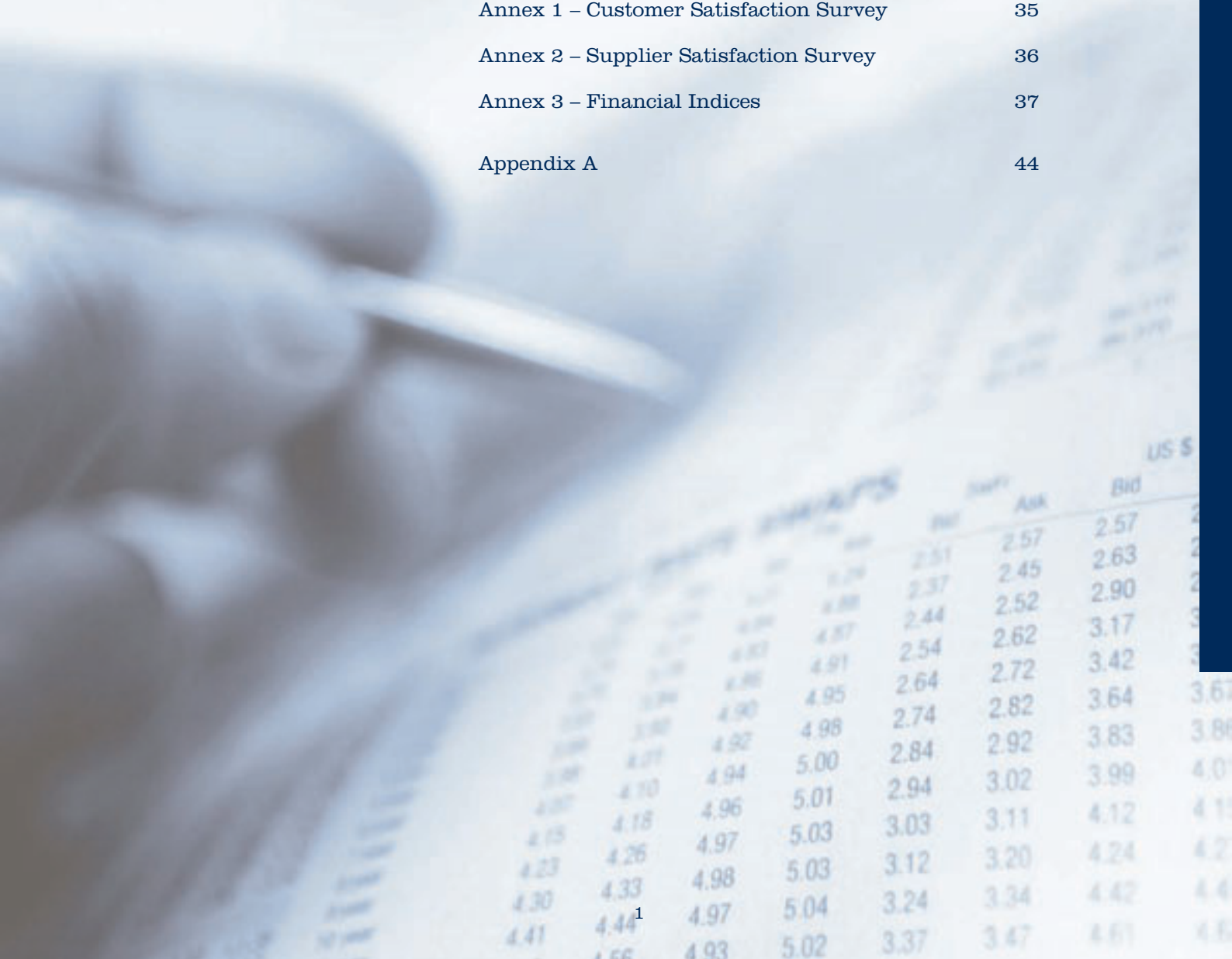
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Best Practice Indicators – Balanced Scorecard

	Key Performance Area
Core Deliverables	<ul style="list-style-type: none"> • To provide a value-for-money service that delivers financial savings • To provide quality advice and contracts which deliver quality products and services • To procure goods and services in a lawful and ethical manner which encourages participation and sustainable economic growth
Key Processes	<ul style="list-style-type: none"> • Working effectively across public procurement sectors and organisations • Ensuring effective contract and supplier management • Communicating effectively and ensuring productive stakeholder and customer relations • Ensure compliance with good procurement practice • Continuously improving performance and innovation
Organisational Capacity	<ul style="list-style-type: none"> • Ensure effective governance and accountability of procurement • Ensuring the procurement process is resourced by skilled staff appropriate to spend and commodity • Adopting and end-to-end e-procurement service

Best Practice Indicator

1. Total savings achieved year-on-year
2. Composite Score from Customer satisfaction questionnaire
3. Composite score from supplier satisfaction questionnaire
Also, will be monitored nationally by automatically generated financial indices:
 - % private sector suppliers with a formal contracted agreement
 - % third sector suppliers with a formal contracted agreement
 - % spend with SMEs
4. % of annual procurement spend that is channelled through a collaborative contract with other publicly funded bodies
 - Supplier Satisfaction Questionnaire (*Specific question on procurement function's engagement with suppliers during the life of a contract*)
 - Customer Satisfaction Questionnaire (*Specific question on visibility and helpfulness of procurement team/guidance*)
5. Compliance (to identify 'maverick' spend) –
 - 5(a) % procurement spend with contracted suppliers
 - 5(b) % procurement spend with contracted suppliers on contract (will be implemented in future)
6. % of Scorecard BPIs that show improvement since previous report
- 7(a) % of procurement officers who hold the professional procurement qualification, Member of Chartered Institute of Purchasing and Supply (MCIPS)
- 7(b) % of procurement officers with an appropriate procurement qualification
- 7(c) % of procurement spend actively influenced by procurement professionals
8. % procurement officers (FTE) who are undertaking any formal training towards a procurement qualification.
Supported by the financial indices:
 - Number of Procurement Staff (FTE) (Financial Index)
 - Procurement Department Cost per £ of Spend (Financial Index)
 - Procurement Department Spend per professionally qualified procurement officer
9. The following measures will be recorded individually, and automatically combined into an overall e-procurement maturity level for each organisation:
 - a. % electronic contract notice
 - b. % electronic award notice
 - c. % contracts through e-sourcing (e.g. electronic tendering systems)
 - d. % total transactions that are e-transactions (through an e-procurement system)
 - e. % payments processed via e-payment system
(i.e. through e-invoicing, e-consolidated billing/self billing, and first time automated match from purchase order to invoice)

Measuring and Recording BPIs – CORE DELIVERABLES

The following core deliverables were identified by the BPI Working Group:

- *To provide a value-for-money service that delivers financial savings*
- *To provide quality advice and contracts which deliver quality products and services*
- *To procure goods and services in a legally, socially, and environmentally responsible manner which encourages participation and sustainable economic growth*

Core Deliverable	To provide a value-for-money procurement service that delivers financial savings (Efficiency)
BPI 1	Total Efficiency Savings Achieved Year-on-Year
Rationale for the BPI	<p>In the 2007 Spending Review, the Cabinet Secretary for Finance and Sustainable Growth increased the level of efficiency savings that will be required across the public sector to 2% each year. This challenging target applies to all public sector organisations.</p> <p>Procurement services within each organisation can help contribute towards this target by delivering financial savings through more efficient, effective and co-ordinated service delivery.</p> <p>McClelland recommended that ‘minimum reporting requirements ... should be utilised effectively within organisations [and] also must be provided to SPD regularly so that they can assist the Scottish Executive to understand status and monitor progress towards already established financial targets within the Efficient Government programme.....Each organisation within the Public Sector should be required to report <i>quarterly</i> on procurement cost savings achieved’.</p> <p>The following guidance will help procurement teams identify efficiency gains and help ensure that these savings are reported in a standardised and consistent manner.</p>
Entering the BPI result into the Hub	<p>This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following questions:</p> <ul style="list-style-type: none"> • <i>What is the total cash saving achieved through procurement for all procurement projects delivered for FY 07/08?</i> • <i>What is the total non-cash saving achieved through procurement for all procurement projects delivered for FY 07/08?</i>
Points to note	
Time period	Savings claimed should be reported quarterly on a retrospective basis.
Baseline	The baseline for calculations will be 1st April 2007/08, and the start of each Spending Review period thereafter, i.e. every three years.
Double Counting	<p>The same saving should not be counted twice, therefore extreme care should be taken that procurement savings are not also claimed by policy or delivery areas of the organisation. Procurement savings should be calculated separately and feed in to the organisation’s overall Efficiency declaration.</p> <p>The only savings that should be reported against this BPI are procurement savings.</p>

BPI 1 Total Efficiency Savings Achieved Year-on-Year – continued	
Calculating Savings	<p>The following examples are intended to be illustrative of the types of activity that can generate savings. However, the examples shown here are not exhaustive that and ultimately the judgement of the reporting organisations’ procurement lead must determine what should be claimed. It is their responsibility to ensure that claims are calculated on a realistic and prudent basis and are correct and justifiable should the figure ever be subjected to audit. Organisations may wish to check that the processes they follow are acceptable to their local audit function.</p>
<u>CASHABLE EFFICIENCIES</u> – ‘producing the same or improved results with fewer resources’. For example savings, such as price savings, that generate cash that can be used by the organisation to resource additional delivery.	
	<p>The following activities would generate cash efficiencies:</p> <ul style="list-style-type: none"> • <i>Collaboration</i> • <i>Cost avoidance</i> • <i>Reverse e-auction</i> • <i>Total cost of ownership</i> • <i>Integrated logistics</i> • <i>Technology improvements</i> • <i>Reduced maverick spend</i> • <i>Policy change</i> • <i>Improved specification</i> • <i>Increased competition</i> • <i>Renegotiation of price</i> • <i>Make vs Buy</i> • <i>Early repayment rebate</i> • <i>Better terms</i> • <i>Improved quality – Change in Specification</i> • <i>E-procurement card</i> • <i>Consolidated invoicing</i> • <i>Retail or commercial income (many publicly funded bodies such as local authorities and Historic Scotland have the facility to generate income through sports, tourism, outsourcing, etc. but please note that increased income from higher fees and charges to the public do not count as efficiency gains).</i>

BPI 1 Total Efficiency Savings Achieved Year-on-Year – continued	
Calculation	<p>When calculating cash efficiencies the starting point should be the difference between the new contract price and the contract price in the baseline year (2007/08) or the last price paid if no contract existed, multiplied by actual volume/usage for the core period.</p> <p>The particular contracts and the goods and services bought by the public sector change from year to year, but there is a continuing programme of procurement activity which in aggregate yields savings on a recurring basis. In this respect, we recognise that where an organisation has a planned programme of deriving procurement efficiencies, that this programme should be recognised in terms of the efficient government programme (relative to 2007/08 baseline and requirement that service delivery does not decrease as a result of efficiencies). As part of this we recognise that such a programme is likely to consist of a range of procurement efficiency activities, not all of which will span the three year Spending Review timescale. However the important feature is that when one contract ends, there is generally a commitment to continue to maintain (and perhaps increase) the delivery of procurement efficiencies in subsequent years within the programme as a whole.</p> <p>It is anticipated that efficiency savings will be utilised by organisations to improve the quality or volume of goods, works and services delivered, however any decisions to reduce budgets as a result of efficiency savings should be taken locally principally by budget holders or senior finance managers.</p>
Scenarios	
	<p>Example 1: Baselines</p> <p>2007/08 baseline year.</p> <p>Widget costs £1 = baseline unit cost.</p> <p>1000 widgets purchased.</p> <p>Total expenditure £1000 = baseline total expenditure.</p>
	<p>Example 2: Straight Saving (demand decrease – assuming that the relevant service to the Public or other customer is being maintained and that the demand decrease is a conscious procurement decision through purchase demand management).</p> <p>2008/09.</p> <p>Widget costs £1.</p> <p>600 widgets purchased.</p> <p>Total expenditure £600.</p> <p>Total Saving = £400 (baseline expenditure minus 08/09 expenditure).</p>
	<p>Example 3: Straight Saving (contract price decrease)</p> <p>2008/09</p> <p>Widget costs 80p.</p> <p>1000 widgets purchased.</p> <p>Total expenditure £800.</p> <p>Total Saving = £200 (baseline expenditure minus 08/09 expenditure).</p>

BPI 1	Total Efficiency Savings Achieved Year-on-Year – continued
	<p>Example 4: Volume increase from budget holder – (not through the involvement of procurement but budget holder will need to justify increased volume in terms of service delivery).</p> <p>2008/09. Widgets cost 80p. 1500 widgets purchased. Total expenditure = £1200. Total expenditure in baseline year unit cost =£1500. Total saving would be; £1500 – £1200 = £300.</p>
	<p>Example 5: (Market fluctuation – unit cost above baseline)</p> <p>For commodities that can be subject to rapid specification changes, such as IT, or extreme market volatility, such as utilities, baseline prices in a particular year may not be the most appropriate way to calculate efficiencies.</p> <p>Where it can be demonstrated that the contract price is below the current market rate, due to procurement involvement, even though the contract price is above the baseline cost, an efficiency saving can be claimed.</p> <p>In such cases savings can be calculated by comparison to current market rates where this can be established, for example by:</p> <ul style="list-style-type: none"> • <i>benchmarking contract prices against an established recent contract or,</i> • <i>reference to recognised market indices, for example Heren Energy</i> • <i>taking the average regional or sectoral price paid for a given product or service and calculating a regional or sectoral average for each product or service (or a % based on spend depending on size of contract schedule). The regional or sectoral average price once calculated would then be used for baseline savings calculations. (It is recognised that there are particular difficulties in extending these conditions to the construction sector at the present time. Development of appropriate BPI's will be undertaken by the Construction Workstream in due course for incorporation into this suite of measures.)</i> <p>Note that the existing market price, whether established in comparison to a recent contract or a market index, should be re-established on a quarterly basis – i.e. savings should be claimed on the basis of a current market value, never on a retrospective market value from a baseline year.</p> <p>2008/09. Widget costs £1.10. Market price £1.20. 1000 widgets bought. Totally Expenditure = £1100, however you would have bought (1000 x £1.20) = £1200. Therefore the total cost saving = £100.</p>

BPI 1 Total Efficiency Savings Achieved Year-on-Year – continued	
NON-CASHABLE EFFICIENCIES – ‘producing more or better results (output) for the same resources (inputs), or less than current market value’	
Point to Note	<p>(Note that non-cashable efficiencies do not count towards the Scottish Government’s target of 2% savings per annum and should not be included in your organisation’s overall efficiency return to Central Government.)</p> <p>The following processes can generate non-cash savings, but also have the potential to generate cash savings, if for example, there was a reduction in resources to carry out the same activity.</p> <ul style="list-style-type: none"> • <i>Government procurement card (or other corporate procurement card)</i> • <i>E-invoicing</i> • <i>Consolidated billing</i> • <i>E-procurement including tendering and e-auctions</i> • <i>Redesigned purchase to pay processes</i> • <i>Delivery consolidation</i> • <i>Reduction in consultants and advisors – the group decided this was a cashable saving</i> • <i>Reduction in queries and mistakes</i> • <i>Reduction in ‘reworks’ (i.e. downtime/breakdown lessened)</i> • <i>Reduced stockholding</i> • <i>Order and acknowledgement</i> • <i>Receipt documentation</i> • <i>Invoice receipt matching and bill payment.</i>
Calculation	<p>Example: Process improvements</p> <p>To calculate a non-cash saving organisations should use the Process Cost per Transaction baseline as a comparator to the new process cost transaction.</p> <p>(See Guidance on Financial Indices – Annex 3.)</p>
Total saving will then be	<p>(Number of transactions x higher process cost) – (number of transactions x lower process cost).</p>
Projects where there is no apparent baseline	
	<p>For one-off projects, or projects with no comparative data (for example, enterprise wide software, outsourced contracts, capital equipment projects, and infrastructure projects), the total saving should be calculated as follows:</p> <p>For such high-value, high-risk projects most organisations will have adopted a robust project management methodology and produced an Outline Business Case (OBC) that will include a budget for the project.</p> <p>There are a number of options organisations could use to set a realistic baseline for calculating efficiencies depending on the procurement route chosen: Open, Restricted, Competitive Dialogue or Negotiated.</p>

BPI 1 Total Efficiency Savings Achieved Year-on-Year – continued	
Using the Open or Restricted Procedure	
	<p>If using the Open or Restricted Procedure then the expectation is that the bidders will only be asked to submit one tender and the only available baseline is the Outline Business Case, or the accepted budget proposal.</p> <p>Caution must be exercised if the procurement efficiency saving is to be baselined against the OBC, as the innovative nature of such strategically important projects and the lack of comparator data can mitigate against the validity of the OBC. In such cases it is vital that the organisation is able to demonstrate robust and logical reasoning to justify the use of the OBC as a baseline.</p>
Using the Negotiated Procedure	
	<p>A structured negotiation process may share a number of characteristics with the Competitive Dialogue procedure, e.g. closing periods of negotiation by the submission of tenders.</p> <p>Again, competitive tension is maintained by the possible elimination of a tenderer at each cycle. The Most Economically Advantageous Tender received to close each tendering cycle is a potential baseline.</p> <p>In both the Negotiated and Competitive Dialogue procedures the Most Economically Advantageous Tender which is taken to contractual close becomes the comparator.</p> <p>A number of potential baselines have been identified above that could be used to determine VFM savings achieved as a result of the applied procurement process:</p> <ul style="list-style-type: none"> • <i>Outline Business Case [OBC]</i> • <i>Most Economically Advantageous First Tender</i> • <i>The Most Economically Advantageous Tender to close each tender cycle</i> • <i>The Most Economically Advantageous Final Tender leading to the award decision (Best and Final Offer [BAFO])</i> • <i>Final Contract Price.</i> <p>The approach to selecting the most appropriate baseline is founded on a number of simple rules i.e. the baseline should be:</p> <ul style="list-style-type: none"> • <i>Realistic</i> • <i>Prudent</i> • <i>Take a conservative approach, and</i> • <i>Give recognition to the benefits achieved through the application of best procurement practice within the public procurement legislative framework.</i> <p>The Pros and Cons of the four identified baselines are presented in Table 1 Appendix A.</p> <p>Where the procurement process results in a higher initial tender being reduced and brought closer to or under the budget the reduction should be reported as:</p> <ul style="list-style-type: none"> • <i>As a cost avoidance down to the budget figure, and</i> • <i>As a cashable saving achieved below budget.</i> <p>When reporting savings for one off projects care should be taken to avoid double counting, however it is vital that one off procurement related projects are noted in your organisations procurement BPI return.</p>

BPI 1 Total Efficiency Savings Achieved Year-on-Year – continued	
Frequency of Collection	Quarterly
Data Source	Internal benefits tracking tools
Responsibility	<p>Recording and reporting procurement efficiencies is the responsibility of the procurement function, or in smaller organisations whoever has lead responsibility for procurement/finance decisions.</p> <p>Efficiency gains made through the use of all collaborative contracts should be assessed and claimed at organisational level, but savings generated through the use of collaborative contracts should be validated with the contract ‘owners’ (e.g. Centres of Expertise), who will have access to specific on-contract spend data from suppliers.</p> <p>Centres of Expertise can calculate the total savings generated by specific contracts by aggregating the delivered savings claimed by organisations. This aggregated sum can be used by the CoE to demonstrate the contract’s value for money, however, to avoid double counting it will not be counted towards a national total.</p> <p>Responsibility for reporting the total efficiency gain made by a specific contract is therefore allocated as follows:</p> <ul style="list-style-type: none"> • <i>Category C – locally (by organisation). Where there is local, regional or cross sectoral collaboration at a category C level, this will be calculated by the Contracting Authority, through a process of collation and validation by contract users and reported by the end-user organisation.</i> • <i>Category B – locally (by organisation), through a process of collation and validation by the relevant Centre of Expertise.</i> • <i>Category A – locally (by organisation), through a process of collation and validation by the National Centre of Expertise, via the sectoral Centres of Expertise.</i>
Data Quality	Auditable
Target	All public sector organisations have been tasked with saving at least 2% of their total budget each year. Procurement must ensure that it contributes effectively to this.
Rationale for Target	2% Efficient Government target set by Cabinet Secretary.
Interpretation of Score	As a general guide Procurement should contribute a saving of at least 2% of your organisation’s influencable procurement spend. Spend data is available from the Scottish Procurement Information Hub. Savings should not be achieved at the result of an unacceptable loss in quality, so this BPI should be examined in conjunction with feedback received from the customer satisfaction questionnaire.

Core Deliverable	To provide a quality service which delivers quality products
BPI 2	Overall satisfaction score from Customer Satisfaction Survey
Rationale	This indicator examines the effectiveness of the procurement function by assessing the perceptions of the customers of the procurement function – that is, those within the organisation who rely on the procurement function to provide advice or assistance when procuring goods and services (for example where there is departmental devolved purchasing authority, or in areas that are not generally viewed as ‘pure’ procurement such as care commissioning, or construction projects), as well as those who rely on the procurement function for practical goods (office supplies, transport, etc.).
Calculation	<p>To ensure consistency and allow this indicator to be comparable across all public bodies, a standard customer satisfaction questionnaire has been provided (Annex 1).</p> <p>This facility will not be available until late 2008. Therefore this BPI is on hold until then. Organisations are <u>not</u> expected to issue these questionnaires until then.</p> <p>A web-based function will be added to the reporting tool to allow each organisation to identify the customers that should receive the automatically generated questionnaire. The procurement function (or in smaller organisations, the procurement lead will simply be asked to provide the email addresses of the individual customers that should be approached to give feedback on the standard of the procurement service and on the goods, works or services that have been procured and delivered in the past year.</p> <p>For organisations – ‘customer’ should be a balanced selection of organisation employees who use or come into contact with the procurement function, e.g. budget holders or managers, ordinary workers, project leaders, etc.</p> <p>For Centres of Expertise – ‘customer’ should be a balanced selection of key contacts and/or contract users within member organisations.</p> <p>This questionnaire will be automatically generated from the Hub each organisation’s specifically identified customer group, starting August 2008.</p> <p>The questionnaire is divided into three sections:</p>
Communication	
This section, while contributing to the overall customer satisfaction rating, also directly corresponds to the key process – ‘communicating effectively and ensuring productive stakeholder and customer relations’.	
Q1	indicates the level of visibility of the procurement function – are employees aware of the procurement function and do they understand its basic role.
Q2	indicates how accessible procurement advice or guidance is to employees.
Q3	indicates the quality and user friendliness of the advice or guidance provided by the procurement function.
Q4	indicates that employees are aware of formal contracts. A low score here may be an indication of high maverick spend and should be balanced against the score to BPI 5 (% procurement spend on contract).
Q5	indicates that effectiveness of the procurement function at working closely with customers and understanding that changes to contracts may affect their working practices and communicating such changes promptly is important.
Quality of Service	
Q6	indicates the perception of quality of contracts negotiated by the procurement function.
Q7	indicates the user-friendliness of the organisation’s systems for ordering goods and services.
Q8	indicates the accuracy of orders (P2P accuracy).

BPI 2 Overall satisfaction score from Customer Satisfaction Survey – continued	
Overall Satisfaction	
Q9	overall satisfaction rating.
Q10	perception of improvement or otherwise of procurement function. The questionnaire will also have a free text comment field to allow respondents to make specific comments that they wish the procurement function to be aware of.
Frequency of Collection	Annually
Responsibility	Local Organisation and automatically generated electronic questionnaire from the Hub.
Data Source	Local Organisation
Data Quality	Local
Trend	Organisations should seek to increase the proportion of customers agreeing with the statements in the questionnaire.
Interpretation	Questionnaire scores can offer insight into reasons why other BPI scores may be low. For example Q6 should be balanced against BPI 1 to ensure that a good efficiency score has not detrimentally affected the quality of the service and products provided by the procurement function. Also, Q1-Q5 may indicate communications problems that adversely affect compliance and encourage maverick spend.

Core Deliverable	To procure goods and services in a lawful and ethical manner which encourages participation and sustainable economic growth.
BPI 3	Overall satisfaction score from Supplier Satisfaction Survey
	<p>Supported by the financial indices:</p> <ul style="list-style-type: none"> • <i>% spend with private sector suppliers</i> • <i>% spend with third sector suppliers</i> • <i>% spend with SMEs.</i>
Rationale	<p>The public sector procurement market spends approximately £8 billion with a wide variety of suppliers of goods and services. It is vital that this significant investment is spent in full compliance with UK and EU legislation.</p> <p>The Scottish Government is also keen to see organisations making better use of public procurement to recognise environmental and community aspects with a particular emphasis on sustainability, and is committed to reducing red-tape and widening access to public procurement contracts. This also helps meet the Governments commitment, through the social enterprise strategy, to make public sector markets accessible for social enterprises.</p> <p>It is therefore important to have in place a mechanism with which to monitor suppliers' perceptions and experiences of working with public sector organisations, to ensure that any public sector wide behaviours or practices that act as a barrier to productive business relationships are identified and addressed.</p> <p>At a local level, this measure will help organisations understand their suppliers' views on the organisation 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.</p> <p>At a national level, this measure, and its accompanying financial indices, will give an overview of public spending behaviours.</p> <p>In future, as part of a national drive towards understanding and taking account of the carbon footprint of all we purchase in the public sector; and reducing the local and global environmental impact of Scotland's consumption, further work is proposed against this deliverable, to develop additional indicators which capture the role procurement can play in ensuring good quality sustainable purchasing decisions. The goal of this will be to develop indicators which measure the extent to which procurement processes are 'green proofed' and based on sustainable choices, with whole life costs factored in.</p>
Calculation	<p>A standard supplier satisfaction questionnaire has been provided (Annex 2).</p> <p>This questionnaire will be automatically generated from the Hub to a specifically identified supplier group. This facility will not be available until late 2008. Therefore this BPI is on hold until then. Organisations are <u>not</u> expected to issue these questionnaires until then.</p> <p>A web based function has been added to the reporting tool to allow organisations to identify the suppliers that should receive the automatically generated questionnaire. 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.</p> <p>The procurement function (or in smaller organisations, the procurement lead) will be asked to provide the email addresses of the suppliers that should be approached to give feedback on recent interaction with the procurement function and the process of contract management on the goods, works or services that have been procured and delivered in the past year.</p> <p>For the purpose of this indicator, 'supplier' is defined as a private, public or voluntary organisation that is providing goods, works or services to an organisation. The questionnaire should be sent to suppliers chosen from those responsible for the top 80% of spend in an organisation. A fair representative sample should be selected – a minimum of 5% of the suppliers that account for 80% of overall spend. The questionnaire is divided into three sections:</p>

BPI 3 Overall satisfaction score from Supplier Satisfaction Survey – continued	
Bidding for Contracts	
Objective	<p>We need to ensure that we give Scottish suppliers, including smaller companies, the best possible opportunity to compete for the £8 billion worth of public sector spending each year. Organisations have a responsibility to ensure that suppliers can quickly and conveniently find out more about business opportunities from the Scottish public sector.</p> <p>The National Contracts Advertising Portal will provide the ideal place to ensure that potential suppliers are aware of all Scottish public sector tendering opportunities, and that contracting authorities meet their obligation of ensuring adequate publicity for contracts.</p> <p>By listening, and responding, to feedback from suppliers, organisations can greatly improve access to Scottish public procurement opportunities.</p>
Q1	indicates the level of awareness of business opportunities likely to originate from the organisation – does the organisation’s advertising and tendering process reach the appropriate supply base?
Q2	indicates the perception of the transparency of the organisation’s tendering process.
Q3	indicates the quality and detail of information contained within tenders issued by the procurement function.
Life of a Contract	
Objective	<p>Part of the crucial governance role of any procurement function, whatever its size, is the active management of any contracts that are in place, to ensure that suppliers continue to deliver goods, works or services that are accurate, on time, and of acceptable quality to users.</p> <p>This section, while contributing to the overall supplier satisfaction rating, also directly corresponds to the key process – ‘Ensuring effective contract and supplier management’.</p>
Q4	indicates that when a contract is awarded, the roles and responsibilities of the supplier are clearly articulated.
Q5	indicates that these roles and responsibilities are appropriately recorded by appropriate performance measures.
Q6	indicates that these performance measures are regularly and jointly reviewed by the supplier and procurement team.
Q7	indicates that problems are addressed quickly and effectively.

BPI 3 Overall satisfaction score from Supplier Satisfaction Survey – continued	
Overall Satisfaction	
Q9	Overall satisfaction with organisation rating.
Q10	Perception of improvement or otherwise of doing business with the public sector. The questionnaire will also have a free text comment field to allow respondents to make specific comments that they wish the procurement function to be aware of.
Frequency of Collection	Annually.
Responsibility	Local Organisation and automatically generated electronic questionnaire from the Hub.
Data Source	Local Organisation
Data Quality	Local
Trend	Organisations should seek to increase the proportion of suppliers agreeing with the statements.
Interpretation	Questionnaire scores can offer insight into communications or contract management problems that adversely affect productive relationships with suppliers and ensure continued value for money and prompt delivery of requirements. Scores against BPIs 7&8 may indicate a resource shortfall which could improve supplier relationships if addressed.

BPI 3 Overall satisfaction score from Supplier Satisfaction Survey – continued

Supporting Financial Indices

The following data which examines participation levels by the private and third sectors will be monitored by SPD at a National Level with a view to informing Ministerial policy decisions.

- *% spend with private sector suppliers*

The Hub will be able to automatically calculate the ratio of overall spend that is with private sector suppliers.

- *% spend with third sector suppliers*

The Scottish Government is working with the Interdepartmental Business Register (IDBR) to produce a database of social economy organisations. Once the register is established, the Hub will automatically identify the ratio of spend with suppliers who appear under that classification. Nationally, this data will be used to inform policy decisions with regards to engaging and supporting social enterprises and the third sector.

- *% spend with SMEs*

The Federation of Small Businesses advise that the most widely accepted definition of small and medium enterprises is the one shown below:

In the UK, sections 247 and 249 of the Companies Act 1985 define a SME for the purpose of accounting requirements. These sections have been amended a number of times, most recently by Statutory Instrument 2004/16 – The Companies Act 1985 (Accounts of Small and Medium-sized Enterprises and Audit Exemption) (Amendment) Regulations 2004. According to this a small company is one that has a turnover of not more than £5.6 million, a balance sheet total of not more than £2.8 million and not more than 50 employees. A medium-sized company has a turnover of not more than £22.8 million, a balance sheet total of not more than £11.4 million and not more than 250 employees.

FSB have agreed with the Scottish Government that the number of employees is the most important criterion to use, and this is consistent with previous reporting. Therefore, the key factor used by the Hub in determining spend data with SMEs will be the number of employees.

Measuring and Recording BPIs – KEY PROCESSES

The following key processes were identified by the group:

- *Working effectively across public procurement sectors and organisations*
- *Ensuring effective contract and supplier management*
- *Communicating effectively and ensuring productive stakeholder and customer relations*
- *Ensure compliance with good procurement practice*
- *Continuously improving performance and innovation*

Key Process	Working Effectively Across Public Sector procurement organisations (Collaboration)
BPI 4	% of procurement spend that is channelled through a collaborative contract with other publicly-funded bodies
Rationale for the BPI	<p>This indicator assesses the effectiveness of the organisation in sourcing goods and services through collaborative procurement channels such as local or national consortia arrangements, cross government bodies, or shared services centres.</p> <p>The Government's efficiency review encourages government bodies to work collaboratively and deliver on joint procurement projects to secure greater efficiencies. Collaboration obtains better value through creating increased buying power.</p> <p>The McClelland report stated that 'an unparalleled effort is therefore required to improve the infrastructure to support collaboration'. Accordingly, the Scottish Government has assisted in the creation of Centres of Expertise to streamline public sector procurement nationally, sectorally, and locally.</p> <p>At the National Procurement Conference in October, the Cabinet Secretary set out his expectations for public sector collaboration in the strongest possible terms:</p> <p>"There can be absolutely no excuse for needless duplication of effort, for poor value, for money gone due to disconnected or inefficient contract arrangements. I want to send a clear message to everyone involved in the sector that we want to proceed in the spirit of true collaboration. Individuals or organisations that prefer not to collaborate... will have to be able to provide the strongest possible justification on objective business grounds".</p> <p>This BPI will indicate to Central Government, and to Centres of Expertise, an organisation's use of collaborative contracts in the broadest sense.</p>
BPI calculation	<p>'Procurement spend', for the purpose of this indicator, is the total value of invoices paid to external third party providers (excluding VAT) in respect of the purchase of goods, works and services where:</p> <ul style="list-style-type: none"> • <i>'goods' are tangible products such as pens or computers and are also known as supplies</i> • <i>'works' in this context means "the alteration, refurbishment, maintenance, extension or demolition of an existing building and/or the creation of a new building, including all associated site works. (BPIs for construction projects beyond these activities were not a objective of this project)</i> • <i>'service' is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally.</i> <p>Full definitions of works, goods and services can be found in Schedules 2, 3 and 5 of the Public Contracts (Scotland) Regulations 2006. www.opsi.gov.uk/legislation/scotland.</p>

BPI 4 % of procurement spend that is channelled through a collaborative contract with other publicly funded bodies – continued	
BPI calculation – continued	<p>Certain payments will need excluding where the opportunity to influence procurement is not significant, which may include, but is not restricted to, the following:</p> <p>Exclusions from ‘procurement spend’</p> <ol style="list-style-type: none"> 1) Payroll and pension data expenditure 2) All social services direct payments to individuals and foster carer payments 3) Internal spend – i.e. ‘spend’ or cross charging between departments 4) Investment transactions – e.g. bank and building society deposits, receipts, and loans from any source 5) Statutory transactions with other public sector organisations, e.g. ODPM, Inland Revenue, Local Authorities, Precept funds, etc. 6) Payment and/or refund of parking fines and or Her Majesty’s Court Service 7) Council Tax Refunds 8) Imprest accounts. <p>This indicator also excludes transfer payments and all off-contract spend.</p> <p>‘Collaboration’, for the purpose of this indicator, is the establishment or use of joint contracts and framework agreements (e.g. Category A, Category B, and collaborative Category C1 contracts) and joint projects with other publicly funded bodies. There will also be a collaborative contract category ‘O’ (for ‘other’) available on the Hub, so that contracts through OGC or other UK public bodies can be included.</p> <p>Public Sector organisations that run ‘refresh lite’ and ‘contract’ uploads to the Hub will have this report generated automatically.</p> <p>To calculate: $(\text{expenditure placed in collaboration with other public bodies} \div \text{total procurement spend}) \times 100$</p>
Frequency of Collection	Quarterly
Data Source	Scottish Procurement Information Hub/Advertising Portal (‘Lite’ refresh).
Responsibility	Individual Organisations/Centres of Expertise (SPD to provide guidance).
Data Quality	Contract data to be input by Centres of Expertise and individual organisations.
Trend	To increase the percentage of spend made through collaborative arrangements.
Rationale for Trend	In almost all cases, not taking advantage of existing collaborative contracts will lead to duplication, less value for money, and increased maverick spend, all of which significantly reduces potential for generating efficiency savings.
Interpretation	A low score in this area may indicate that an organisation has a problem with awareness of or accessibility to collaborative contracts, which can then be addressed at an organisational level. It may also identify compliance issues. This BPI should be interpreted alongside BPIs 2 and 5.

Key Process – Ensuring effective contract and supplier management

Covered by Supplier Satisfaction Questionnaire – section 2. See page 16.

Key Process – Communicating effectively and ensuring productive stakeholder and customer relations

Covered by Customer Satisfaction Survey – section 1. See page 13.

Key Process	Ensure compliance with good procurement practice
BPI 5(a)	% procurement spend with contracted suppliers
BPI 5(b)	% procurement spend with contracted suppliers on contract
Rationale	This indicator examines the extent to which the organisation's spend is through formally contracted agreements with its suppliers. Good procurement practice at an organisational level requires that there is a good understanding at all levels across the organisation on how to access existing contracts to obtain required goods and services. The procurement function should play an active role in ensuring contracts are adhered to, to better control expenditure and reduce off-contract spend. Off-contract or 'maverick' spend must be tackled to ensure that public funds are always distributed in accordance with prevailing policy and legal requirements, and to drive out inefficient spending.
Calculating the BPI result using the Hub	<p>In recognition of the fact that current procurement management information levels across the Scottish public sector are still relatively undeveloped and to assist organisations in gathering this data, functionality has been added to the Hub to allow the contract status of each supplier to be displayed.</p> <p>Organisations are being asked to list local contracts for which they are the lead contracting authority, and to name any other organisations that are entitled to use each contract.</p> <p>The Centres of Expertise have also provided details of all sectoral and national contracts currently available and this data is being uploaded into the Hub.</p> <p>Taken together, the Hub will now be able to give every organisation visibility of all contracts that they are entitled to utilise:</p> <ul style="list-style-type: none"> • <i>At a Scottish national level (Category A contracts)</i> • <i>At a Scottish sectoral level (Category B contracts)</i> • <i>At a Scottish local level (Category C contracts)</i> • <i>At a Scottish regional or cross-sectoral collaborative level (Category C1 contracts)</i> • <i>Through participation in other collaborative contracts, e.g. OGCBuying.solutions (Category O contracts).</i>
BPI 5(a) – % procurement spend with contracted suppliers	Public Sector organisations that run 'refresh lite' and 'contract' uploads to the Hub will have this report generated automatically.
BPI 5(b) – % procurement spend with contracted suppliers on contract	Organisations will be asked to apportion their spend with a supplier to a contract, or across several contracts. For example, an organisation may spend £100,000 with Supplier X. £60,000 of this may be with a "Category B", sectoral contract; £20,000 may be on a local "Category C" contract and £20,000 may be off contract spend.

<p>BPI 5(b) – % procurement spend with contracted suppliers on contract continued</p>	<p>Although exact apportionment of spend may not be possible, as a matter of good practice all organisations should have a level of knowledge of how much spend with a supplier is on a given contract and organisations must therefore ensure that their apportioned spend returns will stand up to audit scrutiny. Spend that is not apportioned to a contract will be assumed to be off-contract.</p> <p>It is recognised that many organisations may not have the information systems in place to provide this data and will be heavily reliant on suppliers to provide this information in the first instance.</p> <p>Organisations should therefore ensure that where their own information systems do provide this information, they make alternative arrangements to gather it, e.g. by making it a condition of contract that suppliers provide this information on a regular basis as part of the contract management process.</p> <p>The move toward more collaborative contracts will mean that in the future the national and sectoral Centres of Expertise will be able to assist organisations in providing this data.</p> <p>In the future, calculation of this BPI will be further automated for organisations who use the Portal to post contract award notices, since this data will be extracted automatically from the Electronic Contracts Portal directly into the Hub.</p>
<p>Definitions</p>	<p>A ‘contracted supplier’ is an external third party providers with a formal agreement or contract in place for the provision of goods, works and services where:</p> <ul style="list-style-type: none"> • ‘goods’ are tangible products such as pens or computers and are also known as supplies • ‘works’ are “the the alteration, refurbishment, maintenance, extension or demolition of an existing building and/or the creation of a new building, including all associated site works, construction of roads, bridges, tunnels, and the installation of gas, electric, and plumbing services” • ‘service’ is the provision of an intangible product such as care or refuse collection, whether it is carried out internally or externally. <p>Full definitions of works, goods and services can be found in Schedules 2, 3 and 5 of the Public Contracts (Scotland) Regulations 2006. www.opsi.gov.uk/legislation/scotland.</p> <p>‘Contract’ refers to Category A, Category B, and organisation specific or regional Category C1, and Category O contracts.</p> <p>For the purposes of reporting this BPI, expenditure may be classified as being “on contract” provided that it has been spent in accordance with:</p> <ul style="list-style-type: none"> • the EU Treaty • the Public Contracts (Scotland) Regulations 2006 (as amended) • the financial regulations and standing orders applicable to your organisation. <p>This contract expenditure may include one-off purchases as well as term contracts. The threshold at which you wish to record one-off purchases as part of this BPI will be dependant on the total procurement spend in your organisation. For example, a one-off purchase of £10,000 that has been carried out in accordance with the regulations above would represent a small but significant percentage (2%) of contracted expenditure for an organisation with a total procurement spend of £500,000, but a far smaller percentage (0.02%) for an organisation with a procurement spend of £50m. One-off purchases can be shown by using the same start and end date, or by entering a date during which you expect to pay for the goods, services or works acquired.</p> <p>The simple act of issuing of a purchase order to a supplier, although technically and legally forming a contract, does not necessarily mean that the contract has been let in a compliant manner for the purposes of reporting this BPI.</p>

BPI 5(a) % procurement spend with contracted suppliers – continued	
BPI 5(b) % procurement spend with contracted suppliers on contract – continued	
Frequency of Collection	Quarterly
Data Source	Scottish Procurement Information Hub/Advertising portal ('Lite refresh')
Responsibility	<ul style="list-style-type: none"> • For Cat A & B – Centres of Expertise will get spend data from suppliers and will provide this information to their member organisations for verification and reporting. • For C1 – Contracting authorities will get spend data from suppliers and will provide this information to collaborative partners for verification and reporting. • For Cat C & O – individual organisations.
Data Quality	Auditable
Trend	To increase the percentage of spend made through formal contracted arrangement.
Rationale for Trend	To monitor and discourage maverick spend. To encourage greater governance by Corporate Procurement Departments.
Interpretation	A low score may indicate that there are communications or process problems which are contributing to a lack of understanding or access to ordering systems on the part of internal customers, or a resource problem within the procurement team which means that influence over spending is not being achieved.

Key Process	Continuously improving performance and innovation
BPI 6	% of scorecard BPIs that show improvement since previous report
Rationale	As noted by McClelland, ‘without sound business practices and processes, it is impossible to operate in a way that is internally efficient and that also delivers good value in procurement cost. Where practices are particularly weak there is also, potentially, an impact on accountability and governance needs’. This BPI therefore allows the organisation to monitor its overall progress towards improving all aspects of performance and delivery, and identify any areas that require further intervention to achieve results.
Calculation	The calculation will be done automatically by the Hub using the following process: Each BPI will have a marker which indicates whether its corresponding score should follow an upwards or downwards trend. As a new score is reported, the Hub will allocate a point if the new score follows the desired trend. (Indicators that are already receiving the best possible score will always receive a point.) Organisations that follow the desired trend for all 10 BPIs will therefore receive an overall score of 100%, those that follow the desired trend for 9 will receive 90%, and so on.
Frequency of Collection	Quarterly
Data Source	Scottish Procurement Information Hub
Responsibility	All organisations
Data Quality	Underpinned by auditable quality required for other BPIs.
Trend Analysis	Organisations should seek to see improvement across all areas – a score of 100% is desirable.
Rationale for Trend	We want to see continuous positive improvement on all Best Practice Indicators.
Interpretation	BPIs that have not shown improvement should be examined in greater detail to identify whether optimum practice has already been achieved, or whether further improvement is possible. Where improvement is possible appropriate action can be targeted in that area to achieve improvement before the next report.

Measuring and Recording BPIs – ORGANISATIONAL CAPACITY

The following organisational capacity requirements were identified by the group.

- *Ensure effective governance and accountability of procurement*
- *Ensuring the procurement process is resourced by skilled staff appropriate to spend*
- *Adopting an end-to-end e-procurement service.*

Organisational Capacity – Ensure effective governance and accountability of procurement

The Review of Public Procurement identified that throughout the public sector in Scotland there are high calibre procurement staff who are both experienced in procuring for the Public Sector and hold the Professional Qualification, MCIPS. It was also noted however that there was a significant shortage of these staff, and the profile of procurement in organisations was often low and this was reflected in a lack of investment in the training and development of procurement staff.

Public procurement reform cannot be delivered without appropriately qualified and experienced staff who have a direct influence on spend with third party suppliers. It will not be appropriate for all staff involved in the procurement process to achieve the full professional qualification, however all staff involved in the procurement process (including those where procurement forms only a small part of their remit) should receive training and development which ensures they are competent to procure at their level of responsibility.

The following skills related BPIs will enable organisations to assess their existing organisational capability to deliver procurement reform and develop training and development strategies which ensures that their procurement activity is both compliant with legislation and obtains Best Value. As the procurement landscape matures, additional BPI's relating to people and skills will be developed to ensure that a process of ongoing improvement is established.

McClelland recommended that there should be broadly one procurement professional for every £15m of contracted expenditure. If organisations record their total number of procurement staff then this can be compared against spend data held in the Hub to give an indication of how they compare to this figure. (See Annex 3.)

This figure serves as a very broad guide only – the impact of professional procurement staff is obviously dependent on the complexity of contracts as well as the size of spend. However, as a starting point, in order to encourage public sector organisations to consider whether their spend is subject to appropriate levels of professional governance, the following measures are suggested.

BPI 7(a)	% of procurement officers who hold the professional qualification, Member of Chartered Institute of Purchasing and Supply (MCIPS)
Rationale	This indicator is intended to measure the level of procurement officers with the professional qualification MCIPS. Procurement best practice requires that procurement officers with strategic decision making responsibilities should be professionally qualified.
Entering the BPI result into the Hub	<p>This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following question:</p> <ul style="list-style-type: none"> • <i>How many of the procurement officers (FTEs) in your organisation hold the professional procurement qualification 'Member of the Chartered Institute of Purchasing and Supply (MCIPS)?</i>
Calculation	<p>The hub will then automatically calculate your BPI result using the following calculation:</p> <p><i>Number of procurement officers with MCIPS ÷ FTE Procurement officers (see F 3b) x 100</i></p> <p>'Procurement Officers' – refers to staff who spend a significant proportion, i.e. more than 50% of their time, specifically on procurement related work. This could include any staff member involved in either strategic or operational procurement activities, such as contracting for goods services or works from third party suppliers, full time procurement support services or the development of procurement policy, strategy or practices. The staff involved may not necessarily sit within the corporate procurement function, and may be involved in areas not traditionally thought of as procurement, eg. involved in capital projects, care commissioning, etc. (This specifically excludes admin, accounts payable, routine requisitioning and other staff in purely transactional activities using previously established contracts and agreements with suppliers, or support and administrative staff who spend time on procurement related support work.)</p>
Frequency of Collection	Annual
Data Source	Local organisation
Responsibility	Local organisation
Data Quality	Auditable
Trend	Increasing/upward
Rationale for Trend	It is imperative that organisations have senior procurement decision makers with formal training and qualifications. Organisations should promote this field of study to procurement staff with a view to promoting procurement as a long-term career option.

BPI 7(b) % of procurement officers with an appropriate procurement qualification	
Rationale	This indicator is intended to measure the level of procurement officers with an appropriate qualification other than MCIPS which ensures competency in procuring a specific commodity. An appropriate qualification may include MSc Procurement, Construction Qualification which requires procurement expertise, National Standard for Commissioning, Procurement & Contracting. Procurement best practice requires that procurement officers with strategic decision making responsibilities should be professionally qualified.
Entering the BPI result into the Hub	This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following question: <ul style="list-style-type: none"> How many of the procurement officers (FTEs) in the organisation hold an appropriate procurement qualification for their current duties?
Calculation	The hub will then automatically calculate your BPI result using the following calculation: $\frac{\text{Number of procurement officers with appropriate qualification}}{\text{Total number of FTE procurement officers (see Financial Index 3b)}} \times 100$ <p>'Procurement Officers' – refers to staff who spend a significant proportion, i.e. more than 50% of their time, specifically on procurement related work. This could include any staff member involved in either strategic or operational procurement activities, such as contracting for goods services or works from 3rd party suppliers, full time procurement support services or the development of procurement policy, strategy or practices. The staff involved may not necessarily sit within the corporate procurement function, and may be involved in areas not traditionally thought of as procurement, eg. involved in capital projects, care commissioning, etc. (This specifically excludes admin, accounts payable, routine requisitioning and other staff in purely transactional activities using previously established contracts and agreements with suppliers, or support and administrative staff who spend time on procurement related support work.)</p>
Frequency of Collection	Annual
Data Source	Local organisation
Responsibility	Local organisation
Data Quality	Auditable
Trend	Increasing/upward
Rationale for Trend	It is imperative that organisations have senior procurement decision makers with formal training and qualifications. Organisations should promote this field of study to procurement staff with a view to promoting procurement as a long-term career option.

BPI 7(c) % of procurement spend actively influenced by procurement professionals	
Rationale for the BPI	This indicator examines the extent to which the procurement professionals have influence within the organisation, and monitors the level of procurement spend that is influenced at an appropriate level by the procurement team.
Entering the BPI result into the Hub	This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following question: <ul style="list-style-type: none"> • <i>What is the total value of procurement spend actively influenced by a procurement professional?</i>
Calculation	<p>The hub will then automatically calculate your BPI result using the following calculation: <i>Procurement spend actively influenced by procurement professionals ÷ total procurement spend x 100.</i></p> <p>'Procurement professionals' for the purposes of this indicator is defined as procurement officers holding any level of qualification recognised by CIPS, an appropriate qualification (as defined in 7b), or staff who have 5 years or more experience in running procurement processes and a working knowledge of current best practice and the tools/techniques used in purchasing and supply management, as well as an ability to demonstrate practical use of that knowledge to add value to the organisation. The type of qualification or experience should correspond to the complexity of the advice and active influence required.</p> <p>'Active' influence is where procurement professionals are actively supporting the sourcing process. That is, it is more than just providing guidance, they should be an active participant in defining and managing the sourcing process.</p> <p>For collaborative contracts, procurement professionals within end-user organisations may not be involved in the sourcing process (which may be undertaken off-site by the Centre of Expertise or another organisation if Cat C), but they should be closely involved in any decision for the organisation formally adopt that collaborative contract.</p>
Frequency of Collection	Annual
Data Source	Local Organisation
Responsibility	Local Organisation
Data Quality	Auditable
Expected Trend	Most organisations would aim to achieve a high percentage for this indicator and to increase it over time.
Rationale for Trend	It is crucial that key contracting decisions are taken by qualified and experience staff, to ensure appropriate governance and accountability of public spending.

Organisational Capacity	Ensuring the procurement process is resourced by skilled, trained staff appropriate to spend
BPI 8	% procurement officers who are undertaking any formal training towards a procurement qualification
Rationale	In order to ensure that procurement practices are as good as they can be every organisation should actively encourage staff to study towards qualifications appropriate to level of responsibility.
Entering the BPI result into the Hub	This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following question: <ul style="list-style-type: none"> How many procurement officers (FTEs) in the organisation are undertaking formal training towards a procurement qualification?
Calculation	The hub will then automatically calculate your BPI result using the following calculation: <i>(Number of procurement officers undertaking formal training ÷ total number of procurement officers (see Financial Indice 3b)) x 100</i> ‘Procurement Officers’ – refers to staff who spend a significant proportion, i.e. more than 50% of their time, specifically on procurement related work. This could include any staff member involved in either strategic or operational procurement activities, such as contracting for goods services or works from third party suppliers, full time procurement support services or the development of procurement policy, strategy or practices. The staff involved may not necessarily sit within the corporate procurement function, and may be involved in areas not traditionally thought of as procurement, e.g. involved in capital projects, care commissioning, etc. (This specifically excludes admin, accounts payable, routine requisitioning and other staff in purely transactional activities using previously established contracts and agreements with suppliers, or support and administrative staff who spend time on procurement related support work.) For the purposes of this indicator, ‘procurement qualification’ includes MCIPS, individual CIPS level certificates, MSc Procurement/Supply Chain Management, National Standard for Commissioning, Procurement and Contracting or an equivalent construction qualification which includes procurement expertise.
Frequency of Collection	Annual
Responsibility	Local Organisation
Data Source	Local Organisation
Data Quality	Auditable
Trend	Organisations should aim to offer procurement training opportunities at appropriate levels to all staff involved in procurement activity.
Rationale for Trend	Procurement should be viewed as a worthwhile professionalism with a clear career path, and employees should be actively encouraged to develop their skills with a view to progressing up the career ladder should they wish to do so.
Interpretation of Skills BPIs	Procurement teams should be appropriately resourced in terms of number and skill set of staff, to ensure that contracts are let legally and achieve best value, that communication and active management of contracts and processes are given adequate priority, and that good governance is achieved. A poor score on any other BPIs should therefore be interpreted alongside the skills BPIs to ensure that problems are not due to lack of resource or training.

Key Performance Area	Adopting an end-to-end e-procurement service
BPI 9	These 5 measures will be considered together to give an overall 'e-procurement maturity rating' to identify best practice
However, they will also be monitored in their own right: at an organisational level, to identify opportunities to improve processes and streamline technology; and sectorally or nationally, to identify lags in the adoption of technology to make end-to-end procurement services more efficient.	
9 (a)	% of contracts notified by electronic contract notice
Rationale	Proposed contracts that fall above specific thresholds are legally required to be notified through the Official Journal of the European Union. These thresholds are detailed in Part 1, Section 8 of The Public Contracts (Scotland) Regulations 2006. As noted in paragraph 21 of Section 8, even contracts which fall below these thresholds should receive 'a degree of advertising which is sufficient to enable open competition and meeting the requirements of the principles of equal treatment, non-discrimination and transparency'.
Entering the BPI result into the Hub	This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following questions: <ul style="list-style-type: none"> • <i>How many contract notices did your organisation publish in total over the prior reporting period?</i> • <i>How many contract notices did your organisation publish electronically over the prior reporting period?</i>
Calculation	The hub will then automatically calculate your BPI result using the following calculation: <i>(Number of contracts notified by electronic contract notice ÷ Total number of contracts) x 100</i> Where 'electronic contract notice' includes adverts placed through the advertising portal, an organisation's website, or on the <i>Official Journal of the European Union</i> according to the relevant threshold guidance.
Frequency of Collection	Quarterly
Responsibility	Local Organisations
Data Source	Local Organisations
Data Quality	Auditable
Trend	Increasing until fully compliant.
Rationale for Trend	The Scottish Government is committed to ensuring that access to public sector contracts is as wide as possible, and that participation by SMEs and the third sector is not prohibited through lack of awareness, and would therefore actively encourage organisations to advertise all intended contracts through the Scottish advertising portal.

BPI 9	
These 5 measures will be considered together to give an overall 'e-procurement maturity rating' to identify best practice – continued	
9 (b)	
% of contracts awarded by electronic award notice	
Rationale	Legally required for contracts over the EU threshold, and good practice for all contracts that have been advertised.
Entering the BPI result into the Hub	<p>This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following questions:</p> <ul style="list-style-type: none"> • <i>How many contract award notices did your organisation publish in total over the prior reporting period?</i> • <i>How many contract award notices did your organisation publish electronically over the prior reporting period?</i>
Calculation	<p>The hub will then automatically calculate your BPI result using the following calculation: $(\text{Number of contracts awarded by electronic award notice} \div \text{Total number of contracts}) \times 100$</p> <p>Where 'electronic award notice' includes award notices placed through the advertising portal, an organisation's website, or on the <i>Official Journal of the European Union</i> according to the relevant threshold guidance. Once it becomes available, the advertising portal should become the system of record for advertising and awarding contracts across the Scottish public sector. Contracting authorities that utilise the portal will have this BPI automatically generated.</p>
Frequency of Collection	Quarterly
Responsibility	Local Organisations
Data Source	Local Organisations
Data Quality	Auditable
Trend	Increasing until fully compliant
Rationale for Trend	Proper use of the portal will increase public sector transparency and help create a contracts register of public sector contracts in Scotland.

9(c) % of contracts handled through e-sourcing or e-tendering system	
Rationale	e-sourcing or e-tendering systems ensure consistency of approach, ensure that legal requirements are met, and to make bidding for contracts as efficient, open, and inclusive as possible.
Entering the BPI result into the Hub	<p>This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following questions:</p> <ul style="list-style-type: none"> • <i>How many tendering processes has your organisation managed over the prior reporting period?</i> • <i>How many contract tendering processes has your organisation managed via e-sourcing/tendering systems over the prior reporting period?</i>
Calculation	<p>The hub will then automatically calculate your BPI result using the following calculation:</p> $(Number\ of\ tenders\ via\ e-sourcing/tendering\ system \div Total\ number\ of\ tenders) \times 100$
Frequency of Collection	Quarterly
Responsibility	Local Organisations
Data Source	Local Organisations
Data Quality	Auditable
Trend	Increasing use of technology
Rationale for Trend	To increase efficiency: e-sourcing or e-tendering are more open and efficient means of dealing with suppliers seeking public sector contracts.

BPI 9	
These 5 measures will be considered together to give an overall 'e-procurement maturity rating' to identify best practice – continued	
9 (d)	
% of transactions processed electronically (through an e-procurement system)	
Rationale	This indicator examines the use of technology to support efficiency in the ordering of goods and services. It is key to achieving financial efficiencies through reductions in cycle times and transaction costs, freeing up resources that can be directed into frontline services.
Entering the BPI result into the Hub	This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following questions: <ul style="list-style-type: none"> • <i>How many purchase transactions has your organisation made in total over the prior reporting period? (You may use total number of invoices as a proxy.)</i> • <i>How many purchase transactions (i.e. e-requisitioning, e-ordering, e-receipting) has your organisation made using an electronic procurement system over the prior reporting period?</i>
Calculation	The hub will then automatically calculate your BPI result using the following calculation: $(\text{Number of transactions processed electronically} \div \text{Total number of transactions}) \times 100$ Where 'transaction' = number of orders/invoices, rather than individual order line items. Where the 'total number of transactions' is the total number of invoices (including non-electronic) processed in Accounts Payable in that time period. Where 'processed electronically' can be any of the following types of activity: <ul style="list-style-type: none"> • <i>E-requisitioning – this includes the process of browsing and selecting from electronic catalogues, or the creation of 'free-text' requisitions.</i> • <i>eOrdering – the eOrder process deals with the electronic transmissions of documents during the eProcurement phase that starts with the issuing of orders by the buyer and ends with the receipt of an order response and the transmission of the delivery instructions of the ordered goods or services from the supplier.</i> • <i>E-order approval and creating.</i>
Frequency of Collection	Quarterly
Responsibility	Local Organisations
Data Source	Local Organisations
Data Quality	Auditable
Trend	Increasing use of technology
Rationale for Trend	To increase efficiency

9 (e) % of payments processed through an e-payment system	
Rationale	<p>This indicator examines the use of technology to support efficiency in the electronic payment for goods and services.</p> <p>E-payments improve efficiency by:</p> <ul style="list-style-type: none"> • <i>Automation eliminates manual tasks</i> • <i>Higher reconciliation rates</i> • <i>Shorter processing cycle time</i> • <i>Reduced penalty interest and quality control and responsiveness</i> • <i>Real-time information</i> • <i>Electronic authorisation, authorisation schemes and control points in workflow</i> • <i>Information integrity improved through authorization measures and event logging</i> • <i>Improved decision support</i> • <i>Supports geographic independence through web-enabled workflow and electronic filing.</i>
Entering the BPI result into the Hub	<p>This BPI is recorded within the profile update in the Hub. When you log into the profile data input page you will be asked the following questions:</p> <ul style="list-style-type: none"> • <i>How many payments has your organisation made in total over the prior reporting period? (Where 'payment' = invoices, rather than individual line items. Note that if number of invoices was used as a proxy for number of purchase transactions in BPI9d then this answer will be the same.)</i> • <i>How many payments has your organisation made using an e-payment (e-invoicing, e-consolidated billing/self billing, or automated match from purchase order to invoice) over the prior reporting period?</i>
Calculation	<p>The hub will then automatically calculate your BPI result using the following calculation: <i>(Number of payments processed electronically ÷ Total number of transactions) x 100</i></p> <p>Where 'transaction' = invoices, rather than individual order line items.</p> <p>Where 'processed electronically' can be any of the following types of activity:</p> <ul style="list-style-type: none"> • <i>Payment on receipt (would qualify as e-invoicing (even though there is no invoice) as the billing information is the order line detail matched against the (electronic) delivery information).</i> • <i>Procurement Cards</i> • <i>Electronic Invoicing (Also referred to as e-Invoicing) Electronic invoicing is the electronic transfer of invoicing information (billing and payment) between business partners. Electronic invoicing requires the sending of invoices "by electronic means", i.e. transmission or making available to the recipient and storage using electronic equipment for processing (including digital compression) and storage of data, and employing wires, radio transmission, optical technologies or other electromagnetic means (Council Directive 2001/115/EC, art 2(2)(e)).</i>

BPI 9	These 5 measures will be considered together to give an overall ‘e-procurement maturity rating’ to identify best practice – continued
9 (e)	% of payments processed through an e-payment system
Frequency of Collection	Quarterly
Responsibility	Local Organisations
Data Source	Accounts Payable System/E-procurement system.
Data quality	Auditable
Trend	Increasing use of technology
Rationale for Trend	To increase efficiency
Interpretation of E-procurement BPIs	Procurement teams should introduce technology to simplify procurement processes where there is a VFM case for doing so, in order to effectively engage with suppliers and customers, increase compliance through electronic ordering systems and ensure prompt payment. Comparing scores in these areas with all e-procurement BPIs may indicate where technology acts as a barrier to improvement, or where its implementation may aid improvement.

Annex 1 – Customer Satisfaction Survey

		Scoring 1-6 (1 strongly disagree, 6 strongly agree)					
COMMUNICATION		1	2	3	4	5	6
1.	I understand when I should obtain advice or assistance from the procurement function	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	I can obtain advice or assistance from the procurement function easily	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	I am satisfied with the quality and accuracy of information I receive from the procurement function	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	I am aware of what contracts are available for my use	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	I am advised in advance of changes that affect me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
QUALITY OF SERVICE		1	2	3	4	5	6
6.	Contracts negotiated by the procurement function deliver quality and value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	The systems in place for ordering goods and services within my organisation are easy to access and user friendly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Actual goods or services delivered accurately corresponds to my requirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL SATISFACTION		1	2	3	4	5	6
9.	How satisfied are you with the procurement function?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	How do you think the produrement function has performed over the last year?	Better		Worse		No change	
Comment:							

Annex 2 – Supplier Satisfaction Survey

		Scoring 1-6 (1 strongly disagree, 6 strongly agree)					
BIDDING FOR CONTRACTS		1	2	3	4	5	6
1.	I know where to find out information about contract opportunities the organisation has for a commodity supplied by my business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	The tendering process by this organisation is open and transparent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	I am satisfied with the quality and level of information contained within tenders issued by this organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LIFE OF A CONTRACT		1	2	3	4	5	6
4.	I fully understood the roles and responsibilities expected of my business when the contract was agreed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	I work toward clearly defined performance measures agreed with this organisation to ensure effective delivery of the contract	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	I have regular meetings with the customer organisation to ensure effective delivery of the contract	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Problem issues are identified, necessary action plans agreed and progress monitored by both parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL SATISFACTION		1	2	3	4	5	6
8.	Over the term of a contract, I am satisfied with the way this organisation engages with my business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	In general, not specific to this organisation, do you find that doing business with the public sector is getting	Better		Worse		No change	
Comment:							

Annex 3 – Financial Indices

The working group has been careful to ensure that the BPIs are consistent with the KPI recommendations in the McClelland report.

This annex gives details of how these existing indicators have either been adopted as BPIs, Financial Indices, or have otherwise been dealt with by the BPI Working Group.

A comparison of the BPIs and FIs and the procurement performance indicators contained in the UK Public Sector Audit Agencies report May 2007 *Value for Money in public sector corporate services* is available under ‘Supplementary Information’.

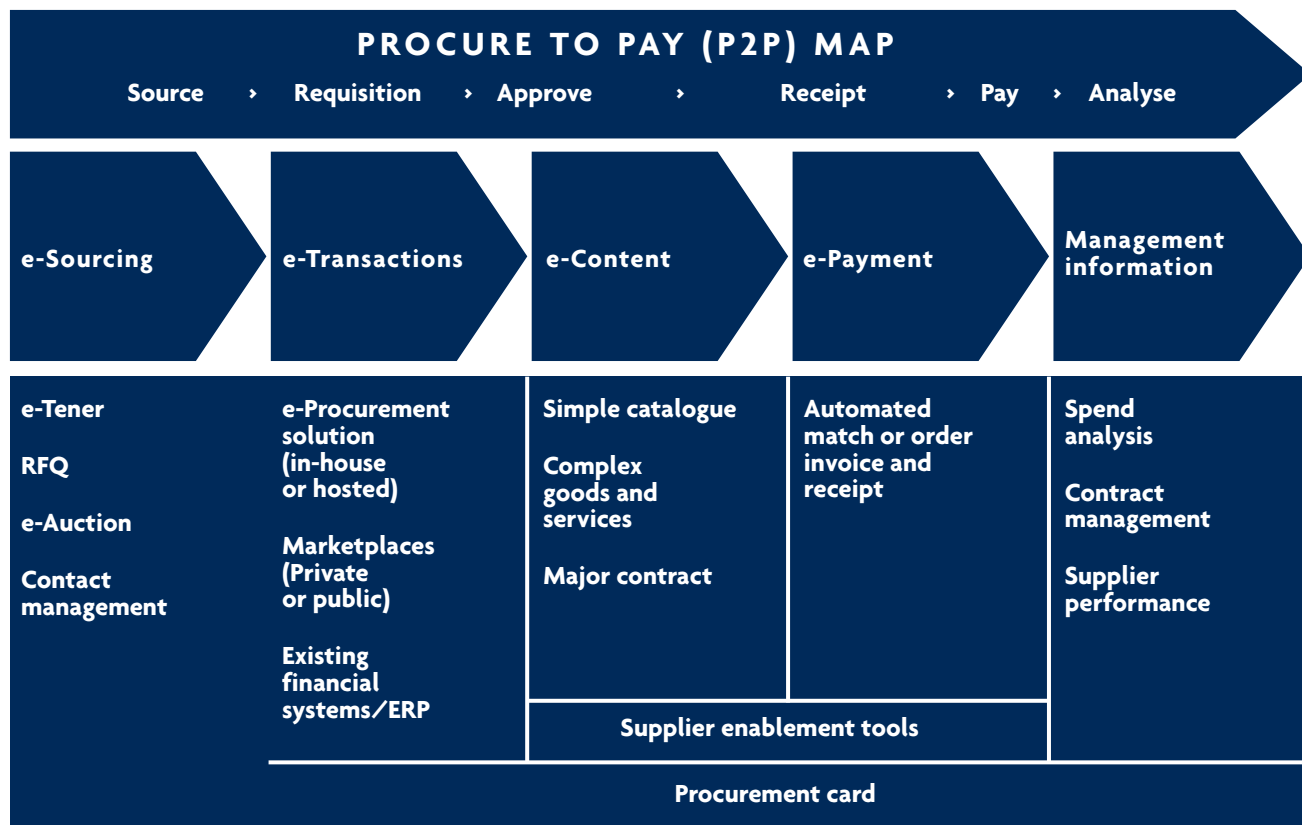
McClelland KPIs

The McClelland report contained the following KPI recommendations:

1. *Average Process Cost per Transaction (P2P)*
2. *Total Cost of Resources in Procurement Department*
3. *Total Cost of Resources in Procurement Process, i.e. including support departments, e.g. Accounts Payable*
4. *Procurement Resources Analysed by Commodity or Service Procured*
5. *Procurement Department/Process Cost per £ of Specific Commodity Spend*
6. *Procurement Department Cost per £ of Spend*
7. *Average Spend per contracted supplier.*

The group has decided that the following McClelland KPIs should be recorded as useful Financial Indices, however, we will not be measuring a trend against these numbers at a national level (local organisations may find this useful however).

F1	Average Process Cost per Transaction (P2P)
	<p>In most organisations there will be many P2P processes, and all of these cannot be measured. You should define the most commonly used P2P process that accounts for the majority of transactions. In many cases, they will be paper-based processes or perhaps legacy systems for job costing, facilities management, etc.</p> <p>We advise that Accounts Payable staff are contacted to define the most commonly utilised P2P methods. The process includes:</p>



An ‘Efficiency Measurements & Measurable Benefits’ project was recently undertaken by eProcurement Scotland (ePS) and their customers.

The main aims of this project were (1) to effectively communicate to ePS customers the recommended eProcurement ‘Efficiency Measurements’ and the methodologies that should be used when applying these to eProcurement projects, (2) to effectively communicate to ePS customers the recognised ‘Measurable Benefits’ of implementing ePS and (3) to facilitate and streamline reporting of the these (both internally and externally) by using an agreed tool.

The recommended eProcurement ‘Efficiency Measurements’ that came out of this project were (1) Scope of Implementation, (2) Business Process Re-Engineering and Integration with Finance Systems (or baseline measuring) and (3) Reduction in Supplier’s Prices.

Though developed to specifically report ePS Efficiency Measurements, these measures are equally applicable to any other eProcurement implementation and it is recommended that they form the basis of any global cross sector tracking mechanism. As a direct result of this, the tool and methodology applied will be rolled out to the wider Scottish Public Sector (should these organisations require it) via the relevant Centres of Procurement Expertise.

For organisations who have not undertaken a process cost analysis, the guidance document arising from this process is available at the SPD website:

www.scotland.gov.uk/topics/government/procurement

It is not mandatory to use this guidance, however, your calculations should be robust enough to stand up to scrutiny from audit bodies. Your local auditing function may be able to assist with this process.

In recognition of the fact that this process can be time-consuming, this financial index should be calculated at the start of each spending review, and used as a baseline for the length of the spending review period.

Therefore, the first calculation of this financial index should relate to the average process cost per transaction in 2007/08.

F2	Total Cost of Resources in Procurement
	<p>Where ‘Resources’ = FTE core procurement staff who spend at least 50% of their time on procurement related work. This could include any staff member involved in either strategic or operational procurement activities, such as contracting for goods services or works from third party suppliers, full-time procurement support services or the development of procurement policy or practices. The staff involved may not necessarily sit within the corporate procurement function, and may be involved in areas not traditionally thought of as procurement, e.g. involved in capital projects, care commissioning, etc. (This specifically excludes accounts payable, routine requisitioning and other staff in purely transactional activities using previously established contracts and agreements with suppliers, but includes support and administrative staff who spend more than 50% of their time on procurement related support work.)</p> <p>Costs should include total costs for all staff including “on cost” such as overheads and pensions.</p>

F3(a)	Number of Procurement Staff (FTE)
	Total number of Full-Time Equivalent Procurement members of Staff, where ‘procurement members of staff’ refers to staff who spend a significant proportion i.e. more than 50% of their time, specifically on procurement related work. This could include any staff member involved in either strategic or operational procurement activities, such as contracting for goods services or works from third party suppliers, full-time procurement support services or the development of procurement policy or practices. The staff involved may not necessarily sit within the corporate procurement function, and may be involved in areas not traditionally thought of as procurement, e.g. involved in capital projects, care commissioning, etc. (This specifically excludes accounts payable, routine requisitioning and other staff in purely transactional activities using previously established contracts and agreements with suppliers, but includes support and administrative staff who spend more than 50% of their time on procurement related support work.)
F3(b)	Number of Procurement Officers (FTE)
	‘Procurement Officers’ – refers to staff who spend a significant proportion, i.e. more than 50% of their time, specifically on procurement related work. This could include any staff member involved in either strategic or operational procurement activities, such as contracting for goods services or works from third party suppliers, full-time procurement support services or the development of procurement policy, strategy or practices. The staff involved may not necessarily sit within the corporate procurement function, and may be involved in areas not traditionally thought of as procurement, eg. involved in capital projects, care commissioning, etc. (This specifically excludes accounts payable, routine requisitioning and other staff in purely transactional activities using previously established contracts and agreements with suppliers, or support and administrative staff who spend time on procurement related support work.)
F4	Procurement Department spend per professionally-qualified procurement staff
	McClelland recommended that there should be broadly one procurement professional for every £15m of contracted expenditure. If organisations record the number of professionally qualified procurement staff under BPI 7, then this can be compared against spend data held in the Hub, to give this Financial Index.

F5.	Procurement Department Cost per £ of Spend. (Automatically generated from the Scottish Procurement Information Hub)
	<p>Answer to 2 ÷ Total procurement spend.</p> <p>For example:</p> <p>Total cost of resources in procurement department = £150,000k</p> <p>Total procurement spend = £100,000,000</p> <p>Procurement Department Cost per £ of Spend = 150,000 ÷ £100m = 0.15%</p> <p>Procurement spend is all expenditure against goods, services and works from third party suppliers from either the private or third sector. This figure can be obtained from the Scottish Procurement Information Hub – core trade spend. (www.spikescavell.net)</p> <p>Exclusions From Expenditure Data</p> <ul style="list-style-type: none"> • <i>Payroll and pension data expenditure</i> • <i>All social services direct payments to individuals and foster carer payments</i> • <i>Internal spend – i.e. ‘spend’ or cross charging between departments</i> • <i>Investment transactions – e.g. bank and building society deposits, receipts, and loans from any source</i> • <i>Statutory transactions with other public sector organisations, e.g. ODPM, Inland Revenue, Local Authorities, Precept funds, etc.</i> • <i>Payment and/or refund of parking fines and or Her Majesty’s Court Service</i> • <i>Council Tax Refunds</i> • <i>Imprest accounts.</i> <p>Information available from the Hub</p> <p>The Scottish Procurement Information Hub will have the facility to automatically generate reports which will calculate the following financial indices per organisation, if the supplier and spend data from the annual refresh is provided.</p>

F6.	Average Spend per contracted supplier
	Total spend with contracted suppliers ÷ number of contracted suppliers.
F7.	Average Invoice value
	<p>Total Spend ÷ Total Number of Invoices.</p> <p>Other potential measures</p> <p>The following McClelland BPIs will not be measured nationally, but organisations can calculate them if they wish using supplier, commodity, and spend data available on the Hub.</p> <ul style="list-style-type: none"> • <i>Total Cost of Resources in Procurement Process, i.e. including support departments, e.g. Accounts Payable</i> • <i>Procurement Resources Analysed by Commodity or Service Procured</i> • <i>Procurement Department/Process Cost per £ of Specific Commodity Spend.</i>

Reporting method and frequency summary:

Measure Type	Measure Definition	Method	Frequency
BPI	1. Total Savings Achieved Year on Year	Manual	Quarterly
BPI	2. Customer Satisfaction Survey	Automatic*	Annual
BPI	3. Supplier Satisfaction Survey	Automatic*	Annual
BPI	4. % procurement spend that is channelled through a collaborative contract	Automatic**	Quarterly
BPI	5(a) & 5(b) Spend with contracted suppliers (on contract)	Manual***	Quarterly
BPI	6. % of BPIs that show improvement since previous report	Automatic	Quarterly
BPI	7(a) of procurement officers who hold the professional procurement qualification, Member of Chartered Institute of Purchasing and Supply (MCIPS)	Manual	Quarterly
BPI	7(b) % of procurement officers with an appropriate procurement qualification	Manual	Quarterly
BPI	7(c) % of procurement spend actively influenced by a procurement professionals	Manual	Quarterly
BPI	8. % procurement staff undertaking formal training	Manual	Quarterly
BPI	9. (a)-(e) E-procurement measures	Manual	Quarterly
FI	1. Average Process Cost	Manual	Spending Review
FI	2. Total Cost of Resources in Procurement Dept	Manual	Quarterly
FI	3. Number of Procurement Staff	Manual	Quarterly
FI	4. Procurement Department Spend per professionally qualified staff	Automatic#	Quarterly
FI	5. Procurement Department Cost per £ of spend	Automatic##	Quarterly
FI	6. Average Spend per contracted supplier	Automatic	Quarterly
FI	7. Average Invoice Value	Automatic	Quarterly
FI	8. % Private Sector suppliers with a formal contract agreement	Automatic	Quarterly
FI	9. % Third Sector suppliers with a formal contract agreement	Automatic	Quarterly
FI	10. % spend with SMEs	Automatic	Quarterly

* - if email addresses are provided to Hub provider by local organisation

** - if contract data is uploaded by local organisation

*** - but this will become automatic over time as contract data matures

- if local organisation inputs figure for BPI7(a)

- if FI2 is input by local organisation

Appendix A

Possible Baseline	In Support of	Against
Outline Business Case	<ul style="list-style-type: none"> - Can be used when using the Open, Restricted, Competitive Dialogue or Negotiated Procedures - Tests and affirms the affordability of the project and option selected - Stage at which the approval for the project to proceed is given - Budget identified and funding allocated on basis of OBC projections. 	<ul style="list-style-type: none"> - Costs are based on best information available which may be inaccurate - Market not yet tested - Market conditions changing between OBC and going to tender may lessen the OBC's accuracy - Refinements to the scope of the requirement and tenderers input may alter the accuracy of the OBC.
Most Economically Advantageous First Tender	<ul style="list-style-type: none"> - First opportunity to gain insight to level of remuneration that market will need to meet the defined requirement - The accuracy of the baseline is enhanced if tenderers can be eliminated from subsequent cycles. 	<ul style="list-style-type: none"> - Cannot be used in conjunction with the Open or Restricted Procedures - The first tender cycle may be based on an immature requirement, financial model or draft contract. The baseline may be insufficiently robust. - Tenderers will anticipate subsequent tendering cycles and may inflate first tenders for negotiation purposes.
Most Economically Advantageous Tender at interim tendering cycles	<ul style="list-style-type: none"> - The baseline becomes more robust as the requirement, financial model and contract evolve towards final form - The procuring entity will have had the opportunity to update the financial business case ensuring tenderers remain within the affordability envelope. 	<ul style="list-style-type: none"> - Cannot be used in conjunction with the Open or Restricted Procedures - Reportable VFM savings arising from professional procurement activities may be reduced - Tenders may remain inflated for negotiation purposes.
Final Most Economically Advantageous Tender (Best and Final Offer)	<ul style="list-style-type: none"> - BAFO follows from tender conditioning, tender clarification and value engineering where action should improve overall VFM - This is the actual market value of the solution. - Earlier tenders may not be as robust. 	<ul style="list-style-type: none"> - Cannot be used in conjunction with the Open or Restricted Procedures - VFM savings achieved by the work of the project team and structures are not recognised - If expected by the tenderers, earlier tenders may not be as competitive as possible to enable the tenderer to improve later submissions.
Final contract price	<ul style="list-style-type: none"> - Contract awarded with full information based on agreed specification and solution. 	<ul style="list-style-type: none"> - There should be no difference between the final MEA Tender and the contract price. - No recognition of benefit of professional procurement expertise and application of prescribed procedures.

Table 1: Pros and Cons of Potential Baselines