



Department
of Health



NHS Procurement Dashboard: Overview

November 2013

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NHS Procurement Dashboard: Overview

Version 1 – October 2013

Prepared by
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Introduction

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

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

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

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

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

The case for measuring procurement performance

The use of a range of key performance indicators is well established and evidenced as good management practice, be this for reporting to senior management, staff and other key stakeholders, or understanding how well the organisation is performing in comparison to others.

A finding of the NAO review of procurement in the NHS highlighted a general lack of understanding and visibility of procurement performance at senior management levels across the NHS, and identified this as a key reason why NHS organisations are failing to lever the full potential of procurement, in delivering their operational and financial performance objectives.

In response to this, the Department of Health committed to create a dashboard of indicators and measures to help trust Boards strengthen their accountability for procurement, and to ensure the ability to report publicly.

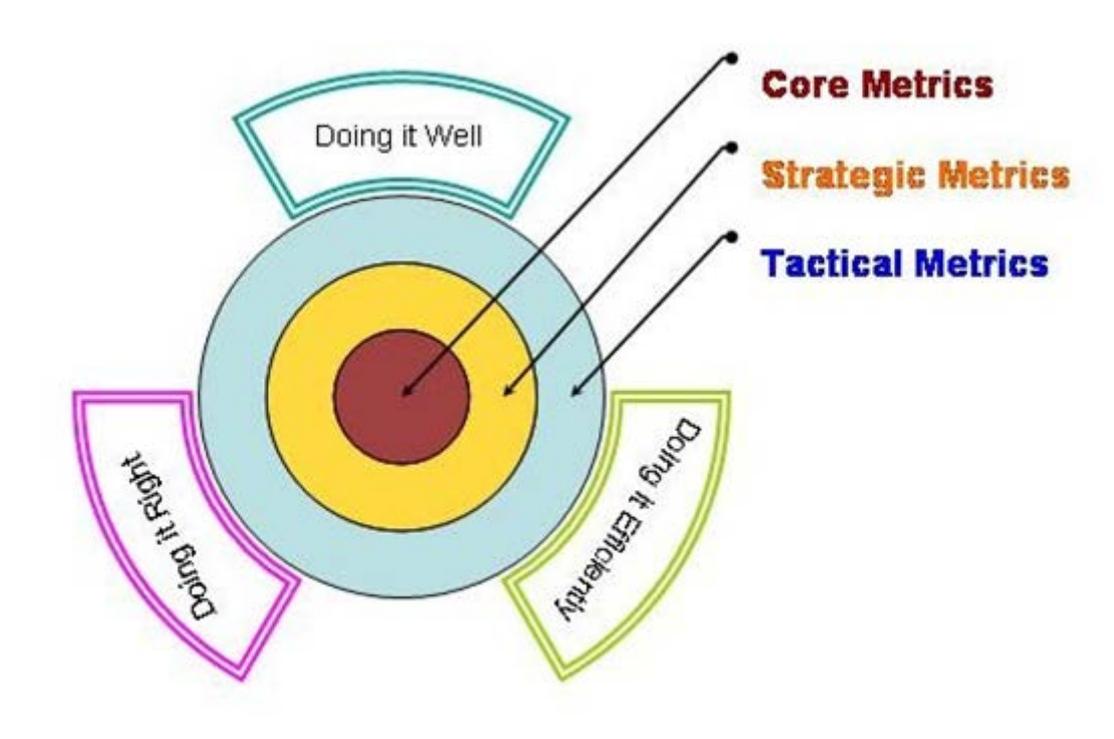
This document presents a procurement dashboard model, for NHS organisations, based around a set of core metrics, the “NHS Procurement Dashboard”

Aim and objectives

The dashboard aims to support:

- Internal governance, and continual improvement of the organisation’s procurement performance
- External reporting, and transparency on procurement practice and performance
- Comparison, identification and exchange of good and best practice

The NHS Procurement Dashboard model



The NHS Procurement Dashboard model follows a balanced scorecard approach focussed on three key areas of procurement performance, namely, enabling business continuity, procurement efficiency, and mitigating risk. These have been paraphrased in the model as:

- Doing it Well – enabling business continuity
- Doing it Efficiently – procurement efficiency
- Doing it Right – mitigating risk

To support comparison, the model provides a set of core metrics, across the three areas, that all organisations are encouraged to measure their practice and performance against. However, in recognition of local policies and priorities, and the need for more detailed metrics, to support day to day management of procurement activity, the model also accommodates the use of strategic and tactical metrics that might be used at a local level.

Core principles

Through consultation, a number of core principles were established early on in the development of the NHS Procurement Dashboard model, to ensure that the model and metrics reflect the core purpose of procurement, are relevant to NHS healthcare provider organisations as a whole, and remain flexible enough to address local priorities and initiatives.

Procurement Performance of the Organisation – the function of procurement within NHS healthcare provider organisations is generally distributed across a number of different departments and divisions, often accountable to different managers and executives. In many organisations significant procurement activity can be undertaken by a supplies department, estates and facilities and pharmacy. Due to the various ways in which procurement is

organised across the NHS, it is important that metrics focus on the procurement performance of the organisation, as opposed to any named department or division.

Balanced Scorecard – the NHS Procurement Dashboard model and metrics address the three key objectives of procurement performance, namely, enabling business continuity, procurement efficiency, and mitigating risk, in order to provide an objective picture of procurement performance. It was recognised that no single metric can accurately show the true procurement performance of an organisation, and the consideration of a range of metrics is required.

Practice and Performance – there is a direct relationship between how well an organisation performs against objectives, and the approaches and techniques it employs. In view of this, the NHS Procurement Dashboard model and metrics cover the procurement practices employed as well as measures of the outcomes achieved (performance). This approach can highlight the effects of underinvestment in systems and skills, or where management has become more focussed on process than outcome.

Comparison – many organisations value the ability to compare their practice and performance against peer organisations, to support identification and adoption of good and best practice. The core set of metrics is designed to be applicable to all NHS healthcare provider organisations, and is underpinned by clear specifications to support consistent measurement approaches.

Flexibility – while there is clear value in having a core set of metrics to enable objective comparison, it is also recognised that some organisations may want to work with metrics that focus on specific local policies, challenges or initiatives. In view of this the NHS Procurement Dashboard model suggests the development of ‘strategic metrics’ (as a second level beneath the identified ‘core metrics’), which in turn would be supported by tactical metrics, employed in the day to day management of procurement activity across the organisation.

Reporting - improving transparency and understanding of the procurement performance of NHS healthcare provider organisation is one of the principal objectives of the NHS Procurement Dashboard. The dashboard model and core metrics support reporting, internally to strengthen governance, and externally to increase transparency and accountability.

Dashboard core metrics

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

The NHS Standards of Procurement were first issued by the Department of Health in May 2012, and define good procurement practice through 18 standards arranged under four domains; leadership, process, partnerships and people.

For full details of scope and definitions for each of these metrics, see the ‘NHS Procurement Dashboard: Core Metric Specification’.

Frequency of collation

It is proposed that core metric data should be produced on annual basis as a minimum. This will support regular communication of performance data with key stakeholders, that can be aligned with other financial reporting processes.

Local management should look to generate core metric data, for core metrics, on a more frequent basis for the management and maintenance of continual improvement in procurement practice and performance.

Annual reporting

Public reporting on procurement performance is encouraged, improving transparency and understanding with a range of stakeholders. Reporting should consider providing information on a number of aspects of procurement practice and performance, such as:

- Leadership and senior management engagement
- The use of procurement standards, performance reporting and benchmarking
- The role of procurement in cost improvement programmes and strategies
- Data availability, accuracy and quality
- Collaboration
- Capability and skills development
- Impacts on service delivery
- Legal, financial and reputational risks

Ideally, disclosure on these aspects of procurement would use a combination of qualitative narrative and quantitative metrics. The NHS Procurement Dashboard core metrics should be used to support this.

Adoption and use

NHS healthcare provider organisations are encouraged to adopt the NHS Procurement Dashboard model, and in particular to collate data against the core metrics.

Dashboard metrics will be reviewed on a regular basis to ensure that they address key aspects of procurement practice and performance and reflect availability of data and systems.

It is envisaged that systems for the collation and comparison of performance data will be developed further alongside initiatives for sharing good practice, staff development and improving procurement data.

An illustration of how outputs from the core metrics could be presented is shown below.

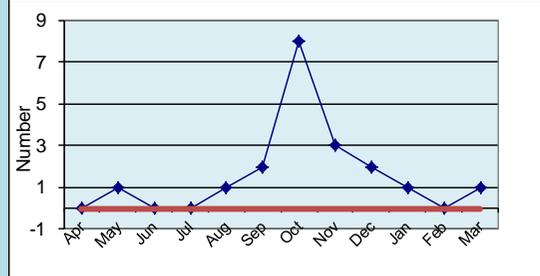
Doing it Well

C1 - Impact on Patient Care

RAG

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

R

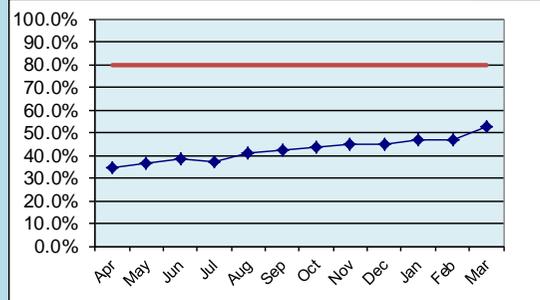


C2 - Spend Control

RAG

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

R



Commentary

Enter notes to assist interpretation of dashboard

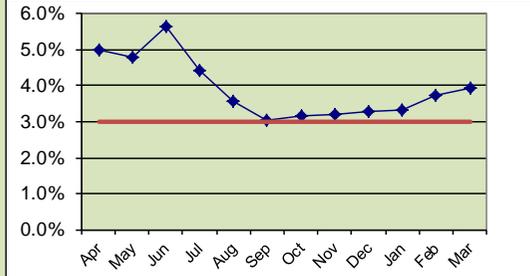
Doing it Efficiently

C3 - Cost Improvement

RAG

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

G

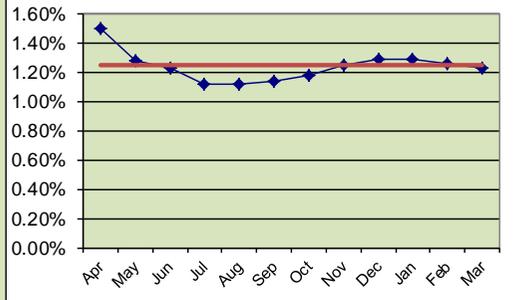


C4 - Cost to Procure

RAG

Cost to procure as a percentage of non pay expenditure

G

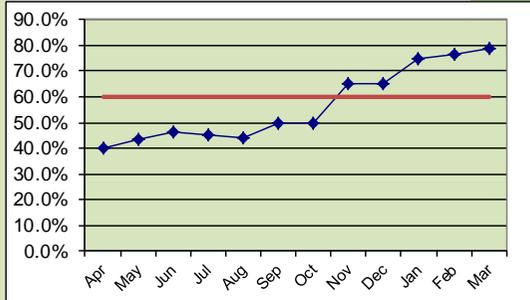


C5 - Collaboration

RAG

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

G



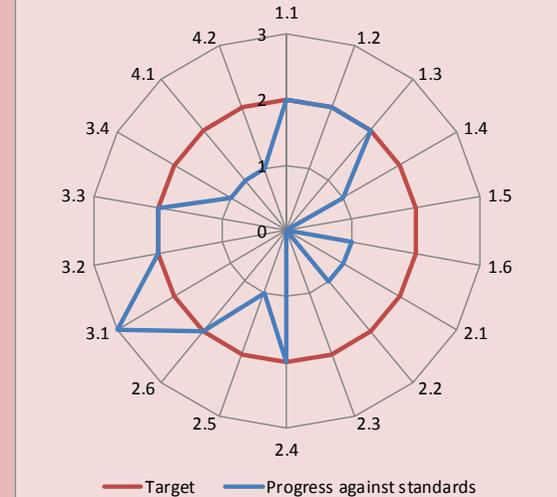
Doing it Right

C6 - Standards of Procurement

RAG

Progress against the NHS Standards of Procurement

A



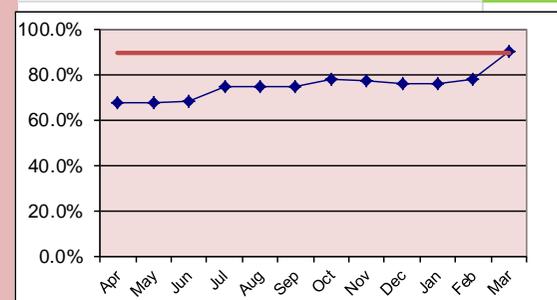
Enter notes on NHS Standards of Procurement

C7 - Staff Qualification

RAG

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

G



Annex A: Definitions

Doing it Well – term used within the NHS Procurement Dashboard to describe the key objective of procurement to enable business continuity, by ensuring that the right products and services are available at the right time and the right place.

Doing it Efficiently – term used within the NHS Procurement Dashboard to describe the key objective of procurement to secure value for money through the operation of efficient procurement systems.

Doing it Right – term used within the NHS Procurement Dashboard to describe the key objective of procurement to mitigating risks, limit liabilities and ensure compliance with regulations associated with procurement activities.

Metric – a quantified measure (or combination of measures) that provide an indication of the level of performance, or the maturity of practices, of an organisation.

Core Metrics - metrics that all organisations should measure in a consistent manner and report on internally and publicly.

Strategic Metrics – metrics determined at an organisational level to enhance transparency for key stakeholders, balance or qualify 'core' metrics, or to focus on shorter term objectives or issue.

Tactical Metrics – metrics determined at an organisational level to support the operational management of procurement activity.

Procurement Practice - the approaches and techniques it employed to deliver procurement outcomes

Procurement Performance – outcomes achieved as a result of the application of procurement practices (e.g. cost improvement, product and service availability, collaboration, spend with SMEs, carbon reduction)