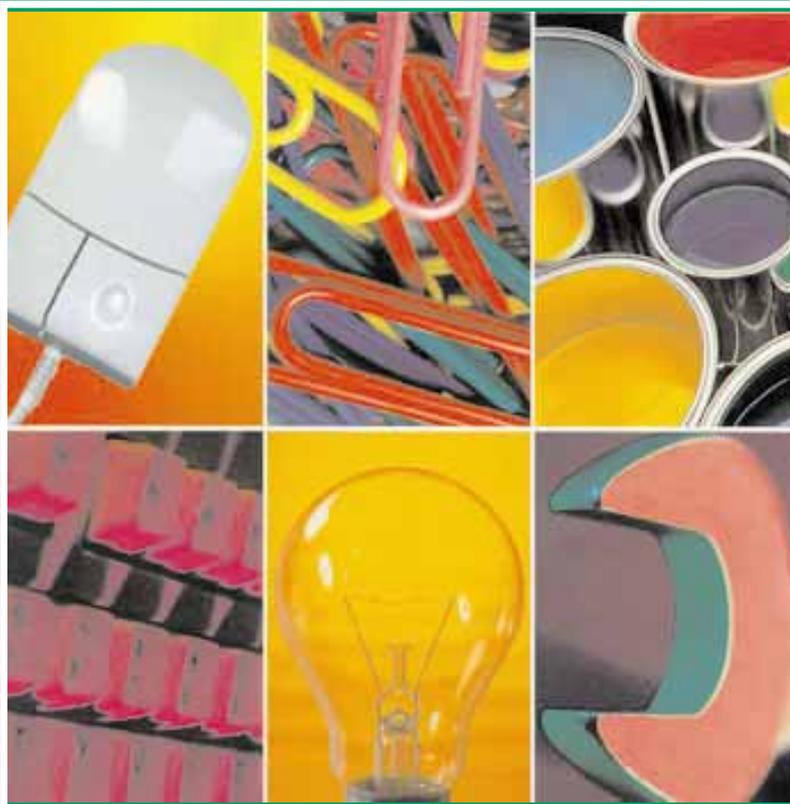


# Improving the Efficiency of the Procurement of Routine Items



This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

*John Bourn*  
Comptroller and Auditor General

National Audit Office  
5 June 1997

The Comptroller and Auditor General is the head of the National Audit Office employing some 750 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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# Executive summary

## Introduction

**1** In 1995-96, the Ministry of Defence (the Department) spent almost £600 million (5 per cent of their overall procurement spend) on routine items required by over 2,000 defence establishments located around the United Kingdom and abroad. This involved establishments placing almost 1.5 million orders at an average value of £400 per order. This report compares the Department's arrangements for the procurement of routine items against best practices, and makes recommendations for improvement under four main headings:

- Monitoring procurement performance
- Maximising the aggregation of requirements
- Increasing the efficiency of procurement practices
- Improving internal communications

**2** The National Audit Office estimate that implementation of the recommendations could contribute over £1 million a year in savings through lower prices and reduce administrative effort on the purchase of routine items at establishments by up to a quarter. Greater use of direct supply enabling arrangements would also reduce storage and transportation activity on routine items to an equivalent value of up to £3 million a year, complementing existing initiatives by the Department. The changes would maintain or improve the service provided to customers and offer scope to yield better information on which to base the management of procurement activity on routine items.

## Monitoring procurement performance

**3** The Department have well-established systems for supplying routine items to establishments, which involve different degrees of central and local activity and have different strengths and weaknesses. The Department have little information on the relative cost-effectiveness of these arrangements, however, and are poorly placed to monitor performance or to identify opportunities for improvement. The current arrangements can therefore unknowingly promote the use of procurement routes that may involve establishments committing a greater processing effort than necessary. The National Audit Office recommend that the Department should:

- a) promote the systematic collection and analysis of data on procurement patterns and costs;
- b) ensure that users are aware of the cost implications of the various procurement routes available;
- c) revise their guidance to reflect the findings of this report.

### **Maximising the aggregation of requirements**

**4** Standardising and aggregating requirements for commonly-needed items under centrally negotiated enabling arrangements can lead to better prices and to lower procurement process costs. The Department currently supply around two thirds by value of routine items through such arrangements, and achieve prices that compare very favourably with those achieved by benchmark organisations. The Department could, however, make better use of centrally negotiated enabling arrangements and increase the level of aggregation to the 80 per cent level that benchmark organisations seek to achieve by:

- d) analysing local procurements to ensure full use is made of existing enabling arrangements;
- e) looking for opportunities to bundle together local procurement activity in similar product areas or with given suppliers;
- f) making best use of opportunities for the direct supply of items from the contractor to the end user, minimising storage and transport costs.

### **Increasing the efficiency of procurement practices**

**5** Although there is scope for more use of centrally negotiated enabling arrangements, there will still be a need for some procurement activity to be conducted at local level. The Department's local procurement arrangements must take account of their responsibilities in respect of the regularity of public expenditure. However, even allowing for this, the Department's current arrangements are less efficient than those adopted by benchmark organisations in similar circumstances. The Department should investigate the scope to:

- g) target delegated contractual authority according to the needs of establishments and the skills of their staff;

- h) remove the scope for duplication between users and procurement staff both locally and between establishments and headquarters contract staff, where the latter are involved;
- i) use proprietary information technology to speed up the procurement process, provide better management information and help standardise local practices;
- j) give higher priority to reviewing the introduction of Corporate Purchasing Cards, which offer the prospect of reduced process costs and better management information.

### **Improving internal communications**

**6** If the procurement of routine items is to be cost-effective, there must be good communication between users and procurers, and between central contracts staff and establishments. Comparison with benchmark organisations shows that in some areas of the Department communication is weak, although the best areas approach benchmark standards. The Department should raise the weaker areas to the standards of the best by:

- k) ensuring that items on centrally negotiated call-off contracts are effectively marketed to users via catalogues and electronic means;
- l) providing feedback mechanisms for users to give their views on centrally provided goods and services;
- m) amending guidance to promote better communication between establishments and headquarters contracts staff.

## Part 1: Introduction

**1.1** In 1995-96, some 60 per cent (£13 billion)<sup>\*</sup> of the defence budget was spent on procurement ranging from major equipments (such as Eurofighter 2000) and capital works (for example Trident works) to the plethora of routine items, services and works which allow individual defence establishments to function effectively. The majority of this expenditure is accounted for by military items procured by project and equipment support branches in the Department's Procurement Executive and Service Supply and Defence Estates Organisations. However, the procurement of routine items by establishments is still significant in terms of annual expenditure (almost £600 million), and the possible adverse impact which a failure to obtain the routine items required can have on the day-to-day administrative operations of the Department's establishments.

**1.2** As Figure 1 shows, the Department has over 2,000 establishments which are sited all over the world. The nature and volume of routine goods and services which these establishments require - ranging from non-operational computer hardware and software, stationery, furniture and motor transport spares to window cleaning - is diverse.

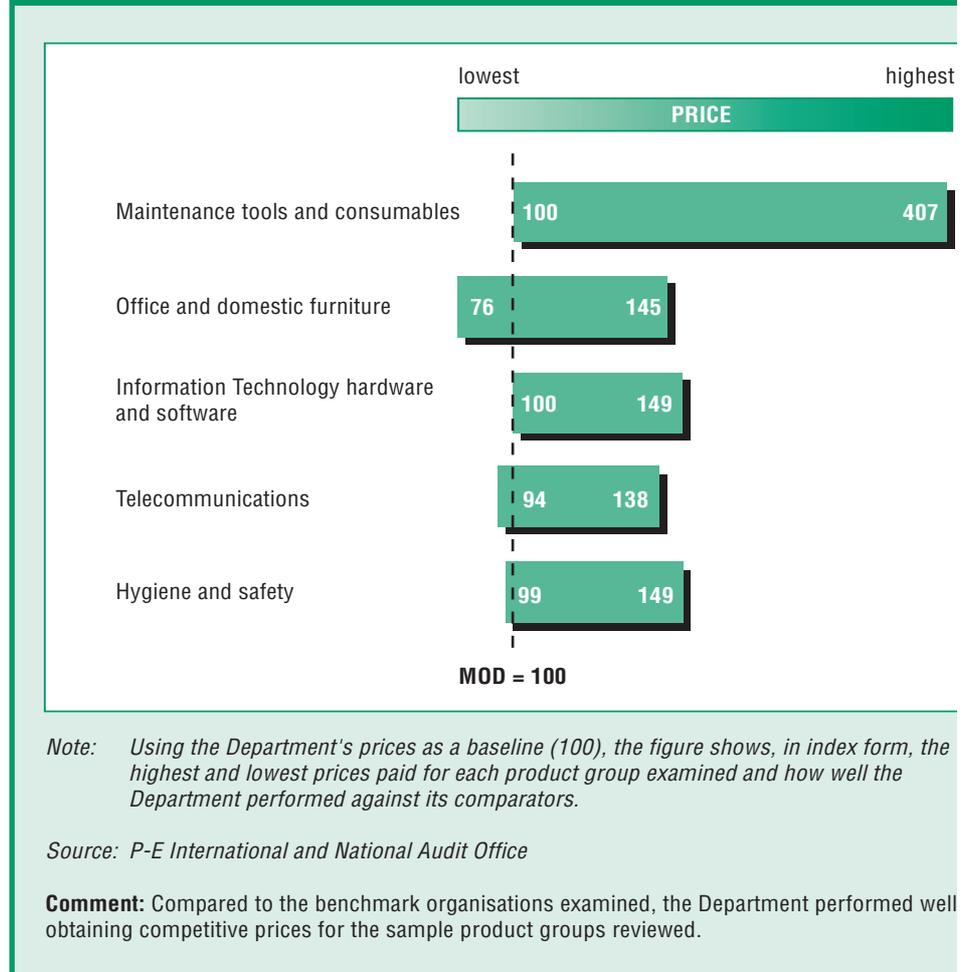
**1.3** The Department have in place a structured system, which embraces five procurement routes, to enable defence establishments to meet their needs for routine items. This is illustrated at Figure 2. Requirements are initially checked to determine whether they can be met from the centrally managed sources (the Service Supply System and direct Supply Enabling Arrangements). If this is not the case, those establishments with delegated purchasing authority (some 500 of the Department's 2000 establishments) may place a local purchase order. Alternatively for very low value items, establishments may purchase them for cash. For items of higher value that are not available from the former routes and which exceed locally delegated authority, a fifth route, involving Headquarters Contracts staff, provides additional flexibility. The value and volume of orders going through each of the routes is summarised in Figure 3.

### Previous Parliamentary interest

**1.4** As part of their Report on Fraud in Defence Procurement (46th Report, Session 1994-95) the Committee of Public Accounts highlighted local purchasing as being a fraud risk area. The Government response noted the risk and explained that the

\* UK Defence Statistics 1996

**Figure 11: Comparison of the prices paid by the Department and benchmark organisations**



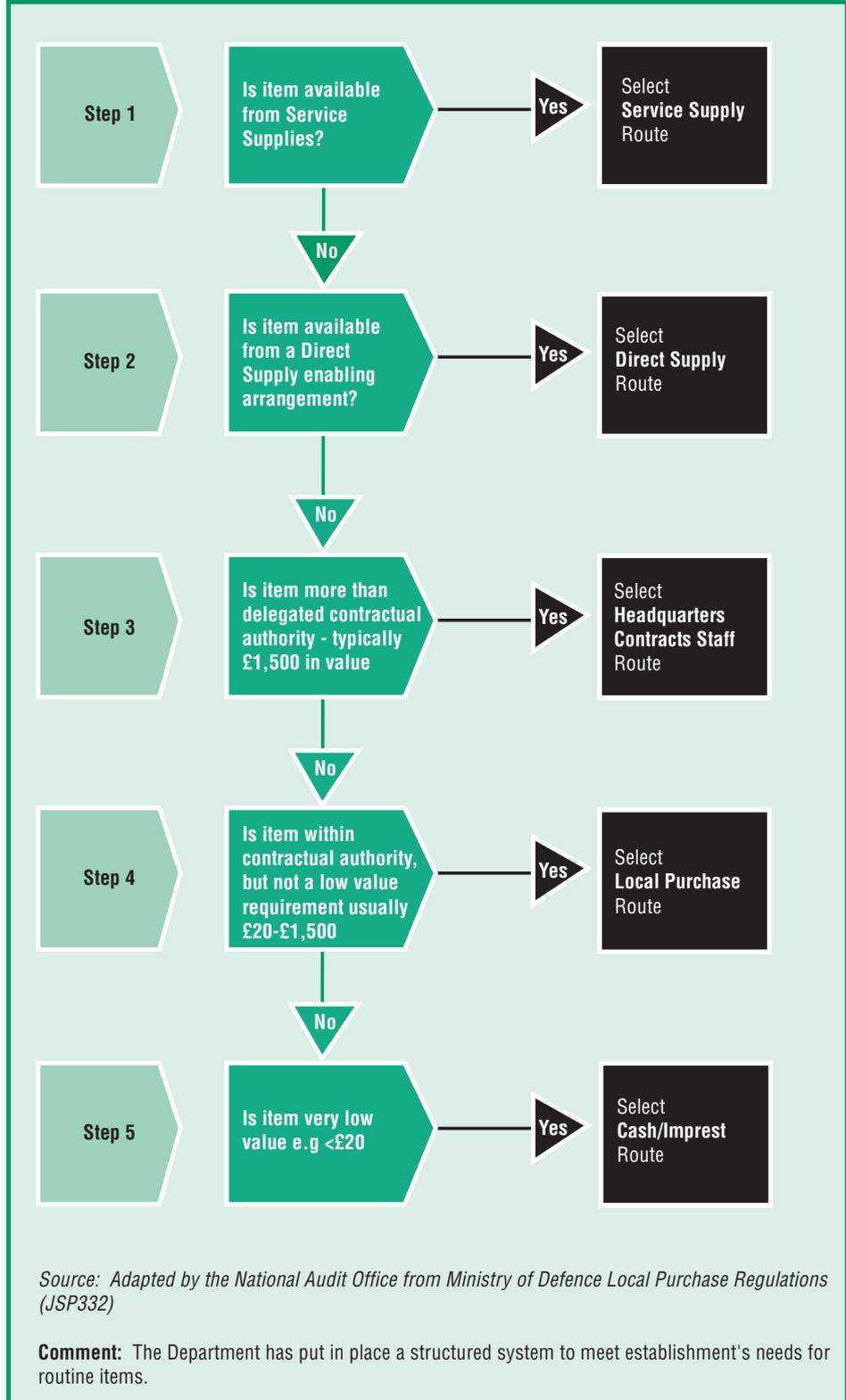
Department had introduced arrangements to oversee local purchase activity including the appointment of Directors of Contracts as Mentors, responsible for ensuring local purchase activity complies with the Department's guidance.

## Objectives and methodology

**1.5** The overall objective of the report is to assess how the procurement arrangements put in place by the Department to meet the routine needs of defence establishments compare with best practice. As such the National Audit Office have considered:

- the features of best procurement practice (Part 2 of the report);
- the extent to which the Department's arrangements for the procurement of routine items align with best practice (Part 3) and;

Figure 2: The routes through which the Department's establishments meet their requirements for routine items



**Figure 3: Indicative levels of usage of the procurement routes used to supply routine items**

Procurement Route	Value of Items Obtained £	Volume of Orders Placed	Average Order Value £
Service Supply System	250 million (43%)	1 million (71%)	250
Direct Supply Enabling Arrangements	125 million (21%)	75,000 (5%)	1,700
Local Purchase Orders	170 million (29%)	310,000 (22%)	550
Contracts Placed by Headquarters Contracts Staff			
Cash Purchases	450,000 (<1%)	26,000 (2%)	17
<b>Total</b>	<b>£585.45 million (100%)</b>	<b>1.415 million (100%)</b>	

*Source: National Audit Office analysis and Ministry of Defence statistics*

**Comment:** The Service Supply System and Local Purchase Order routes supply the majority of routine items to defence establishments.

- the scope to improve the Department’s arrangements by aligning them more closely with best procurement practice (Part 4).

**1.6** The report covers all items required by defence establishments to support their routine needs. It focuses primarily on the procurement of goods rather than services - which are increasingly being provided through Multi-Activity Contracts. The study excludes the procurement of military specific equipment, military clothing, capital works, military equipment spares (considered in “Prices Paid for Spare Parts” - HC 34 of Session 1992-93, June 1992), and the supply of food and utilities (covered in “The Supply of Food to the Armed Forces” HC 66 of Session 1996-97, November 1996 and “Management of Utilities” HC 177 of Session 1996-97, January 1997).

**1.7** In carrying out the study, the National Audit Office drew on the Department’s management information, the experiences of procurement staff and procurement reviews. However, the Department hold little management information on the processes for meeting the routine requirements of defence establishments. The National Audit Office therefore undertook three exercises to establish more detailed quantitative and qualitative data on the procurement processes used. The objectives of these exercises are summarised in Figure 4.

**1.8** The National Audit Office also undertook two exercises to benchmark prices and procurement processes. The first exercise compared the prices paid by the Department for a selection of routine items purchased under centrally negotiated enabling arrangements with the prices paid by broadly comparable commercial and public sector organisations. The second exercise was a procurement process comparison with 6 private and public sector bodies. The organisations selected all had multiple non-production activities

**Figure 4: Methodology used by the National Audit Office to obtain data on procurement processes**

Exercise	Objective
1. Overall Site Census	Postal questionnaire of all units/establishments with local purchase authority to provide basic quantitative data on the number and value of items supplied through alternative routes and administrative effort required.
2. Detailed Site Survey	Detailed postal questionnaire to sites agreed with the Department as being representative to give an assessment by end users of the service provided by the procurement systems.
3. Case Study Site Visits	Visits to 10 defence establishments (3 in the Royal Navy, 3 in the Army - including one establishment in Germany to assess how routine needs are met overseas, 3 in the Royal Air Force and 1 Central) to follow up responses in the detailed postal questionnaire, understand the operation of the various procurement routes, map the processes and identify examples of good practice.

**Source:** *National Audit Office*  
**Comment:** The methodology built a progressively more detailed picture of the procurement processes used to meet local needs.

at diverse sites with requirements covering a range of goods and services and may be seen as comparable to the Department in terms of routine procurement. The National Audit Office were assisted with these exercises by P-E International, a leading firm of consultants with experience in benchmarking.

**1.9** A more detailed description of the methodology used by the National Audit Office is contained in Annex A.

**1.10** The National Audit Office would like to thank all those within the Department and the comparator organisations who assisted us in completing this study.

## Part 2: Features of best procurement practice

### Introduction

**2.1** The White Paper “Setting New Standards - A Strategy for Government Procurement” (Cmnd 2840) provides a clear statement of the Government’s procurement objective as being that “best practice procurement will be a central element in Departments’ businesses at all management levels. Departments will seek to match the cost savings achieved by best practice private and public sector organisations”. The Department supports the message of the White Paper, contributed to the work that led to its findings and recommendations and considers that many of the recommended best practices highlighted in the White Paper are reflected in its procurement procedures.

**2.2** Although the White Paper was aimed more at procurement activity conducted at headquarters level, many of its recommendations are equally applicable to routine low value procurement. Figure 5 summarises key elements of procurement best practice. The following paragraphs examine each of these aspects in turn and consider the tensions between the application of different aspects of best practice. This analysis provides a backdrop for the detailed consideration of the Department’s current systems for procuring routine items, and the scope for enhancements to these, in the rest of the Report.

**Figure 5: Key features of procurement best practice**

- Minimising the cost of procurement;
- Maximising purchasing power through the aggregation of requirements;
- Using procurement information and research to develop procurement practices;
- Meeting the requirements of users;
- Ensuring budgetary accountability;
- Focusing on internal customer service;
- Having staff with the right skills;
- Minimising the risk of procurement fraud.

*Sources:*

1. White Paper “Setting New Standards - A Strategy for Government procurement”.
2. 1993 Treasury Report “Organisation of Procurement in Government Departments and their Agencies
3. Previous Committee of Public Accounts and National Audit Office consideration of procurement.
4. Benchmarking commissioned from P-E International.

**Comment:** There are a number of common principles underlying best practice procurement.

### **i) Minimising the cost of procurement**

**2.3** The Procurement White Paper states that “maximising value for money is a major business objective of all Departments. Procurement will be recognised as playing a central role in its achievement. Many companies have reported total cost savings of over 10 per cent from improved procurement and related processes”. The White Paper uses the term “procurement” to cover the whole process of acquisition from third parties (including the logistical aspects) and defines value for money as “the optimum combination of whole life cost and quality to meet the customer’s requirement”.

**2.4** The best practice benchmark organisations re-emphasised the need to look critically at the whole process of acquisition and all were seeking to re-engineer their procurement processes to remove activities that added no value. This took a number of forms. First, the benchmark organisations were looking to move to scheduled or just-in-time delivery which placed responsibility on the supplier to determine and hold appropriate stock levels. Such arrangements reduce both stockholding and transport costs for the purchaser, although the supplier will charge a premium - typically in a range between 1 and 4 per cent - in their price to cover these tasks.

**2.5** Secondly, the benchmark organisations were looking to contract with suppliers with shared values who could contribute to the development of the purchaser organisation and, in appropriate cases, accept duties previously carried out by the purchaser in-house. For example, the benchmark organisations were seeking to establish arrangements under which suppliers both provide and maintain equipment. Photocopiers, mainframe computers and vehicles on contract hire are common examples of equipments provided under such arrangements. Similar principles are also being applied in the public sector, a trend recognised by the White Paper which states that value for money will be sought through a range of techniques involving procurement, including private finance, market testing and contracting out.

**2.6** Thirdly, the benchmark organisations were seeking ways to simplify ordering and payment procedures by using information technology to support procurement practices, by introducing electronic data interchange to link buyers and suppliers and by introducing corporate purchasing cards.

### **ii) Maximising purchasing power through the aggregation of requirements**

**2.7** The 1993 Treasury Report “Organisation of Procurement in Government Departments and their Agencies” concluded that a key factor which characterised effective procurement was the aggregation of demand and rationalisation of products or suppliers. The Procurement White Paper re-affirmed this conclusion as did the best practice benchmark organisations interviewed, all of whom sought

to maximise their purchasing power and simplify their procurement processes through the aggregation of requirements. However, all of the benchmark organisations recognised that there was a level - typically 80 per cent of purchases

**Figure 6: Limits on the Aggregation of Requirements**

- The total contract value, even after aggregation, will be too small to attract significant discounts from national suppliers;
- The usage from each site is too small to be economically supplied by a national supplier;
- The demand is concentrated on only a few sites, giving suppliers in the localities concerned advantages over national suppliers;
- The cost of running a central competition and managing the subsequent contract outweighs any likely savings;
- The purchases are of a specialist nature or require local contract management. More effective results are likely to be obtained by local procurement staff with a direct interest in the user community;
- The service from national suppliers is not of uniform quality but varies regionally.

*Sources:* P-E International analysis

**Comment:** In practice, there are a number of limiting factors on the level at which the aggregation of requirements will be cost effective.

by value - after which aggregation was unlikely to be cost-effective. Figure 6 summarises the factors which the benchmark organisations considered limited the scope for aggregation.

**2.8** When they considered that the scope for aggregation had been pushed to its most cost-effective level, the benchmark organisations analysed their requirements to build on the benefits achieved from aggregation and to achieve further savings. First, they looked to rationalise specifications in order to increase the volume bought on a single specification, leading to further price reductions. For example, the Benefits Agency having already aggregated their requirements for office furniture, developed detailed performance specifications for a rationalised range. This enabled them to identify weaknesses in the commercially available furniture ranges and to use their purchasing power to obtain improvements. The value of the business offered was also reflected in additional “no cost” services offered by suppliers such as ex-stock delivery and on-site assembly.

**2.9** Secondly, the benchmark organisations sought to review their supplier base and to consolidate the mix of goods purchased. In some instances this led to a rationalisation of suppliers, whereas in others the result was a clearer and more responsive supplier - customer relationship. For example, the Inland Revenue traditionally obtained its stationery, forms and literature through HMSO who, in turn, sub-contracted the work among its 400 print suppliers. This resulted in a complex customer - supplier arrangement and difficulties with the timeliness and quality of supplies and excess stock-holdings. The Inland Revenue therefore reviewed its requirements and, following competitions, selected four suppliers to meet all of its needs directly. The result has been a 30 per cent decrease in the Inland Revenue's cost of operations, a reduction in supplier lead times, a 60 per cent internal saving in stockholding costs following the transfer of such activities to the supplier and the introduction of electronic ordering at 600 sites to reduce ordering costs and cycle times.

### **iii) Using procurement information and research to develop procurement practices.**

**2.10** Underpinning the drive to maximise the benefits of aggregation, the best practice organisations also emphasised the importance of procurement research, not just covering the marketplace but also the purchaser's internal customers needs. The benchmark organisations argued that this knowledge was key to developing overall acquisition strategies and to ensure that opportunities for improving value for money were not lost. For example, when the Benefits Agency developed a new strategy for office cleaning they researched the commercial cleaning market and current practice within the Agency. They found that they could make savings by increasing the size of contracts to cover several buildings in the same area rather than single buildings as had previously been the case. Standard specifications were also developed with user groups and advice from industry and a rolling programme of competitions planned which would be both manageable for the Agency and attractive to the cleaning industry. Average savings of over 25 per cent and improved service standards were achieved through this rationalisation process.

**2.11** The approach adopted by the benchmark organisations aligns closely with the 1993 Treasury Report which recognised that a key factor in effective procurement is the provision of appropriate management information and control systems. The Procurement White Paper re-affirmed this conclusion and stated that "Departments will be intelligent customers with well defined objectives and requirements". Similarly, in their report on University Purchasing in England (15th Report, Session 1993-94) the Committee of Public Accounts noted that "many aspects of good purchasing and supply depend upon reliable computing systems, comprehensive management information and performance indicators".

**2.12** For the benchmark organisations the management information required usually took the form of routine reports from units on the nature of the items being procured, volumes, prices, suppliers and savings achieved. These were generated to a common format using standardised software packages which also processed individual orders for units. The data thus generated allowed both the central procurement cell to collate and analyse purchasing activities across the whole business, and the individual unit to intelligently assess its own procurement activity. In this way the benchmark organisations were able to identify shortcomings in their existing systems and arrangements and opportunities to improve efficiency and the value for money offered.

#### **iv) Meeting the requirements of users**

**2.13** The Procurement White Paper states that “meeting the customer’s requirement is fundamental” and also comments on the need to test user requirements centrally for cost-effectiveness. This emphasis is also reflected in the benchmark organisations who devoted considerable effort to analysing users’ needs and monitoring both procurement performance and changing circumstances.

**2.14** To achieve these objectives procurement systems must provide for the timely delivery of goods which meet end users needs. But this does not mean that the customer should be left to specify their needs in isolation from questions of cost or the wider needs of the organisation. Questions of speed of response and the specification and quality must be seen in the light of the circumstances and purpose of use: there is no point in paying for extra speed of delivery or quality of goods if these factors have no relevance to customer performance or capability. Similarly, individual preferences between products fulfilling a basic specification must sometimes be set aside in favour of standardised products which benefit the organisation as a whole. However, it is also vital that changing needs or opportunities for using different, more cost-effective, products are not masked by running standardised systems in an inflexible way.

#### **V) Ensuring budgetary accountability**

**2.15** The White Paper argues that procurement cannot be left solely to professional purchasers but that managers in all areas have an interest in the achievement of value for money. The end user must thus be aware of the cost of the procurement process and of the items being procured, should bear these costs and have the authority and ability to influence the outcome of the procurement process. This will provide a discipline on end users to test their needs for cost-effectiveness and on the procurement organisation to provide an acceptable level of customer service.

**2.16** The benchmark organisations reflected this emphasis on budgetary accountability. However, the mechanisms which they put in place to achieve this objective differed. In particular, the private sector benchmark organisations did not separate budgetary authority and the ability to place orders for low value or low risk items in the same way as in the public sector, although their procurement systems still recognised the risk of impropriety. Rather, authority usually rested with line managers who were responsible for ensuring that adequate funds were available and for evaluating the need for an item and its technical adequacy. For many purchases, the procurement organisation was not involved at all. This approach is different to that in the public sector where separation of authority is emphasised as a primary control against fraud.

#### **vi) Focusing on internal customer service**

**2.17** Most of the benchmark organisations adopted some form of federal structure with a central group responsible for leadership on procurement policy and the establishment of supply systems which fit the business needs of units, and devolved units with the freedom to innovate within this framework. The focus of the procurement organisation was thus on providing a defined standard of service to internal customers. In some cases this relationship was codified in internal published standards. For example, the NHS Supplies organisation has published price guarantees and agreed targets for processing orders with customers.

**2.18** Moreover, many central procurement units in benchmark organisations had actively marketed their services to customers and provided help desks and mechanisms for receiving feedback on their services. In this way the benchmark organisations sought to ensure good communication between themselves and customers.

#### **vii) Having staff with the right skills**

**2.19** The Procurement White Paper records that “there is a close correlation between successful procurement and the skill levels of staff” but notes that, dependent upon the nature of the task, “not all procurement staff will require the same amount or level of training”.

**2.20** The best practice organisations considered that the development of high quality procurement staff was important at all levels of the organisation. For example, Department of Social Security staff with procurement responsibilities are encouraged to take the courses which lead to the Civil Service Certificate of Competence in Purchasing. This approach reflects the relatively high levels of contracting authority vested in such staff, and the benchmark organisations’ use of them to negotiate contracts rather than to process orders.

### **viii) Minimising the risk of procurement fraud**

**2.21** The White Paper re-affirms Government policy that the “authority to commission a purchase and to provide financial authority for it is in different hands from the authority to place the order or sign the contract”. The benchmark organisations shared similar concerns and also recognised that there was no generic system which could manage the risk of fraud in all circumstances. Rather, what was needed was an analysis of the risks associated with different approaches - for example in using Corporate Purchasing Cards rather than traditional paper based ordering systems - to consider to what extent the risks could be managed. The benchmark organisations considered that this approach placed a premium on the availability of suitable information against which to make such assessments and subsequently to monitor compliance.

## **Problems in applying best practice**

### **Tensions between criteria**

**2.22** The difficulties in applying best practice stem from the fact that a number of best practice elements are in tension. So, for example, speed of response may not sit happily with low prices; and low process costs may not square with the need to demonstrate propriety in procurement. Likewise, standardising and aggregating requirements may not meet the preferences of individual customers. Given these tensions organisations must make a series of judgements about the balance to be struck between the best practice criteria. The following paragraphs look at two situations which illustrate the need for such flexibility.

### **The influence of location**

**2.23** The precise location of establishments influences the most cost-effective approach to the procurement of routine items. Where establishments are close together, or close to major population centres, then the opportunity exists to use direct supply arrangements, or to join together for local procurement purposes to minimise overheads. But for establishments that are isolated, in the Department’s case, for example, the Falklands garrison or some of the more remote bases in Scotland, there are no such opportunities. Such establishments may have to make more use of stores and local purchase arrangements, balancing increased administrative and logistic cost against the need to guarantee a level of operational effectiveness.

### **Different items may favour different procurement approaches**

**2.24** In similar vein, the nature of the items required influences the choice of procurement method. Where organisations need consumables, such as stationery, which are also needed by other organisations, there is likely to be an existing supply and distribution industry which can be readily employed. For items such as hand-tools, the organisation's needs may be broadly similar to other industrial concerns, but the volume of demand for individual items relatively low. Here, arrangements with wholesalers, or holding some stocks and supplying units using internal delivery mechanisms, might be contemplated. Where the organisation has specialised needs, perhaps associated with the maintenance of specific types of appliances or equipments, then arrangements with contractors to maintain, and perhaps own, the equipment could be the most cost-effective route.

### **Procurement strategy flexibly implemented**

**2.25** The benchmark organisations recognized the need to provide a clear steer to their various units on the strategy that would usually result in cost-effective procurement, and to base any central procurement arrangements on that strategy. Some, like the Department, then mandated the use of central arrangements where possible. Most, however, merely promoted the use of such arrangements, then monitored procurement performance: units that set aside central arrangements but failed to improve on them with local efforts were called to account. All organisations, however, provided for differing local circumstances, and the following sections, in setting out the Department's actions and assessing the scope for improvement, look for solutions that will be practical for many of the Department's needs, without suggesting that all routine procurement be handled in a given way.

## Part 3: The application of best practice by the Department

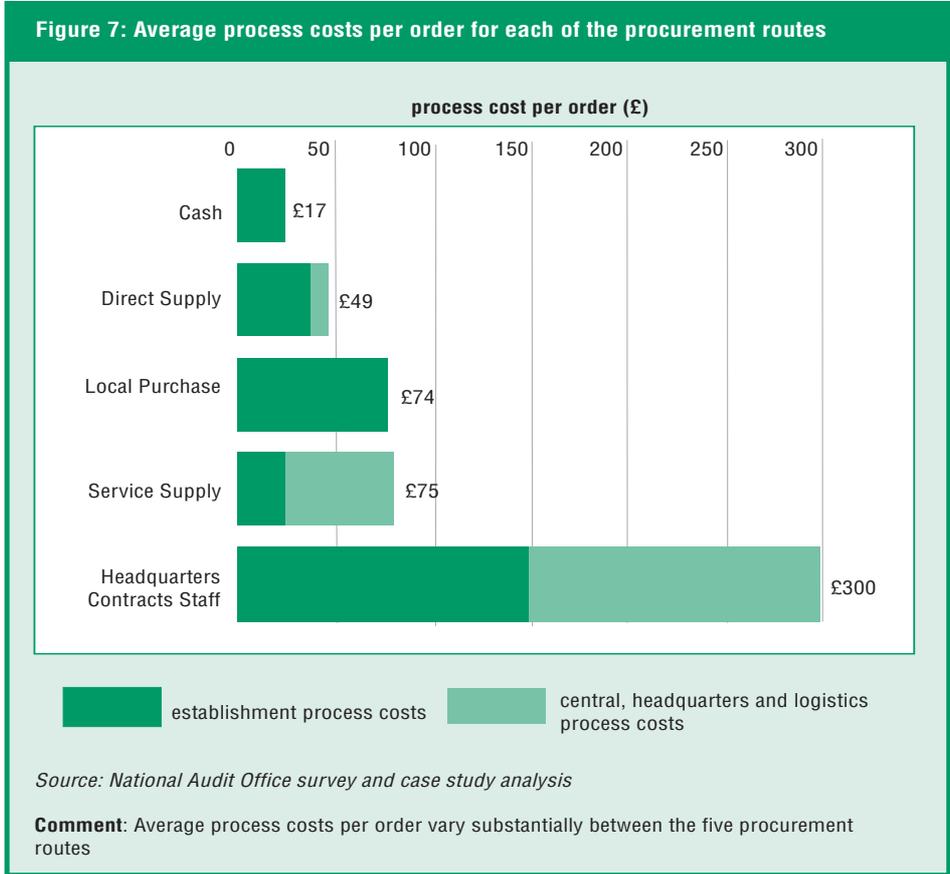
### Introduction

**3.1** This part of the Report analyses the Department's current arrangements for procuring routine items and the extent to which these align with best practice.

### Minimising the cost of procurement

**3.2** The Department do not hold centrally consolidated cost information on the whole process of acquisition under any of the five procurement routes used to supply routine items. The National Audit Office, therefore, generated information on the time spent by establishments on each of the main activities involved in processing an order using each procurement route and, based on this information, produced an estimate of the process costs involved. Figure 7 summarises the results of these exercises and Figure 8 illustrates the time typically taken to process individual orders through each of the procurement routes. For some procurement routes, there are additional central process costs such as the cost of storing and transporting items. Figures 7 and 8 make allowance for these logistic costs using the target "price additions" - typically 22 per cent of the value of the item being supplied - calculated by the Department's management accountancy staff.

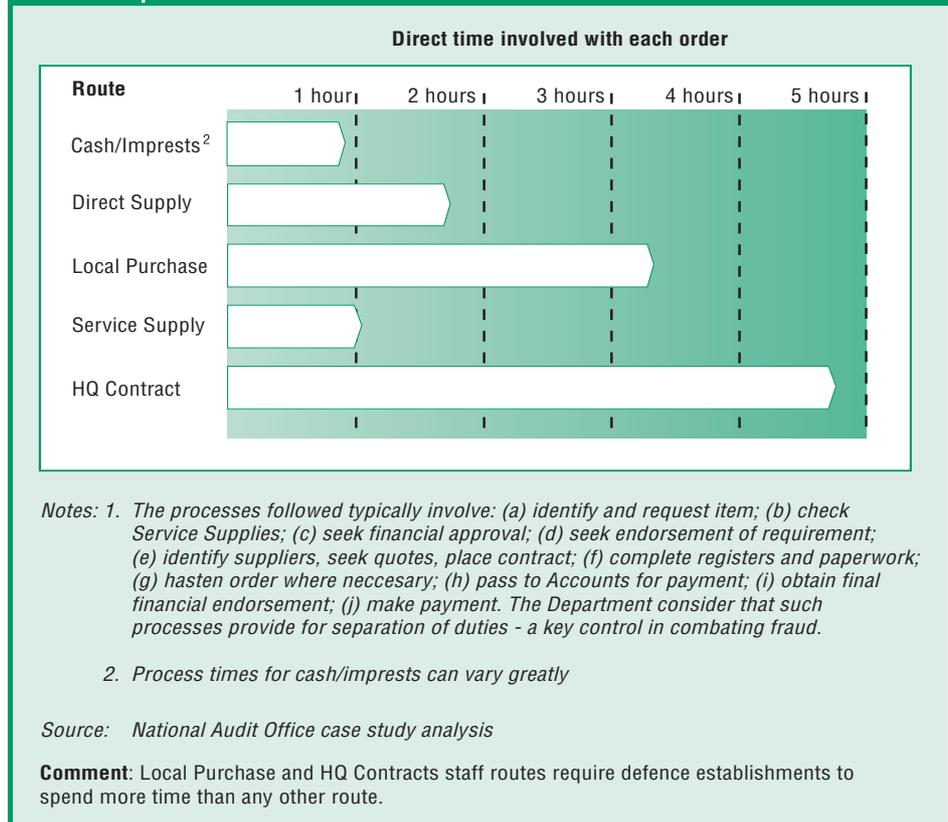
**3.3** Several key factors influencing the total cost of the Department's acquisition processes for the procurement of routine items are apparent from the National Audit Office analysis. First, the highest process costs - £300 per order - are those associated with orders placed by headquarters contracts staff. However, this must be seen in context. Such orders account for less than 1 per cent of the total number of orders placed and the process cost equates to only 3 per cent of the average order value. The high process cost reflect two main drivers. First, the greater complexity of some of the requirements being ordered through this route means that the contracting service provided by trained professionals is particularly important to the achievement of value for money. Secondly, the process cost per order reflects an element of duplication between the activities of requisitioning and procurement staff locally and of headquarters contracts staff, although the precise split of process costs between establishments and headquarters contracts staff varied widely according to circumstance.



**3.4** The cost drivers for the Service Supply System, which is mandated as the first port of call for establishments requiring routine items, are associated with storage and transportation. The Department have recognised these costs and begun to reconsider whether it is cost-effective to supply certain ranges of routine items through the Service Supply System. This initiative has been given further impetus by one of the Department’s Defence Costs Studies which proposed an acceleration of the existing programme to rationalise stock holdings for general stores and accommodation items, and concluded that some ranges of items should be provided through direct supply contracts or through local purchase orders. To date progress in achieving this objective has been relatively slow with only a very few of the thousands of enabling arrangements set up on a direct supply basis.

**3.5** Where the Department have put in place direct supply enabling arrangements, for example for computer equipment and services and stationery, the benefits, in terms of reduced establishment process costs, are noticeable. This is particularly true where orders are placed using Electronic Data Interchange (for

**Figure 8: Typical establishment processing times for individual orders through each procurement route<sup>1</sup>**



example, some 140 establishments are now linked into the HMSO HEART system) which removes the need to generate paper orders as well as providing better budgetary and management information.

**3.6** However, there are additional costs associated with direct supply. As well as the premium which a supplier will charge in his price to provide a direct supply service, there are also headquarters processing costs, primarily relating to placing and managing the contracts. For example, it costs in the region of £1 million a year to operate the Director General Information and Communications Systems (DGICS) computer catalogue, which equates to process on-costs of approximately £5 per order. Added to this is the cost of payment through the Defence Bills Agency - less than £1 per order. Taken together, these external process costs equate to only approximately 0.5 per cent of the average DGICS order value.

**3.7** Procurement using local purchase orders does not incur any central process costs but is still a relatively expensive procurement route because of the high establishment processing costs incurred. There are a number of factors at

play here. First, in administrative terms, there can be some duplication of tasks, particularly between requisitioning and procurement staff and most of these tasks are undertaken manually.

**3.8** Secondly, approximately half of all local purchase orders placed are valued at under £100, with an average value of £51. Departmental guidance allows purchasers discretion for low value orders either to dispense with competition or to use cash purchases. However, the establishments visited by the National Audit Office still chose to follow the full local purchase order process. The Department consider that this may be partly explained by the perception among local managers that cash purchasing attracts a higher risk of fraud. Some examples of low value orders which have been procured under local purchase procedures are given in Figure 9.

**Figure 9: Examples of low value items procured using local purchase orders**

Item	Order value £	Number of times average process cost exceeded order value
Brass padlock	0.98	75 times
Gasket	1.65	45 times
Mobile phone charger	2.36	31 times
Air Filter	4.40	17 times
Number plate	7.05	10 times

Source: National Audit Office analysis of Local Purchase Registers  
**Comment:** Some items procured via local purchase are of very low value.

**3.9** The Department are taking steps to reduce the processing costs associated with local purchase. In particular, they have been considering the application of Purchasing Cards to their low value procurement needs and are monitoring the progress made on a small number of pilot programmes undertaken in other Government Departments.

**3.10** The Department are also looking to suppliers to carry out duties previously undertaken in-house. A good example here is the recent award of a contract to Lex Vehicle Leasing to manage the Royal Air Force's fleet of administrative cars under a Private Finance Initiative scheme. This arrangement will remove the requirement for spares provisioning, guarantee a given level of availability and should help to reduce establishment's processing overheads.

**3.11** In comparison with best practice, the Department do not have sufficient information on procurement activity and costs to make informed judgements on the value for money offered by alternative procurement routes. The result is that although they have put in place some sensible initiatives to help reduce costs, the initiatives have not been founded on a precise analysis of costs and benefits. For instance, the

Department's current guidance mandates the use of the Service Supply System and direct supply enabling arrangements as a first option, but does not recognise that in terms of process costs these may not be the most cost-effective options.

## Maximising purchasing power through the aggregation of requirements

**3.12** The Department seek to obtain best value for money through competition, wherever practicable, and to aggregate similar items into packages that may yield volume discounts. Figure 10 summarises the extent to which each of the procurement routes considered in this Report achieve these objectives. It shows that each route involves some form of competition and that almost two thirds of the Department's routine item procurement is already aggregated and sourced through the Service Supply System and direct supply enabling arrangements.

**Figure 10: Achieving the lowest prices**

Route	Orders		Competition	
	Aggregated	Individual	Formal	Informal
Service Supply System	✓		✓	
Direct Supply Enabling Arrangement	✓		✓	
Local purchase Orders		✓		✓ <sup>1</sup>
Contracts Placed by Headquarters Contracts Staff		✓	✓	
Cash Purchases		✓		✓ <sup>2</sup>

*Notes: 1. The Department's guidance states that establishments may dispense with competition for orders under £2,500 although this figure is reducing as mentors review delegated local purchase authority. However, at present, the vast majority of orders for amounts below this level still include some aspect of informal competition, typically either telephone quotations or a comparison of catalogue prices.*

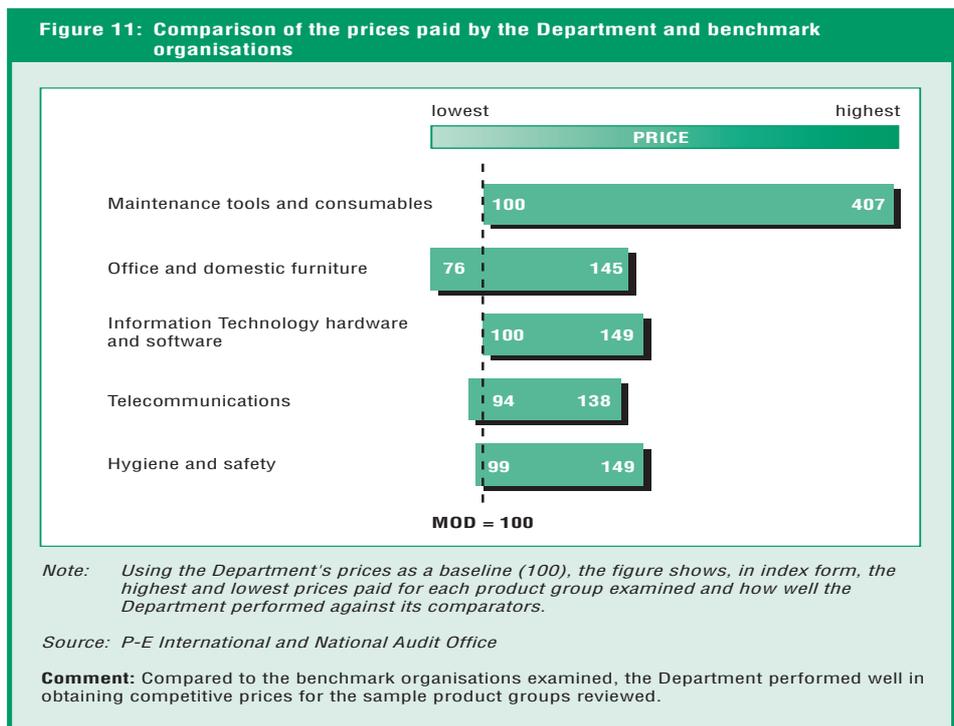
*2. Cash purchase may be subject to informal price comparisons.*

*Source: National Audit Office*

**3.13** To assess the Department's performance in achieving competitive prices where establishments requirements had been aggregated, the National Audit Office tasked P-E International to compare the prices the Department had negotiated on a number of service supply or direct supply enabling arrangements with those secured by similar private and public sector organisations. The items analysed covered a broad spread of requirements, ranging from computer equipment to paper towels and padlocks. Further details of the methodology employed by P-E International are in Annex A.

**3.14** Figure 11 summarises the results of the P-E International analysis and highlights the Department's good performance against the comparators, securing either the lowest average prices for each product group or attaining a close second. This performance reflects the skills of the Department's contracts staff and the strong buying power of the Department given the volume and value of items purchased.

**3.15** In the light of the budgetary pressures which they face, establishments were naturally keen to source items at the lowest purchase price and occasionally identified individual items that could be purchased at a lower price than was offered by a centrally placed enabling arrangement. For example, an exercise undertaken at Britannia Royal Naval College Dartmouth demonstrated that, for a limited range of stationery items, savings of 12 per cent could be achieved by approaching a local wholesaler through the local purchase route instead of using the HMSO direct supply enabling arrangement. However, in reaching a judgement on what constitutes value for money, establishments seldom took account of the loss of purchasing power for the Department as a whole or the longer term costs associated with purchases from alternative sources. For example, with the procurement of information technology, similar items can sometimes be sourced cheaper by “special offers” from retail suppliers, but these rarely offer the back-up and support provided by DGICS.



**3.16** The Department are aware of the possibility of individual establishments undertaking procurement activity which may not result in best value for money for the Department as a whole and, in some areas, have taken action to limit its impact. For example, to combat price fluctuations in the information technology market, the DGICS organisation has negotiated a facility in all of its contracts to obtain price “refreshers”, so that if over time market prices fall they can be incorporated into the contract and the benefits passed on to authorised

demanders. In addition, DGICS also operates a complaints and “price challenge” procedure to encourage users to contact DGICS where they feel that better deals, or a better service, could be achieved.

**3.17** The Department are also looking to rationalise their specifications on existing enabling arrangements to secure enhanced value for money. For example, the Royal Air Force have standardised specifications for Service’s married quarters furniture and have achieved a 10 per cent reduction in prices.

**3.18** In summary, the Department have aggregated two thirds by value of their requirements in centrally negotiated arrangements, and as the price benchmarking exercise shows, achieve very good prices. But there is scope to increase the proportion of requirements covered by such contracts and to make fuller use of the centrally negotiated arrangements that are already in place.

## **Using procurement information and research to develop procurement practices**

**3.19** The extent of procurement research undertaken by the Department varies, with most research focused on the centrally controlled (Service Supply System or Direct Supply Enabling Arrangements) routes. This is well illustrated by the research which underpins the DGICS catalogue. Users of the catalogue are closely involved with technical specialists and contract staff in defining requirements and running competitions. Once contracts are in place, DGICS also encourages continuing feedback through user groups, a help desk and standard forms in the Catalogue. The range of goods and services offered in the catalogue is also kept continuously under review to take account of changes in technology and prices, and contracts include change control and technology refresh clauses and make provision for regular price reviews. These arrangements mean users are closely involved and contracts, usually let for at least two years, remain competitive in terms of both the products offered and prices charged.

**3.20** Similarly, a large proportion of the contracts which feed the Service Supply System with routine items are placed by headquarters contracts staff in Glasgow. Contracts staff in the Glasgow headquarters are organised into sections specialising in related ranges of items. Contracts staff within these sections therefore build up a good knowledge of the market relating to the item ranges they are responsible for. The benefits of this knowledge base are demonstrated by the prices typically achieved by the Glasgow contracts staff which, as Figure 11 shows, compare very well with those negotiated by other organisations for similar items.

However, because management of the contracts, once placed, is undertaken by Service Supply staff, the knowledge accrued by the Glasgow contracts staff is not passed directly to end users.

**3.21** In contrast to the approach adopted for centrally negotiated enabling arrangements, the Department undertake little structured analysis of local purchase orders. A review of local purchase registers at the sample establishments visited by the National Audit Office highlighted two main shortcomings caused by this lack of monitoring. First, some items were being sourced through local purchase orders which were available from centrally negotiated enabling arrangements, in particular computer equipment, stationery and motor spares.

**3.22** Secondly, the Department had not always identified opportunities to bundle together similar requirements under either national or local direct supply enabling arrangements. For example, at the majority of defence establishments visited by the National Audit Office, low value electrical components such as bulbs and fuses were purchased locally. At one establishment, 47 separate orders for electrical items were placed with a single supplier in one year. Each purchase was subject to a local purchase competition and incurred the associated process costs. The opportunity to bundle such purchases had not been recognised by either the staff undertaking local purchase or the Mentors overseeing them.

**3.23** There are a number of reasons why the Department do not undertake more research into local purchasing. First, placing local purchase orders is only a part-time task at some defence establishments and is seen as an administrative duty. Secondly, the diversity of the purchasing methods used and therefore the number of “information holders” militates against the construction of a coherent overview of routine purchases at establishments. Thirdly, many of the staff undertaking local purchasing have had limited training and experience and have not developed broader purchasing competencies. Finally, the manual recording of most purchasing data hinders analysis either by establishments or mentors. Indicatively, just over half of the establishments surveyed by the National Audit Office considered the level of computerisation at each of the key stages of procurement to be low or non-existent, and assessed it as insufficient to meet their continuing procurement needs. The effect of undertaking research into local purchasing activity is illustrated in Case Study 1.

**3.24** Compared to best practice, the Department undertake well structured research in support of centrally negotiated enabling arrangements. But they undertake little research into locally initiated procurement and have missed opportunities for aggregation, and have poor information on areas where existing enabling arrangements are not being used.

### Case Study 1: The Plymouth Contracting Initiative

The Director of Contracts Mentor responsible for several Naval establishments in the Plymouth area undertook a review of local purchase activity which highlighted the savings which may result from aggregation and from a better analysis of how to meet local needs cost-effectively.

By analysing patterns of local purchase expenditure the Mentor was able to identify purchases for similar items being placed with the same suppliers. This allowed the Mentor to set up direct supply enabling arrangements with a number of regional suppliers with items being supplied with better delivery terms and price discounts and with process cost savings. As a result of this review the Mentor has estimated that, taken to its logical conclusion, up to 80 per cent of local purchase activity in the Plymouth area could be transferred to direct supply enabling arrangements.

As a result of the review the Mentor also decided to withdraw the local purchase powers delegated to individual defence establishments and to make the existing regional contracts cell responsible for all local purchases. Under this arrangement establishments complete a standard form and fax this to the contracts cell. The cell is overseen by professional contracts staff who identify suppliers and are responsible for running competitions and placing orders. In process terms, costs are likely to be similar to the traditional local purchase route. There are advantages, however, in reducing the risks of fraud associated with local purchase and the better management information generated.

At first, the initiative was not well received by the naval establishments affected. However, the Plymouth cell have committed to provide as good a service as establishments had received before - for example they distribute bi-monthly newsletters keeping establishments up to date with developments - and, as the initiative has bedded down, establishments views have moderated. This suggests that, providing the quality of service offered is high, there may be scope to make greater use of procurement cells to meet the routine needs of closely located defence establishments in a cost-effective manner whilst providing a level of service acceptable to their customers.

## Meeting the requirements of users

**3.25** Figure 12 summarises the extent to which each of the procurement routes considered in this report deliver the items establishments require to the right quality and within acceptable timescales. It shows that, whilst establishments' views on the timeliness of supply from each route varied widely, the quality of the goods procured was acceptable regardless of which route was adopted. This reflects the fact that the goods required are typically low value proprietary items and often available in many high street stores.

**3.26** In terms of timeliness, establishments expressed a preference for locally controlled routes - local purchase orders and cash purchases - even where these imposed a greater administrative burden than the centrally controlled and aggregated routes. In particular, 90 per cent of users thought that local purchase performed satisfactorily or better in delivering to agreed timescales, with a third assessing performance as good or very good. Conversely, where headquarters branches were involved in placing one-off contracts only two thirds of users considered a satisfactory service was provided. These perceptions were quoted as a reason why some establishments had, in the past, split orders to keep within delegated contractual levels and hence been able to place contracts locally. The practice of splitting orders can result in poor value for money by failing to

**Figure 12: Meeting user requirements**

Route	Quality	Timeliness	User view of timeliness
Service Supply System	Acceptable	1 - 2 weeks	generally good, although examples of "stock-outs" generally good
Direct Supply Enabling Arrangements	Acceptable	1 - 3 weeks	generally good
Local Purchase Orders	Acceptable	within 1 week	very good and reliable since establishment driven
Contracts Placed by Headquarters Contracts Staff	Acceptable	1 - 8 weeks	poor
Cash Purchases	Acceptable	within 1 week	very good and reliable, although items often collected by end-user which can be time consuming

Source: *National Audit Office*

**Comment:** Quality is acceptable for all routes. Local purchase orders and cash purchases offer the quickest response to establishment users.

aggregate requirements and may also increase the risk of fraud. On a more positive note, headquarters contracts staff performance was perceived by establishments to improve where they were located close to the demanding establishment.

**3.27** There are a number of explanations for establishments' dissatisfaction. First, the primary customers of headquarters contracts staff are their project managers or equipment support managers and placing contracts for routine items on behalf of defence establishments may receive a lower priority. Secondly, establishments do not always provide contracts staff with sufficient notice of their requirements to allow the contracts staff to programme their workloads accordingly. Finally, placing contracts may necessarily take time if the item being procured is complex. The Department consider that there is a balance to be struck here between placing higher value orders and placing lower value orders to meet the routine needs of establishments.

**3.28** For the centrally managed routes the performance in delivering items to time was assessed by establishments as mixed. With direct supply enabling arrangements users interviewed at case study sites considered that performance against delivery times was generally good and improving. In particular, the National Audit Office note that the feedback systems introduced by central organisations such as DGICS have enabled concerns about performance to be taken up both in negotiating new contracts and with existing suppliers.

**3.29** Where the Service Supply System was used delivery performance was assessed as generally good but more variable by defence establishments. For example, the National Audit Office found instances where the Service Supply System did not always provide motor transport spares within the timescale required. This led to requirements being satisfied at the "eleventh hour" by local purchase, or to additional costs through the hire of replacement vehicles.

**3.30** In essence, establishments considered that the procurement systems put in place by the Department provided the most timely service where establishment control and input was greatest; supplied goods of acceptable quality to meet establishments needs; and for some direct supply contracts, encouraged end user feedback on the operation of centrally negotiated enabling arrangements.

### Ensuring budgetary accountability

**3.31** Since the introduction of the Department's New Management Strategy, budgetary responsibility has increasingly been delegated to individual establishments. This means that budget managers at establishments have a responsibility for ensuring that the local procurement of routine items is proper, justified and is undertaken in the most cost-effective manner. If budget managers are to exercise prudent financial management, they need visibility of the costs of the items procured, and for these to be reflected in their accounts in a timely manner. In addition, managers should also be aware of the process costs associated with meeting their requirements. Figure 13 summarises how the procurement routes measure up to these criteria.

**3.32** Contrary to best practice, until the National Audit Office study, neither establishments nor headquarters staff had data on the full process costs associated with the five routes used to procure routine items. More positively, and in line with the ethos of the New Management Strategy, establishments do bear the cost of all routine items purchased except those sourced through the Service Supply System.

**Figure 13:** How well the needs of establishment's budget holders are met

Route	Charged to establishment budget	Timeliness of recharges	Payment Location	Visibility of process costs
Service Supply System	No	not recharged to establishment	Central	No
Direct Supply enabling arrangements	Yes	2-6 weeks	Central	No
Local Purchase Orders	Yes	1-2 weeks	On-site	No
Contracts Placed by Headquarters	Yes	1-3 weeks	Central	No
Contracts Staff				
Cash Purchases	Yes	1 week	On-site	No

*Source:* National Audit Office  
**Comment:** The Service Supply System is the only route which does not recharge establishments directly for items ordered.

**3.33** However, dependent upon the procurement route used, the time taken to recharge purchases against establishment budgets can be protracted and work counter to prudent financial management. Payments for items supplied through centrally negotiated enabling arrangements are processed through the Defence Bills Agency. This system, whilst administratively straightforward, does not always result in timely recharging to budget holders. The alternative system,

making on-site payments for local purchase orders and cash purchases, results in almost immediate re-charges and, in their survey responses, budget managers highlighted a clear preference for such arrangements. In addition, establishments argued that local payment enhanced relations with local suppliers, due to the ability to make payments promptly which helped them to secure better prices, delivery and post-sale service terms. However, on-site payment cells are administratively cumbersome compared to the Defence Bills Agency and increase the process costs associated with local procurement and carry an increased fraud risk through the closeness of the relationship with local suppliers.

### **Focusing on internal customer service**

**3.34** All of the Department's contractual transactions are conducted by Headquarters contracts staff or locally by establishment staff under delegated local purchase authority. The Department should ensure that the centrally managed procurement systems put in place to meet establishments' routine needs are easy to use, and provide guidance to those undertaking delegated local procurement that better enables them to follow best practice in their procurement activities. The Department can also assist with the implementation of best practice at local level through its Mentor system, although resource availability and deployment of staff is, ultimately, a matter for local establishment managers.

**3.35** As with the issue of timeliness and quality, establishments expressed a clear preference for locally controlled routes as being the easiest to use. Conversely, and despite requiring them to work through a similar process, establishments viewed the arrangements for headquarters contracts staff to place contracts as least easy to use.

**3.36** Both of the centrally managed procurement routes were identified by users as administratively simple to operate. For the Service Supply System this reflects the degree of automation, and customers' familiarity with arrangements in place to procure military items. For direct supply enabling arrangements it reflects the progress made introducing user-friendly catalogues such as those covering computer equipment (DGICS) and stationery (HMSO), supported, in the case of DGICS by regular newsletters and a customer support helpdesk. However, there were some areas of concern for establishments.

**3.37** Where individual establishments have requirements which are repetitive and/or significant in value they may become additional demanders on service supply enabling arrangements. However, this requires a contract amendment and the contractor may seek a price increase if a large number of demanders are added. The number of demanders on service supply enabling arrangements tends

therefore to remain low - a sample reviewed by the National Audit Office had between 2 to 15 users - and many establishments were unaware of the existing arrangements to become authorised demanders.

**3.38** Not all direct supply enabling arrangements were viewed favourably by customers. There are two particular issues here. First, customers commented that they found it difficult to establish whether specific items were available from direct supply enabling arrangements and could not always identify who to contact for advice among the headquarters organisation. To rectify this, the Department are introducing a central help desk linked to a database of enabling arrangements to assist users in identifying who can supply the items they require.

**3.39** Establishments' second concern was the unhelpful generic descriptions included in some direct supply enabling arrangements. These reflected the terms used in the original competition and meant that some enabling arrangements were not user friendly for anyone without detailed specialist knowledge. The extent of the differences in approach is illustrated by the extracts from the hand tools contract and the DGICS catalogue at Figure 14. Steps are being taken to improve this situation. For example, the Army, who are responsible for the handtools enabling arrangement, has produced a booklet listing items in a simplified and pictorial form. However, not all requisitioners were aware of the booklet's existence and its utility was therefore limited.

**3.40** In summary, in terms of ease of use establishments expressed a clear preference for locally controlled purchasing routes. Centrally negotiated enabling arrangements (either direct supply or as part of the Service Supply System) were considered generally easy to use, although some were more user friendly than others. Additionally, it was not always easy to identify what enabling arrangements had been established, or to become an authorised demander.

## **Having staff with the right skills**

**3.41** For the contracts routes involving headquarters contracts staff (the Service Supply System, direct supply enabling arrangements and procurement by headquarters contracts staff), staff undertaking procurement are trained contracting professionals experienced in the use of competition and mindful of through life costs and post sales support issues.

**3.42** Where action is undertaken locally (local purchase orders and cash) staff are likely to be less skilled and experienced. Typically staff attend a one day course which covers the basics of the local purchase process and then rely on a Local Purchase Regulations Manual and support from headquarters contracts staff for

Figure 14: A comparison of the ease of use of the hand tools (left page) and computer equipment (DGICS) (right page) direct supply enabling arrangements

**ADVICE NOTE (MOD FORM 640)**

6. The Contractor shall:

6.1 Use Advice and Inspection Note MOD Form 640;

6.2 Use separate sets for each delivery address and for each consignment under the Contract;

6.3 Quote the Warrant/Order Number, NATO Stock Number, Full Item Description and Contract particulars on the Advice & Inspection Note;

6.4 Where DGST(N)31B is shown as an authorised Demander at Schedule 1, forward the Blue MOD Form 640A to 1, The Street, New Town, ABC 123.

**PAYMENT**

7.1 Payment shall be made upon satisfactory completion of each order. The Brown Copy of MOD Form 640 will be certified by the Consignee on satisfactory completion of an order and forwarded to the Contractor. On receipt of this certified document the Contractor shall complete and forward this to the Ministry of Defence, Account (Bills) Payments, 1, The Street, New Town, ABC 123. under cover of a DAB 10 for payment.

7.2 Payments shall be at the sole discretion of the authority. Payment may be reduced, withheld or recovered in the event of the Contractor's failure to meet the obligations and responsibilities under the Contract to an acceptable level.

7.3 In such circumstances the reduction, withholding or recovery of payments shall be without prejudice to the Contractor's obligations and responsibilities under the Contract.

**DELIVERY**

8.1 The Contractor should note that the goods are to be delivered to the depot on Saturdays, Sundays or after 15.00 hours on a Friday. The Contractor should ensure that the goods are delivered to the depot in 4 copies of the same day as the goods are made available for inspection.

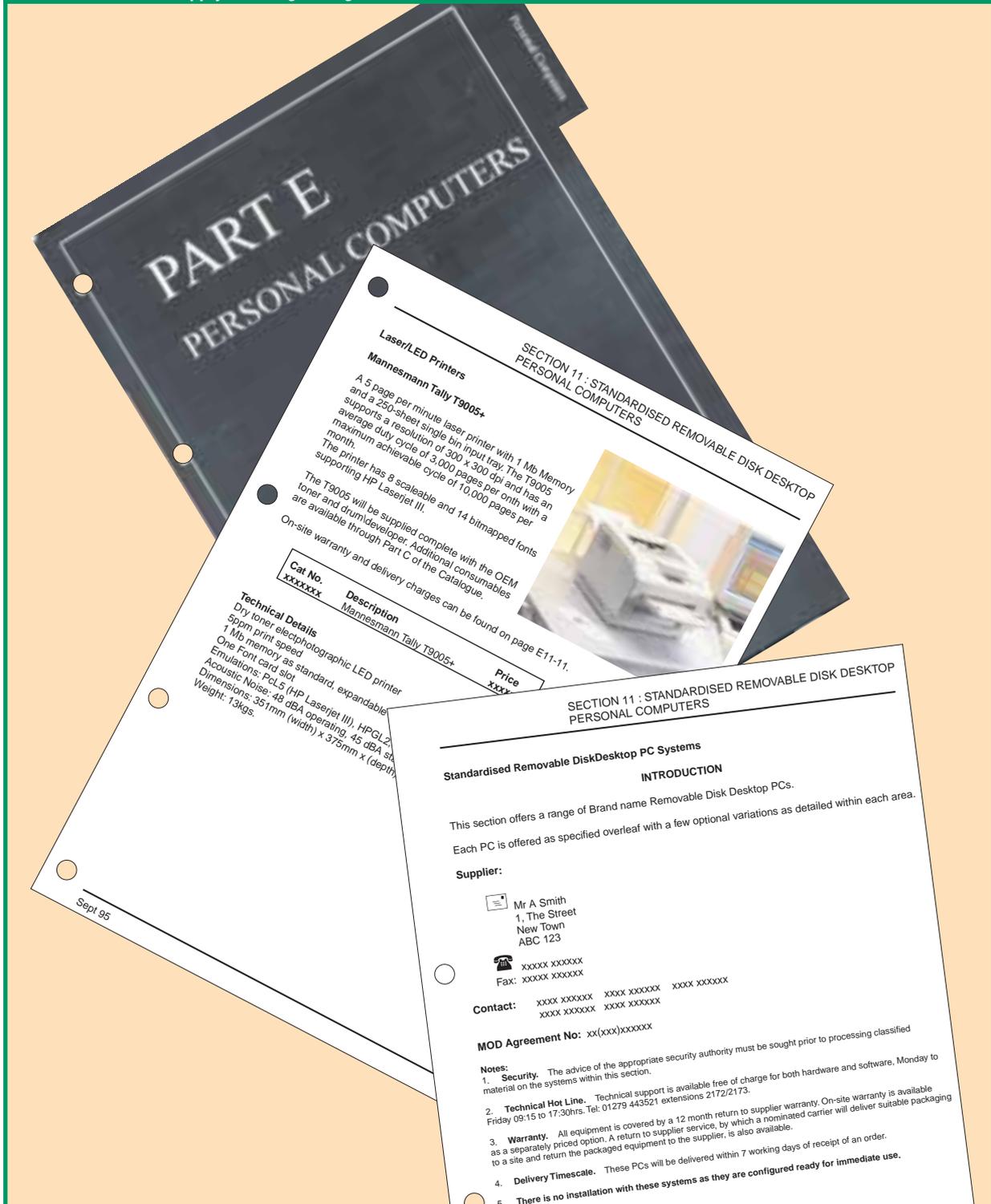
**PROCUREMENT EXECUTIVE  
MINISTRY OF DEFENCE**

STOCK REF	PRICE EX-WORKS (EACH UNIT) - OTHERWISE STATED	QTY	BRAND	QTY	BRAND	QTY	BRAND
DL A1/2A099	CUTTER BARBED WIRE FOLDING. STEEL LEVER ACTION TYPE. BROWNS DANG. 41. HRC - 30 HRC. TWO (2) FOLDS. HOLE FOR CUTTING EDGE. STRAIGHT CUT. BLOWN TO 102.00MM. LENGTH ROLDED OPEN. BLACK PROTECTIVE FINISH. CHEMICAL SUPERSEDES NSN 5120999104276	EA	YR 1	EA	YR 1	EA	YR 1
ISS 2	GENERAL PURPOSE LATHE TOOL ROUND 5/8" DIA. 12" LG. 3/4" HIGH. RENNIE HSS CHART NO F25	EA	YR 2	EA	YR 2	EA	YR 2
	TONG TOOL. SINGLE POINT. HIGH SPEED. 1/2" DIA. 12" LG. 3/4" HIGH. RENNIE HSS CHART NO F25	EA	YR 3	EA	YR 3	EA	YR 3
		EA	YR 4	EA	YR 4	EA	YR 4
		EA	YR 5	EA	YR 5	EA	YR 5

Source: Taken from the Ministry of Defence's hand tools direct supply enabling arrangement.

Comment: The Department's computer equipment (DGICS) direct supply enabling arrangement is notably more user-friendly than the hand tools arrangement

Figure 14: A comparison of the ease of use of the hand tools (left page) and computer equipment (DGICS) (right page) direct supply enabling arrangements



**Source:** Taken from the Ministry of Defence's computer equipment (DGICS) direct supply enabling arrangement.

**Comment:** The Department's computer equipment (DGICS) direct supply arrangement is notably more user-friendly than the hand tools arrangement

detailed guidance. The Manual provides detailed guidance on the processes to be followed and instructions on a wide range of eventualities (such as VAT and import duties). In essence, the training and support provided to local purchase staff is geared to enable them to administer a simple purchasing process rather than to negotiate contracts as with the best practice benchmark organisations.

### **Minimising the risk of procurement fraud**

**3.43** Of the routes through which defence establishments obtain routine items, the risk of procurement fraud is likely to be lowest for centrally managed routes (the Service Supply System, direct supply enabling arrangements) or where Headquarters Contracts staff place contracts on behalf of establishments. This reflects the involvement of teams of specialist staff, more rigid separation of functions and duties and the use of formal competition. Conversely, the risk of fraud tends to be higher for the locally managed routes (local purchase orders and cash purchases) which generally involve staff who are not professionally trained in procurement and where there may be less rigid separation of functions and duties, a fact highlighted by the Committee of Public Accounts (see paragraph 1.4).

**3.44** In line with best practice, the Department consider the control of fraud as being of primary importance. They have introduced local purchase Mentors responsible for ensuring that local purchase activity complies with the Department's guidance, and also taken steps to raise awareness of the risk of fraud. The results of the Department's initiatives are encouraging. Since their introduction, the Mentors have made good progress in visiting the local purchase units within their area of responsibility. In the Navy for example, visits have been made to over half of the 130 local purchase units.

**3.45** The Department are also trying to increase awareness of fraud through the educative effects of the Directors of Contracts Mentors and their audit visits and by increasing the number and coverage of fraud awareness presentations. The Department also consider that the National Audit Office Report on the risks of fraud and subsequent publicity associated with the Committee of Public Accounts hearing and Report, have contributed to the heightened awareness of fraud within the Department. In the Department's view an indication of the impact of this awareness is that, in 1995 and 1996 (first eight months), there were 50 allegations of procurement fraud - an increase of some 47 per cent on the previous two years - of which 13 cases related to local purchasing. Two of the reported cases in 1995 have resulted in convictions.

## Part 4: Making best practice work

### Introduction

**4.1** This part of the Report considers the possible steps which the Department could take to align the procurement processes used in the local procurement of routine items more closely to best practice, and estimates the financial savings and staff time efficiency benefits which could be achieved. Figure 15 summarises the main areas for attention.

**Figure 15: Areas for attention**

- assessing the strengths and weaknesses of the arrangements in place for the procurement of routine items.
- maximising the aggregation of requirements
- dealing more efficiently with non-aggregated requirements
- increasing awareness of end user needs.

*Source: National Audit Office*

**Comment:** There are a number of areas where the Department can learn from best practice.

#### i) Assessing the strengths and weaknesses of the arrangements in place for the procurement of routine items

**4.2** The Department have not previously undertaken a review of the five procurement routes through which routine items are obtained. There is, therefore, no central assessment of the extent to which value for money is being achieved, the progress of initiatives such as the introduction of local purchase Mentors, or whether user needs are being met.

**4.3** Furthermore, the Department's current budgetary and recharging structures cannot inform decisions on the relative value for money being achieved by the various procurement routes. As a result, they can reduce establishments' motivation to look for such benefits. In particular:

- the costs of goods sourced through the Service Supply System do not fall directly on the requisitioning establishment;
- until the National Audit Office analysis, the process costs associated with the various routes had not been established and recognised as a "cost" by end users;

- for procurement routes involving an element of central activity, the associated costs do not fall on local establishment budgets and neither they nor the central organisations have visibility of the process costs being incurred.

**4.4** The Department can improve these circumstances in a variety of ways:

- promoting the collection and analysis of data on procurement patterns and costs;
- build upon the opportunities afforded by the introduction of resource accounting and budgeting to promote better awareness of the costs of goods and services to end users;
- ensuring that requisitioners and budget holders are aware of process costs which may not be readily distinguishable from other support costs in establishments' budgets;
- revising the current guidance to promote greater awareness of the relative costs of the various procurement routes in order to encourage the use of low cost routes.

## **ii) Maximising the aggregation of requirements**

**4.5** Aggregation of requirements is recognised as best practice. There is, however, a limit beyond which aggregation is no longer cost-effective. The experience of the benchmark organisations consulted indicated that the limit was in the region of 80 per cent by value of total requirements. Currently, the Department aggregate almost two thirds by value of their requirements for routine items. From their reviews of Local Purchase Registers and the results of the Plymouth initiative (Case Study 1 on page 25), the National Audit Office consider that there is scope for the Department to increase the current level of aggregation for routine items and scope to increase the value for money achieved for routine items that have already been aggregated, by:

- undertaking more structured analysis of local purchase activity to identify the scope to bundle together requirements into local or national direct supply enabling arrangements;
- promoting greater scrutiny of local purchase activity to identify the extent to which this route is being used instead of existing enabling arrangements, hence reducing the scope for the Department to negotiate quantity discounts;
- seeking opportunities to rationalise the range of existing enabling arrangement specifications and suppliers to obtain further discounts.

**4.6** At present, the majority of aggregated requirements are still supplied through the Service Supply System, with its associated logistic cost. The Department have, in line with best practice, begun to make more use of direct

supply enabling arrangements. However, they can do more to ensure that opportunities to move to direct supply enabling arrangements are identified and items are supplied in the most cost effective manner. In particular, the Department:

- need to establish demand and usage of enabling arrangements prior to their re-negotiation. This research would ensure that the scope for direct supply is taken into account; and
- should ask for quotes for both direct supply and delivery to a limited number of Service depots in future competitions to enable them to identify where direct supply would offer better value for money.

**4.7** By implementing the measures outlined above, the Department can benefit:

- through the prospect of lower prices of £1.1 million per year by aggregating requirements previously procured on a one-off basis and by increasing the incidence of direct supply enabling arrangements. This figure includes an allowance for the cost premium which a supplier is likely to charge for delivering to a larger number of points than would be the case with the Service Supply System.
- through reduced storage and transportation activity by making greater use of direct supply enabling arrangements. Such actions would contribute to the Department's continuing initiatives to rationalise their stockholdings for general stores and accommodation items. The National Audit Office estimate that the equivalent value of such reduced activity could be up to £3 million.

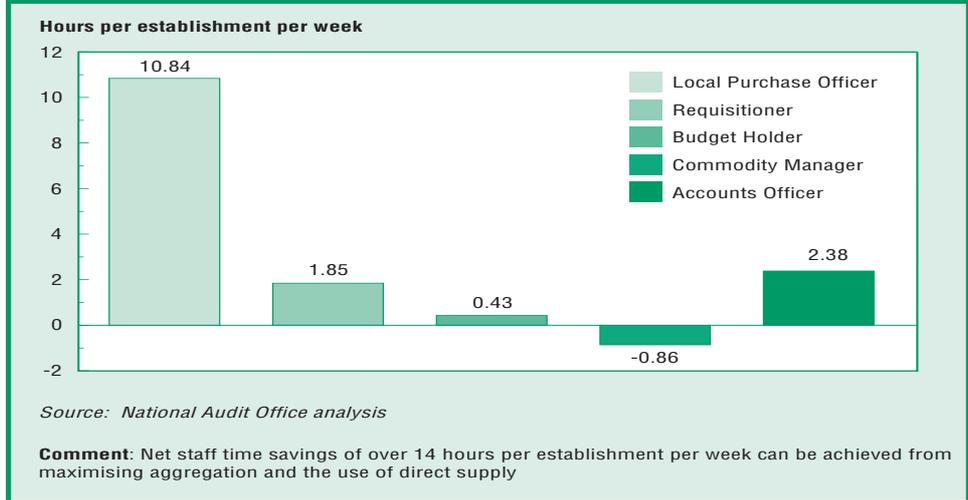
**4.8** In addition, the Department can benefit by releasing substantial staff time at establishments which would provide additional resources for managers to deploy on other duties adding greater value or to further improve local procurement activities. Indicatively, Figure 16 shows the average staff time which can be released each week at each of the Department's 500 establishments.

### **iii) Dealing more efficiently with non-aggregated requirements**

**4.9** There will always be a number of requirements which cannot be met cost-effectively from centrally negotiated enabling arrangements, and which will need to be sourced through an alternative procurement mechanism. As Figure 17 shows, even if the use of enabling arrangements is maximised, the scale of procurement activity remaining is likely to be significant with some 170,000 orders (worth £105.2 million) placed locally. The National Audit Office have therefore examined the scope to improve the efficiency of locally initiated purchasing under three headings:

- targeting delegated authority according to need and procurement risk;
- reducing the process cost of local purchase activity;
- the use of Corporate Purchasing Cards.

**Figure 16: Average staff time savings per establishment per week from maximising aggregation and the use of Direct Supply enabling arrangements**



**Figure 17: Indicative remaining levels of locally initiated purchasing if the use of direct supply enabling arrangements is maximised**

Procurement route	Value of orders £ million	Order volume
Local purchase orders	85	155,000
Headquarters contracts	20	2,000
Cash purchases	0.2	13,000
<b>Total</b>	<b>£105.2 million</b>	<b>170,000</b>

Source: National Audit Office analysis

**Comment:** Even if the level of aggregation is brought up to the benchmark level, there will still be a significant amount, by value and volume of requirements, which must be provided through non-aggregated procurement routes.

### Targeting delegated authority according to need and procurement risk

**4.10** Headquarters contracts staff become involved in the procurement of routine items either when the item required is complex and specialist contracting skills are needed, or when the requirement exceeds the level of contractual authority delegated to the local purchase officer at the establishment concerned. Although such referrals represent less than one per cent of the total number of orders placed, the use of headquarters contracts staff is expensive in process cost terms and may not always represent the most cost-effective route, particularly where procurement risk is low. There are a number of steps which the Department can take to ensure that headquarters inputs are targeted where they will add most value:

- amend their guidance to promote better communication between establishments and headquarters contracts staff so that the former anticipate the need for such referrals and the latter take account of these in their work programmes;
- adopt more widely the practice, already used by some Mentors, of awarding temporary increases in delegated authority to establishments for specific orders where these are for routine, low risk items;
- consider the scope to introduce regional procurement cells where sites with similar requirements are closely located. For such arrangements to work effectively, and to overcome establishments' poor perceptions of such arrangements, the level of service to be provided would need to be clearly defined and agreed with end users. The Plymouth initiative shows this can be achieved.

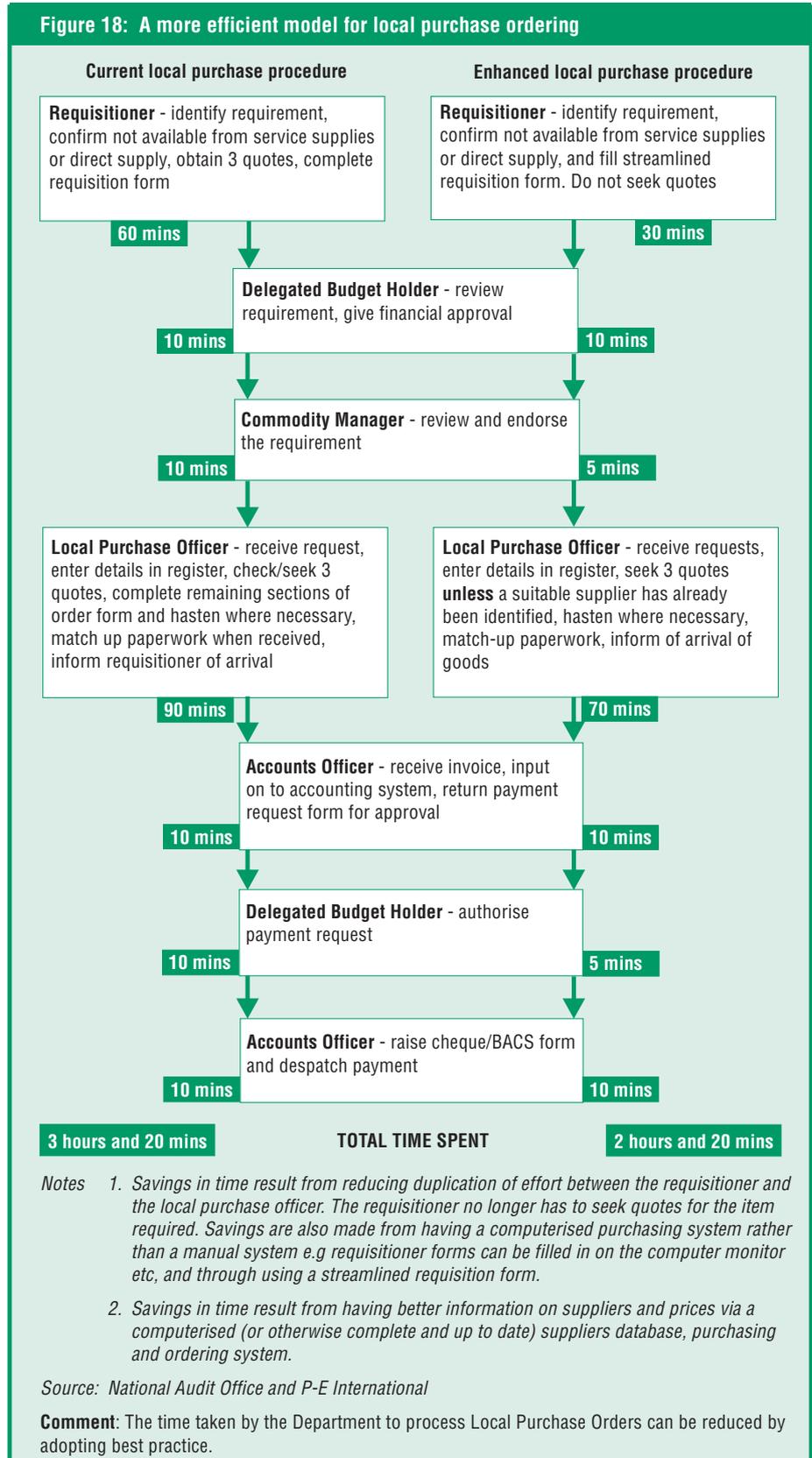
### **Reducing the process cost of local purchase activity**

**4.11** There is scope for the Department to learn from best practice to reduce local purchase process costs. In particular:

- the National Audit Office found a number of instances of duplication of effort between purchasers and requisitioners, for example in identifying suppliers and seeking quotes. Purchasing staff are also involved in the goods received and payment authorisation processes, whereas in best practice organisations these are solely administrative staff functions. The Department believe that as the Mentors increase their coverage of sites, duplication will become a reducing problem.
- the benchmark organisations claimed significant benefits by supporting the procurement process with purchasing systems, usually developed from proprietary software. Benefits included reducing the number of steps previously involved in order placement by linking key players; ensuring that users have up to date information on the coverage of direct supply arrangements, suppliers, prices and terms; and ensuring that orders are placed in a standard format.
- increasing the use of cash purchasing which attracts low processing costs, whilst recognising the need for adequate controls to reduce the increased risk of fraud associated with this procurement route.

**4.12** Figure 18 recasts the Department's local purchase processes to take account of best practice. It shows the time taken to process an order can be reduced by 1 hour. These process times are estimates from which the overall message is that there is potential to substantially reduce the time taken to process an order. Whilst some establishments will be able to achieve greater process time

**Figure 18: A more efficient model for local purchase ordering**



savings than the estimate, others will achieve less, dependent upon the efficiency of their existing processes and other constraining factors, such as location. The estimate therefore represents a level of time saving that should be achievable by establishments generally.

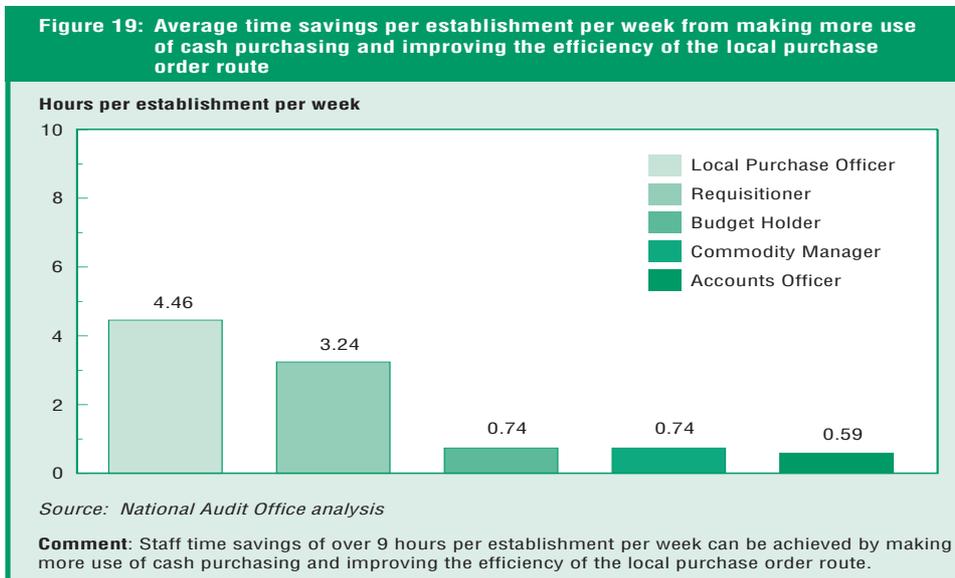
**4.13** In the region of a quarter of the orders procured through the local purchase order route are worth less than £50. These items tend to present low procurement risks. Given the low processing cost associated with cash purchases and the speed with which needs can be met, there may be scope to make greater use of cash rather than using the full local purchase order system. However, judgements on the value for money achieved from cash purchasing must also take account of the need to ensure that public money is safeguarded and the risk of fraud and irregularity is minimised. Thus, whilst cash purchase might appear attractive because of the relatively low process costs, this needs to be balanced against the increased risk of fraud and irregularity. The Department recognise this trade-off and have sought to put in place imprest systems which include a basic separation of duties and audit trail.

**4.14** Given the Department's initiatives to manage the risk of fraud, the National Audit Office consider that there is scope to make more use of cash purchases to meet low value (say under £50) requirements for routine items. This equates to approximately 39,000 orders being transferred from the local purchase order route to the cash purchase route.

**4.15** Figure 19 shows the average staff time which can be released each week at each of the Department's 500 establishments by improving the efficiency of local purchasing and aligning it more closely with best practice, increasing the use of cash purchases and adopting a more pragmatic approach to the assessment of the need to involve headquarters contracts staff.

### **The use of Corporate Purchasing Cards**

**4.16** Corporate Purchasing Cards allow cardholders to place orders directly with suppliers and retail outlets using the card as proof of authority. Key features include the option of making users personally accountable for orders against their card (which will help to deter fraud), reduced processing times and embedded financial limits for each individual order placed and the total budget available in a given period. The companies which supply the Cards also produce detailed management information for purchasing organisations which will facilitate procurement research and also help deter fraud.



**4.17** Figure 20 shows that the indicative process times involved in making a transaction using a Corporate Purchasing Card are over two hours less than for the current local purchase process and 20 minutes less than for the revised local purchase process suggested in Figure 18. Figure 21 shows the average staff time which can be released each week at each of the Department's 500 establishments by transferring 75 per cent of requirements going through the local purchase order route to Corporate Purchasing Cards. The figure recognises that it is unlikely to be possible, or cost effective, to replace all local purchase ordering activity with Corporate Purchasing Cards. For example, not all suppliers will be geared up to accept the Cards, particularly overseas.

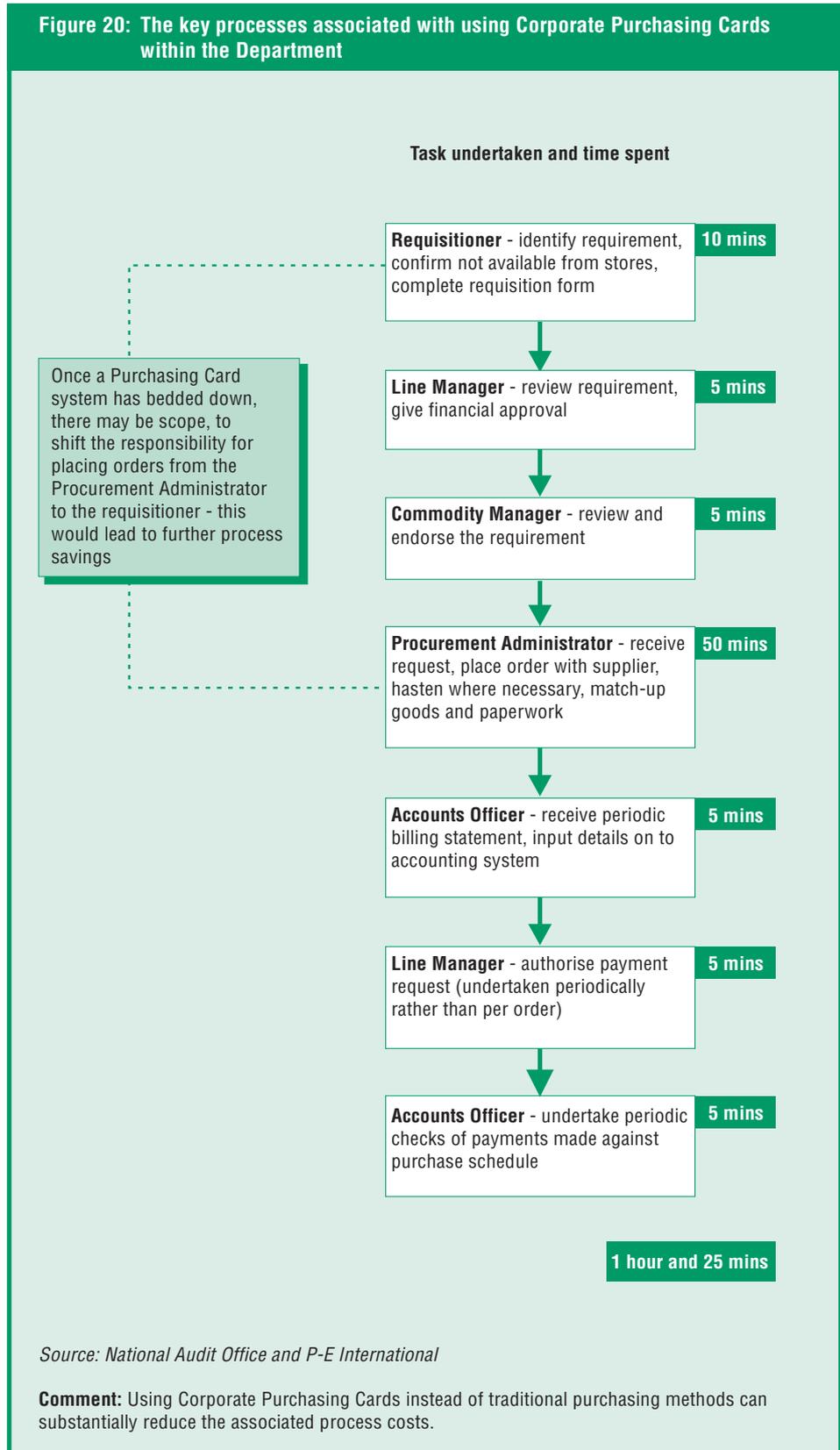
**4.18** Recognising the potential advantages offered by Corporate Purchasing Cards, the National Audit Office consider that there is scope for the Department to undertake its own trials to assess the prospects for their practical implementation in the defence environment. The issues to be addressed as a part of this work are summarised in Figure 22.

#### **iv) Increasing awareness of end user needs**

**4.19** Any move to increase the use of direct supply enabling arrangements or adopt revised procurement practices will require a change in the perceptions of users at defence establishments. This section considers a number of steps which the Department could take which, reflecting best practice, would strengthen the focus on internal customer service and help to persuade establishments to adopt revised arrangements for the procurement of routine items. Specifically:

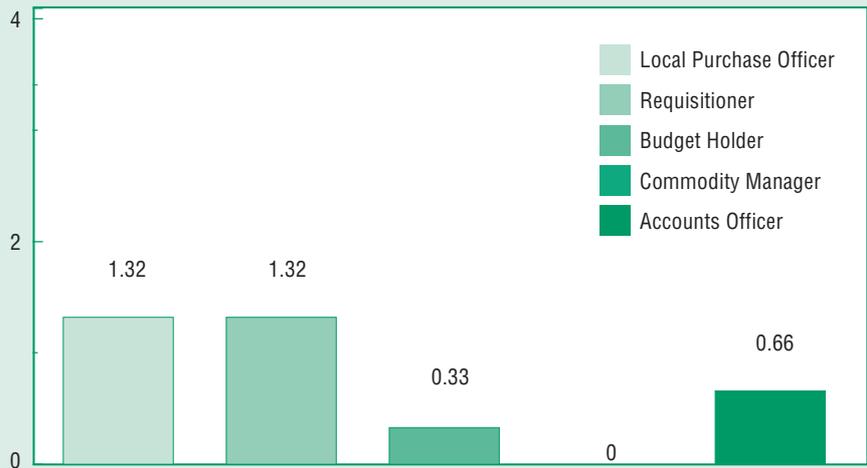
- The Department should continue its efforts, building on the experience being gained by the Mentors, of making their local purchase guidance more user friendly;

**Figure 20: The key processes associated with using Corporate Purchasing Cards within the Department**



**Figure 21: Average staff time savings per establishment per week from moving to corporate purchasing cards**

**Hours per establishment per week**



Source: National Audit Office analysis

**Comment:** Staff time savings of over 3.5 hours per establishment per week can be achieved from moving to corporate purchasing cards.

**Figure 22: Issues to be considered as part of a trial of Corporate Purchasing Cards**

- whether requisitioners would become authorised card holders or whether authority to purchase would lie in the hands of purchasing professionals such as Local Purchase Officers;
- practical limits on the use of the Cards. For example, use overseas or in geographically remote locations;
- the fraud prevention and the control mechanisms which should be put in place;
- the volume of management information required and whether this should be available (at an extra cost) via electronic transfer;
- implications for the use of the Department's standard terms and conditions as opposed to those offered by suppliers;
- the relative value for money potential between the introduction of Corporate Purchasing Cards and aggregation through increased Direct Supply Enabling Arrangements.
- impact on the scope for competition;
- the timescale for and costs of introducing Corporate Purchasing Cards.

Source: National Audit Office analysis

**Comment:** A trial of Corporate Purchasing Cards would need to consider a range of issues.

- There should be adequate feedback systems in place so that users concerns can be taken up and shortcomings in the service provided remedied. The arrangements put in place on the DGICS catalogue provide a model here which aligns closely with best practice;
- Best practice is for user groups to operate at both working and senior management levels. For the Department this senior level involvement will be important to make users more aware of the costs and benefits of alternative procurement routes and help to get the message across given the organisational structure under the New Management Strategy;
- The production of catalogues and guides in user friendly formats to promote direct supply enabling arrangements will encourage the use of such arrangements as will the setting up of a help desk.
- In some areas of the Department, for example the Plymouth contracts cell and DGICS, procurement staff issue regular newsletters to keep customers informed of developments. There is scope for the wider application of this initiative.

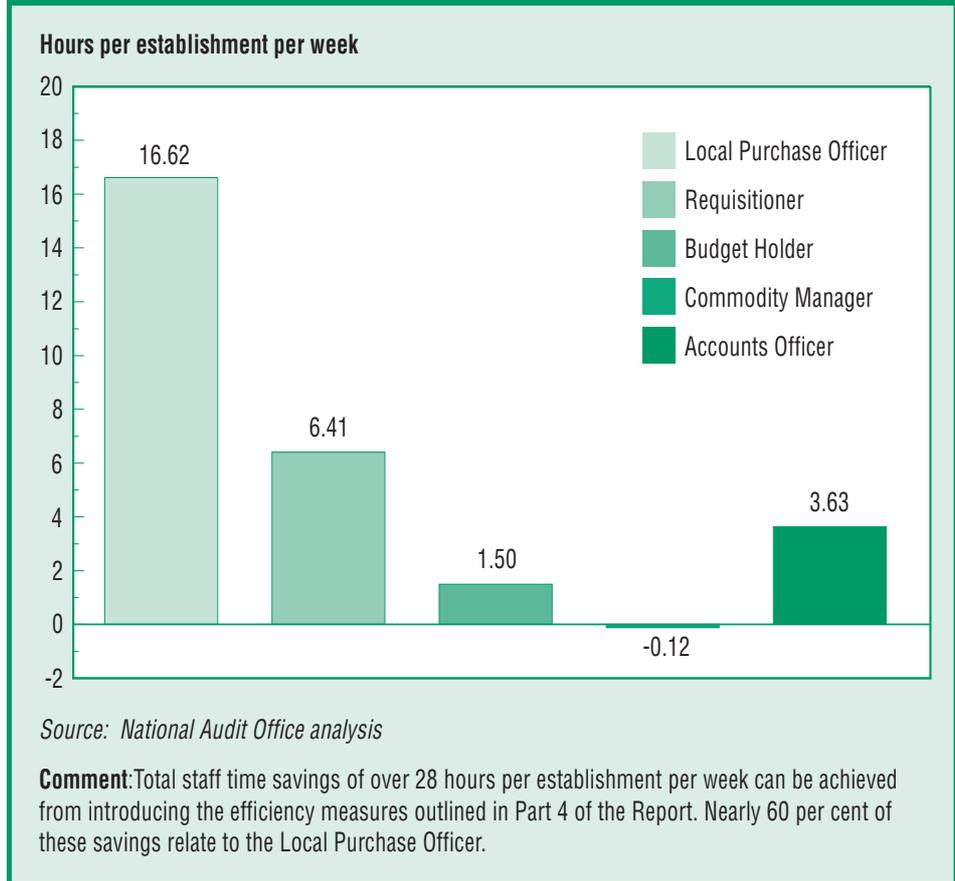
### **Potential for financial and efficiency improvements from the adoption of best practice**

**4.20** This Report has identified a number of ways in which the Department could improve their practices for the procurement of routine items. These could give rise to:

- net cash savings worth £1.1 million each year from greater use of centrally-negotiated contracts;
- in the longer term, and in line with on-going Departmental initiatives, scope to reduce storage and transportation activity to an equivalent value of up to £3 million each year.

**4.21** In addition, the Report has also identified scope to release substantial staff resources. Figure 23 shows the average staff time which may be saved each week at each of the Department's 500 establishments by introducing all the measures suggested by the National Audit Office. In total, the National Audit Office consider that there is scope to release over 28 hours of staff time each week (16 hours of which typically relates to local purchase officers) at each of the establishments engaged in the procurement of routine items. This equates to some 25 per cent of the time currently spent by establishments on this activity and some £12 million in cost terms. These efficiency improvements could enable the release of scarce staff resources to undertake more value added activities and help to provide a better procurement service at establishments.

**Figure 23: Total average staff time savings per establishment per week from introducing the efficiency improvements outlined in the Report**

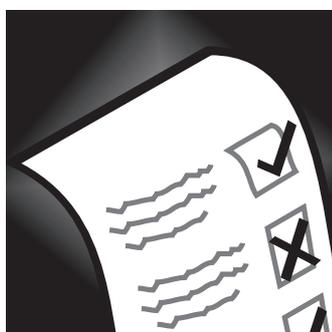


**4.22** The Department have welcomed the National Audit Office’s examination of this area of procurement and recognise the potential to increase economy and efficiency in the conduct of procurement of routine items at establishments. The potential to realise the identified cash and efficiency benefits will require prior research, and possibly trials in the case of purchasing cards, but should lead, in time, to worthwhile benefits.

# Methodology Annex

## Introduction

*The National Audit Office undertook 6 main exercises and applied a range of analytical techniques in producing this report - generating fresh data and in some cases building on work already undertaken by the Department. This annex describes the methodologies employed and the key results achieved.*

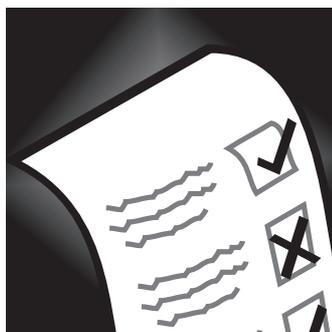


### Exercise 1: Census

The purpose of this work was to generate basic quantitative data on the volume and values associated with local procurement and the administrative effort required for each of the Department's procurement routes.

**Method:** Prior to the issue of the main census, a pilot exercise was undertaken with the assistance of 3 defence establishments to ensure that the agreed questionnaire would capture all the relevant data needed for the report, and that ambiguous or misleading questions were identified and removed from the final version. A basic questionnaire comprising 23 questions was then sent to 514 defence establishments, covering all those with a significant level of purchasing activity - represented by the delegation of "Local Purchase" authority. A statistically valid response rate of 445 (87 percent) questionnaires were returned and tabulated for analysis. During the study period, the National Audit Office operated a daily help line to address any remaining points of clarification for both the census and the detailed questionnaire (below).

**Results:** Summary results were used as a backdrop to the substantive analysis in the main body of the report and to derive average order values, the volume of "low value" orders, and the extent of use of each of the procurement routes.



### Exercise 2: Detailed questionnaire

This exercise sought to establish the extent to which the needs of establishment staff were being met by existing procurement systems.

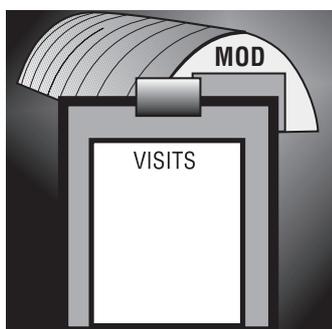
**Method:** In agreement with the Department the National Audit Office selected a random sample of establishments from the following stratified population:

- a) establishments having significant procurement activity;
- b) establishments purchasing a typical spread of routine items;
- c) establishments representing all 3 Armed Services and HQ branches, and

d) establishments with different roles e.g front line, logistics, maintenance bases.

This approach provided for responses which would be broadly representative of all defence establishments. Following a similar pilot exercise undertaken for the census, the National Audit Office sent postal questionnaires, each comprising 110 questions, to a total of 180 staff based at 30 defence establishments in the UK and abroad. A response rate of 25 out of 30 establishments (83 per cent) was obtained. 10 of the questionnaire returns (from establishments also examined for case study visits - below) were validated for consistency by face-to-face interviews with respondents.

**Results:** the results were mainly of a qualitative nature typically scoring the performance of established procurement arrangements in the range of “very good” to “very poor” (5 measures offered). Appendix A provides an illustration of the range of responses given.



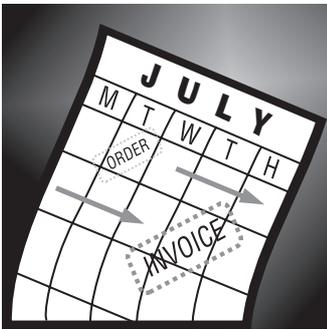
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### Exercise 3: Case Study visits to establishments

The purpose of this exercise was to follow up and validate responses from the detailed questionnaire, understand the operation of existing procurement arrangements and map in detail the administrative processes underlying each route.

**Method:** The National Audit Office selected (in agreement with the Department), 10 defence establishments regarded as broadly representative of the range and type of establishments routinely involved with purchasing. 3 establishments from each Armed Service including 1 overseas and 1 from the central area were visited by National Audit Office teams. Interviews were undertaken with key establishment staff (listed below) and source documents examined at length to validate and, where necessary, follow-up responses provided in interview to verify the accuracy of estimates provided.

**Results:** The results built on the understanding gained from the census and detailed questionnaire, specifically generating procurement process maps for each route (example under Exercise 5 compared to benchmark map) and drew out instances of good practice and the scope for improvement .



#### Exercise 4: Procurement process costing

The purpose of this exercise was to determine the full cost associated with processing individual orders through each of the Department's procurement routes.

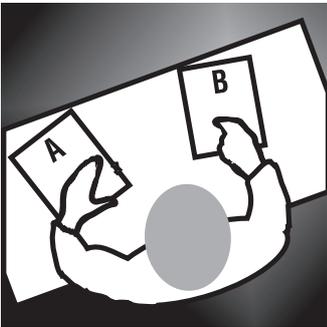
**Method:** For each of the procurement routes (excluding Service Supply explained below) processing costs were derived from three separate exercises:

- a) responses from the basic survey relating to the administrative effort required for purchasing were translated first into costs (by applying current Ministry of Defence capitation rates) and second, into costs per order using survey data on the volumes and values of orders travelling through each route;
- b) this information was examined for consistency by comparison to the detailed process maps drawn at each establishment (example above), and by a critical analysis of responses given. No significant variances between survey and process map costs were identified. A small number of internally inconsistent and extreme values were however removed from the sample in line with usual practice when dealing with estimates, and
- c) central costs, where applicable, were derived from known cost profiles such as those relevant to the DGICS/HMSO catalogue, and other estimates provided by relevant Departmental staff.

Service Supply process costs were based on process maps derived from case study visits to establishments, current Ministry of Defence "on-cost" calculations (associated with storage and transportation), and the Department's current statistics for Service Supply average order values. Details were not requested via the basic census as with other routes, because of the establishments' limited visibility of volumes and values processed by the Service Supply System.

**Results:** Indicative procurement process costs are as follows:

*Note: These estimates have been based on a mixture of census and case study sample information, and are not susceptible to statistical expressions of accuracy. They represent the best estimates available with the information gathered. National Audit Office checks on the estimates provided, and later work following up the reasons for differences in costs, has confirmed the value of the estimates for comparative purposes.*



### **Exercise 5: Benchmarking of the Department's procurement processes and prices**

P-E International contributed to the National Audit Office study by benchmarking both the processes used by the Department to procure routine items, and the prices paid for a range of routine goods. P-E International analysed data from organisations in both the private and public sectors which were similar to the Department in terms of size and purchasing procedures to avoid any distorting effect on either price or process work. In particular, reflecting many of the features of the Department, comparator organisations:

- had purchasing spends of between £95 million and £4.5 billion each year;
- had multi-site operations;
- made widespread use of enabling arrangements or catalogues with pre-negotiated terms and conditions, and
- used central procurement staff to undertake most tendering work, but local purchasing staff to place a proportion of orders.

#### **Prices**

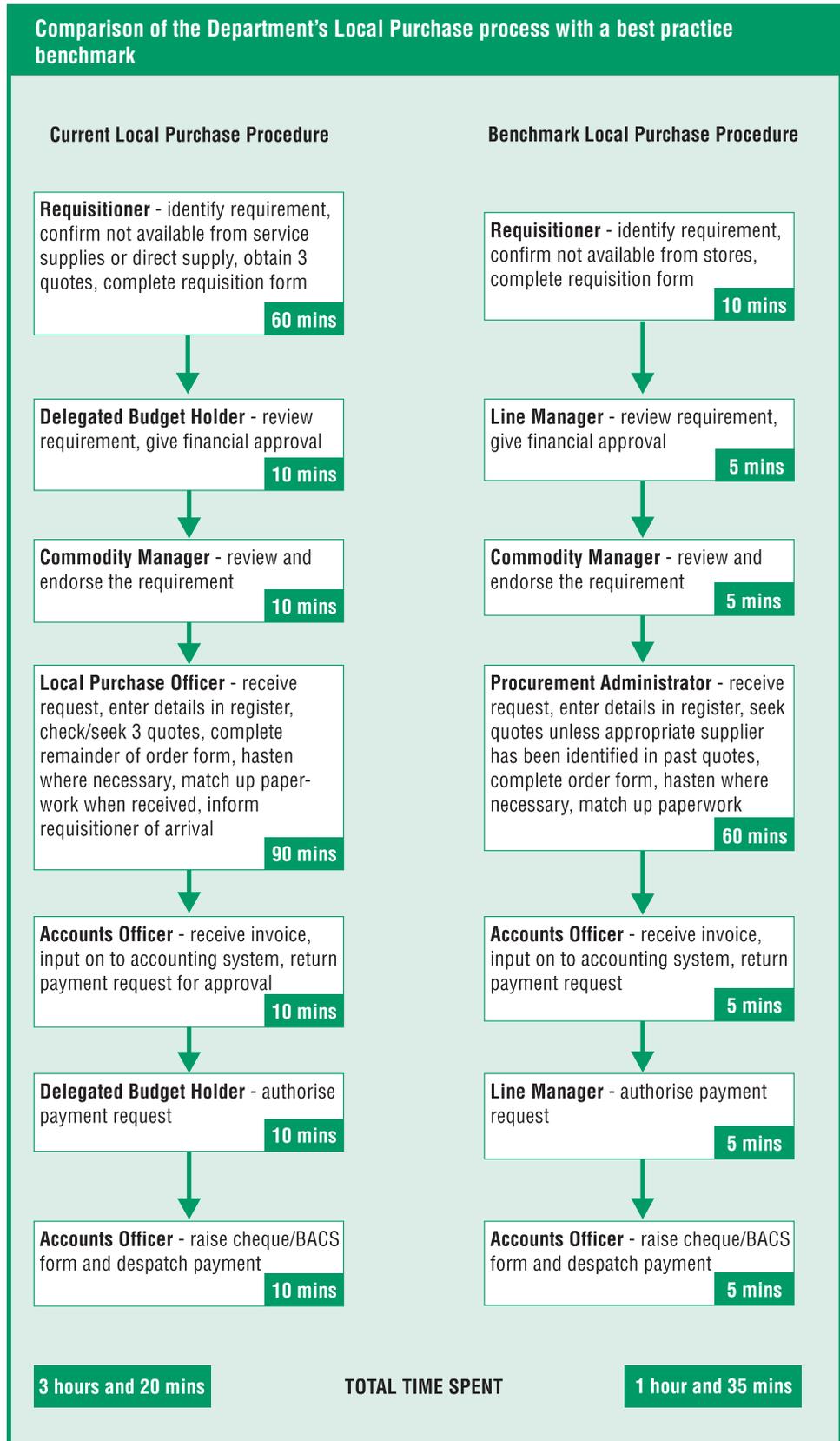
**Method:** The exercise reviewed the Department's performance in securing competitive prices for a broadly representative sample of 90 items. These were selected by the Department, P-E International and the National Audit Office from five broad product groups and compared to the prices achieved in 10 benchmark organisations. The items selected were those with a long history of use within the Department which could be clearly specified by description or reference to a brand name.

**Results:** The study as a whole indicates that the Department are achieving better prices in general than other large organisations, and that where other organisations matched or gained more competitive prices they tended to be other large government departments with a similar organisational structure. Detailed results are illustrated in Figure 11 in the main text of the report.

### **Processes**

**Method:** P-E International interviewed key staff at 6 of the 10 benchmark organisations discussed above to determine the detailed procedures adopted in support of procurement. Adopting a similar approach to that employed by the National Audit Office at defence establishments, P-E International followed and documented the processes defining procurement activity, producing a template for procurement for comparison to the Department's practices. This enabled key similarities and differences to be identified and drawn out.

**Result:** The figure on the next page compares the average process time associated with procurement for benchmark organisations to the Department's local procurement process. It shows that benchmark organisations spend less time identifying suppliers and obtaining quotes by making greater reference to previous competitions and placing more reliance on centrally maintained supplier databases. They also reduce processing time by minimising circulation of paperwork for authorisation and payment approval - often having only 2 main submissions compared to 3 or 4 in the Department. Finally, they make better and more widespread use of computer-based purchasing systems to reduce processing time. A further contribution to reduced costs came by using administrative staff for processing purchases, restricting procurement staff to the negotiation of contracts and procurement management.



## Appendix A

**Key responses from the detailed questionnaire exercise are illustrated below:**

**Views expressed by establishment budget holders**

*Q. Are you aware of the processing costs of each procurement route?*

Yes	9%
No	91%

*Q. Is financial approval sought from you for all local expenditure?*

Yes	23%
No	77% (usually delegated)

*Q. Are you usually made aware of the procurement route selected?*

Yes	41%
No	59%

*Q. Have you set procurement related performance targets?*

Yes	5%
No	95%

**Views on the current level of Information Technology used to support purchasing**

*Q. Is the level of IT support sufficient for the key stages of procurement?*

Yes	48%
No	52%

*Q. How would you rate the level of IT support for requisitioning?*

None	68%
Low	18%
Medium	14%
High	0%

*Q. How would you rate the level of IT support for recording orders?*

None	64%
Low	0%
Medium	27%
High	9%

*Q. How would you rate the level of IT support for placing orders?*

None	64%
Low	9%
Medium	27%
High	0%

*Q. How would you rate the level of IT support for monitoring orders?*

None	68%
Low	14%
Medium	14%
High	4%

*Q. How would you rate the level of IT support for bill payment?*

None	27%
Low	27%
Medium	32%
High	14%

**Views expressed by Local Purchase Officers (key establishment level purchasers)**

*Q. With regard to Local Purchase, how would you generally rate the quality of advice from Contracts "mentors"?*

V. poor	0%
Poor	0%
Satisfactory	36%
Good	50%
V. good	14%

*Q. With regard to enabling arrangements, how would you rate the ease of set-up if required?*

V. difficult	0%
Difficult	44%
Satisfactory	44%
Easy	6%
V. easy	6%

*Q. With regard to HQ Contracts staff, how would you rate the ease of identifying the right branch to contact?*

V. difficult	6%
Difficult	39%
Satisfactory	11%
Easy	28%
V. easy	16%

**Views expressed by establishment requisitioners (usually users)**

*Q. With regard to HQ Contracts staff, how would you rate the speed of delivery of items ordered?*

V. poor	9%
Poor	27%
Satisfactory	53%
Good	9%
V. good	2%

*Q. With regard to Enabling Arrangements, how would you rate the administrative ease of raising an order?*

V. difficult	0%
Difficult	6%
Satisfactory	31%
Easy	38%
V. easy	25%

*Q. With regard to Local Purchase, how would you rate the speed of delivery of items ordered?*

V. poor	5%
Poor	5%
Satisfactory	56%
Good	29%
V. good	5%

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