

2008 CORPORATE PROCUREMENT PLAN

SLIGO COUNTY COUNCIL
COMHAIRLE CHONTAE SHLIGIGH



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Chapter 1

Background

In July 2005, the Department of Finance issued the **National Public Procurement Policy Framework** requiring all public bodies, including all City and County Councils, to produce an annual **Corporate Procurement Plan (CPP)** for their organisations as part of a wider programme of public procurement reform.

The **aim** of the Corporate Procurement Plan is to set out proposals for improved procurement planning and management and to highlight the potential for improving value for money and operational efficiencies while ensuring transparency and accountability.

*The **objectives** of Corporate Procurement Planning in the local government sector are to achieve greater value for money by:*

- *Ensuring that purchasing within all local authority organisations is carried out in a co-ordinated and strategic manner,*
- *Reviewing and, where possible, streamlining the administration of existing purchasing processes e.g. by using available e-procurement tools to achieve financial and staffing savings,*
- *Utilising the buying power of the local government sector to achieve greater value for money, when purchasing goods and services in the marketplace. ¹*

¹ Circular letter PPP 5/07

Executive Summary

Sligo County Council (SCC) has completed this Corporate Procurement Plan for 2007 and will undertake to review it annually as required by the Department of Finance's NPPPU (National Public Procurement Policy Unit). The Corporate Procurement Plan analyses expenditure across the organisation using the SUPREM software, (Supply Positioning and Risk Evaluation Matrix).

In 2007 SCC spent €25,831,233 procuring goods and services. The expenditure analysed for the purposes of producing the CPP excludes capital funding for contracted out infrastructural projects and direct staffing costs. All other expenditure, including goods and services procured under existing contracts and materials purchased for direct labour works, has been reviewed.

Contained within the document is

- An explanation of the theory behind analysing procurement expenditure;
- An overview of the existing procurement structures, policies, procedures and skills within Sligo County Council;
- An analysis of the SCC current procurement spend;
- Identification of opportunities for improved Value for Money organisational and financial efficiencies; and
- Recommendations to assist in achieving procurement improvements.

Some short-term recommendations have been identified in preparing this CPP document. It is recommended that within the initial review period the established Framework Agreements will be utilised and promoted to a greater extent throughout the organisation. Consideration shall be given to extending the use of LVP (low value purchase) cards and to streamlining the system in order to reduce the number of purchase orders being raised, possibly piloting one purchase area such as the purchase of materials. It is also recommended that consideration be given to centralising the purchase of stationery. Targeted training should be provided for those involved in areas of procurement and associated purchasing procedures.

Immediate financial benefits will be accrued from the implementation of the recommendations. In addition, this will ensure that the organisation promotes greater commitment to achieving better value for money and a more strategic approach towards efficiency in the procurement of all goods and services.

With the cooperation and assistance of both Sligo County Council staff and our suppliers, significant improvements can be achieved in our procurement processes.

Chapter 2

Analytical and Organisational Framework – The Theory

2.1 Introduction

This chapter presents the framework for analysing procurement expenditure. The methodology underpinning the framework is known as *spend profiling*. This is a tool to guide organisations in better management of procurement through the application of analysis-based buying strategies designed to achieve better VFM outcomes. A best practice Analytical Framework for policy, management and operational structure and systems is also outlined.

2.2 Explanation of Generic Spend Profiling-

The spend profile is presented using a Supply Positioning Matrix², (SUPREM) which segments the expenditure on procurement into four categories. The Matrix, shown below, is designed to reflect the relationship between the two principal influences in the management of procurement:

1. **the difficulty of securing supply**, including the level of risk (represented on the vertical axis), and
2. **the relative level of expenditure** (represented on the horizontal axis).

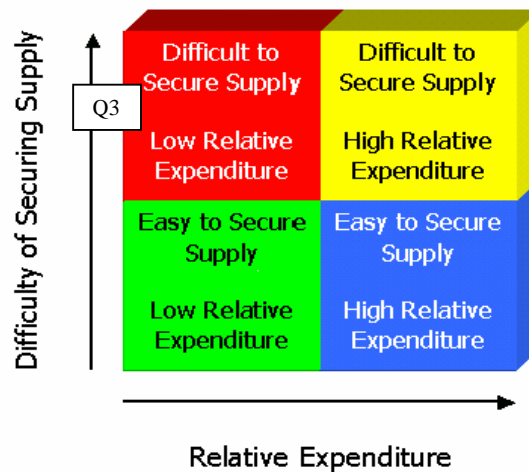


Figure 2.1 Generic Supply Positioning Matrix

² Queensland Government procurement tool “Supply Positioning and Risk Evaluation Matrix - SUPREM”.

In the context of procurement management, risk exposures arise from four main sources:

- the purchaser organisation;
- the product or service;
- the supplier; and/or
- the market.

Risk should be understood as **the difficulty of securing supply**, which factors in elements including the level of market competition, the importance of the good or service to the organisation, and the likelihood of supply failure.

Organisations are vulnerable where a supply market is unreliable or uncompetitive. If the organisation requires a specialist product that is only available from one supplier, it is highly exposed to potential problems with the performance of that supplier. On the other hand, if a product is available as an 'off the shelf' item from a number of suppliers, the level of risk is lower.

2.3 Analytical Framework

The spend profile is a useful tool for ensuring that an organisation approaches procurement in particular markets for the different category types armed with *appropriate strategies* in terms of:

- *Organisation*
- *Policies and procedures*
- *Systems*
- *Skills*

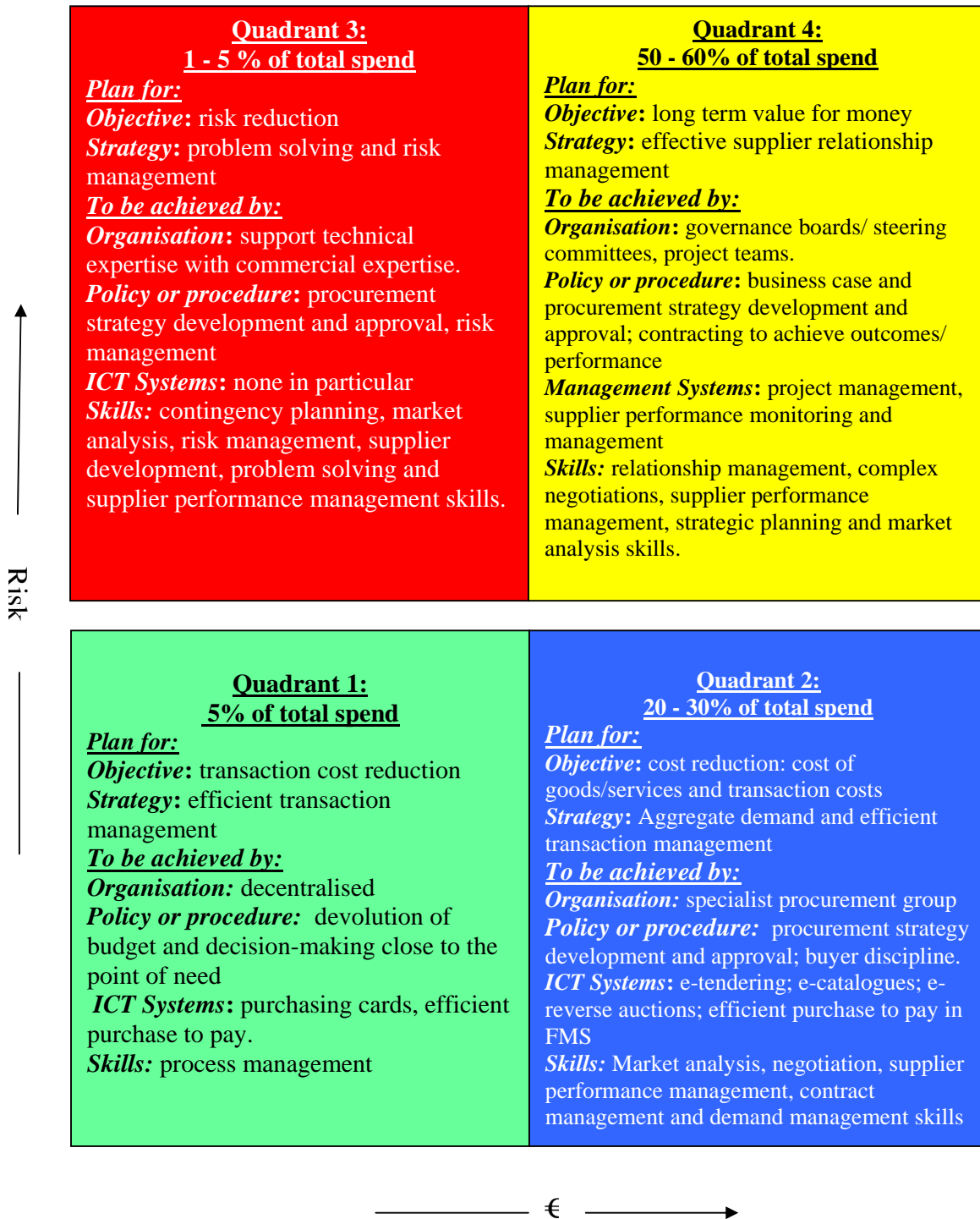
These are summarised in the Analytical Framework in Figure 2.2 overleaf.

The significance of an item or group of items is represented by its relative expenditure and risk. Therefore, by using the framework in conjunction with the spend profile, the priorities for procurement effort can be identified.

As outlined, spend profiling is designed to reflect the relationship between the two principal influences in the management of procurement i.e. the difficulty of securing supply (including the level of risk) and the relative value of expenditure. Each category of goods and services is positioned within one of four quadrants, depending on the level of risk and expenditure that apply to that category. Based on the analytical framework a best practice approach to procurement in the key areas -policy, procedures, organisation, systems and skills - can be applied to each quadrant.

A spend profile will be presented for the Sligo County Council in Chapter 4 and some analysis of the profile will be offered.

Figure 2.2 Analytical Framework



Chapter 3

Existing procurement structures, policies, procedures and skills

Organisation

Procurement in Sligo County Council is devolved to all departments.

The Sligo Local Authorities have employed a **Procurement & Project Management Team** from within its own staff. *Procurement & Project Management* comprises of technical and administrative grades. Staff have undergone various levels of procurement training and are available to assist in advising on procurement matters to other staff within the organisation.

Policy

Within Sligo County Council to date there has and continues to be an acceptance that the achievement of value for money is paramount in the procurement of goods and services and that core principles such as accountability, competition, fairness and transparency must be observed.

Policy documents such as those on *The Receipt of Tender Documents* and *Mobile Phone Provision to Council Employees* are available and have been circulated to all staff as Office Notices.

The National Public Procurement Guidelines as prepared by the NPPPU of the Dept of Finance can be found on Sligo County Council's Intranet site under the Document Category *Procurement and Project Management*.

European Legislation in the form of EU Directives³, Public Procurement Guidelines and Government /OJEU thresholds are available and are published on the national procurement website www.etenders.gov.ie (under Guides /General Procurement Guidance).

Procedure

Agresso training is offered and encouraged by a Finance section staff training team and procedural manuals are made available.

A *Public Procurement Checklist* as prepared by the NPPPU of the Dept of Finance is available and can be found on Sligo County Council's Intranet site under the Document Category *Procurement and Project Management*.

³ EU Directive **2004/18/EC** covers the procurement procedures of public sector bodies. Directive **2004/17/EC** covers the procurement procedures of entities operating in the utilities sector. They are published in Official Journal L 134 of 30 April 2004 and can be accessed on the EU Publications Office portal at <http://europa.eu.int/eur-lex/en/index.html>, or on the EU public procurement website <http://simap.eu.int> which has a link on www.etenders.gov.ie

It provides a basic checklist covering the steps in a normal procurement cycle, from identifying and specifying a need to awarding a contract. It is a useful generic document which does not purport to cover the specifics of each procurement.

Procurement procedures comprise of regulation together with in house requirements in respect of the handling of tenders.

Systems

- The Council operates the ***Agresso Financial Management System***. The system offers extensive and useful features supporting the procurement function. However emphasis should be placed on awareness of the strategic importance of procurement as well as on compliance.
- The use of ***Low Value Purchase (LVP) Cards*** in Sligo County Council was introduced in September 2006 on a pilot basis. 10 persons were nominated from within the organisation to participate in the pilot with each cardholder accepting the LVP card and the related responsibility. Training was given and a procedural manual issued to all.
- There is an awareness and appreciation within the staff of Sligo County Council of systems to promote reduced transaction costs, to achieve **aggregation**; eg.
 - Sligo County Council is currently involved in common purchasing arrangements utilising the *IT framework agreement* as listed on the www.ictprocurement.gov.ie/ website.
 - Similarly, annual quotations for the hire of plant and machinery, tool hire and in respect of supplies and services for the authority are sought via the *LAQuotes* system. Both of these arrangements have been utilised for some time and continue to provide efficiencies within the local authority.
 - Sligo County Council has a contract with Vodafone for the supply of mobile voice and data services and associated products and services. In early 2008 the contract was offered to the suppliers on the Mobile Framework as set up by the Department of Finance in conjunction with the Government Networks Programme Board (GNPB). Tenders received from the participating suppliers were assessed using evaluation criteria known to the suppliers and the contract was awarded. Savings made following the award of the new contract will represent a significant reduction in the overall telecommunications cost to the local authorities.
- Staff are also aware of **Framework Agreements** set up by the Procurement & Project Management team and which they are encouraged to utilise. The team have completed the lengthy process of procuring design services on behalf of the Sligo Local Authorities. Framework Agreements have been put in place for Architects, Quantity Surveyors, Civil and Structural Engineers and Landscape Architects, the

services of whom have been made available for forthcoming projects in Sligo city and county for a period of up to four years.

The use of Framework Agreements in procuring consultants should provide savings on staff time and costs, advertising costs and interview expenses and will ensure increased efficiency. The Procurement and Project Management Team are proactive in promoting the use of the Framework Agreements and believe that their continued use is likely to result in a substantial reduction in the cost of conducting competitions for the procurement of consultants. Furthermore it is the experience to date that the use of Framework Agreements has increased competitiveness amongst the consultants involved.

Skills

Within each department there is staff with the necessary skills to undertake the procurement of goods and services. Staff of the Procurement & Project Management team are available on request to provide assistance.

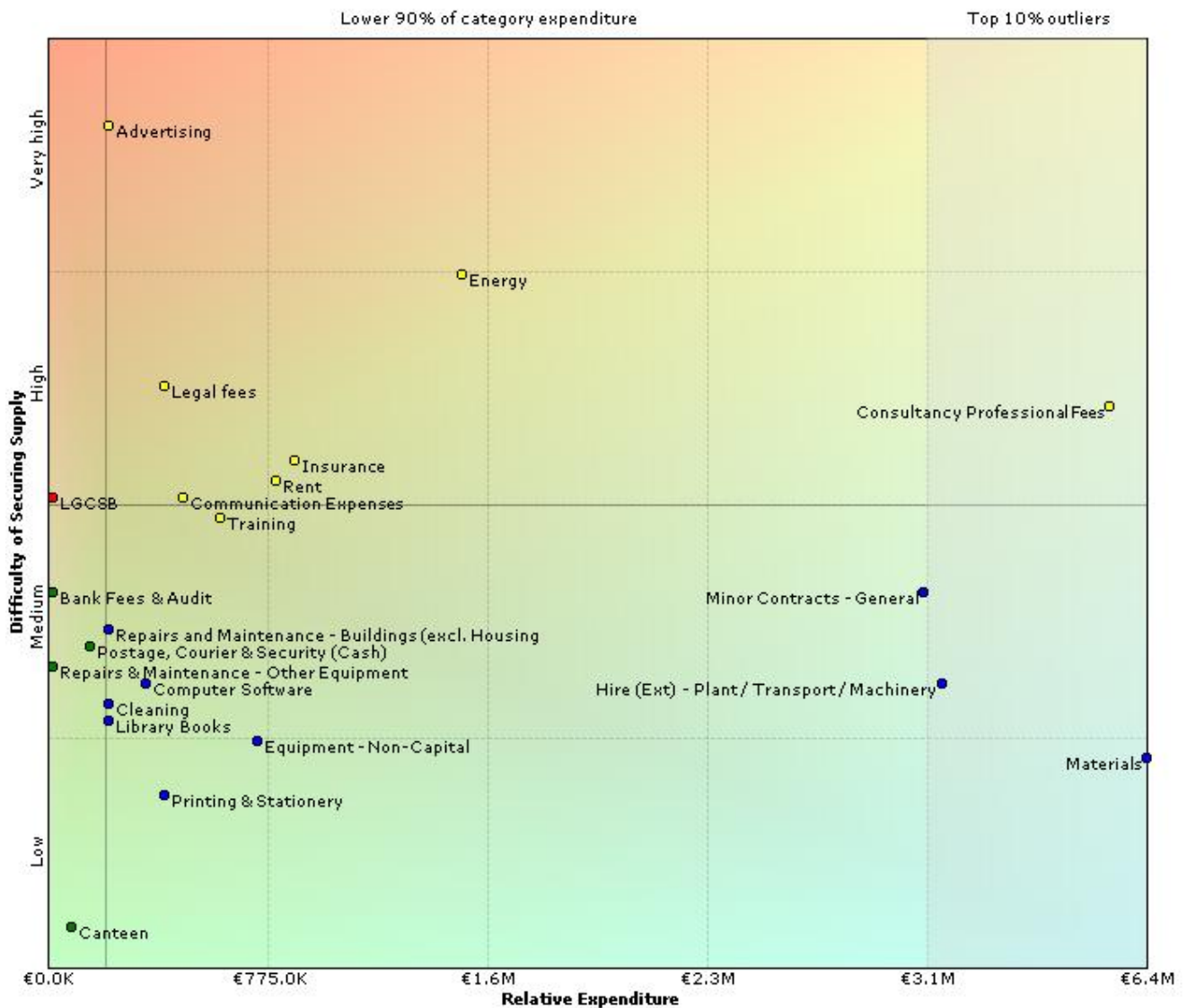
Opportunity to update and improve skills is constantly available through regular and on request training sessions, provided by an in-house Agresso support team.

Chapter 4

SPEND PROFILE – SLIGO COUNTY COUNCIL 2007

Supply positioning matrix for Sligo County Council - 2007

The purpose of the Supply Positioning Matrix is to assist organisations to profile their procurement activity in the context of the relative size of expenditure the various categories of goods and services, and the difficulty in securing supply for these categories. Through Supply Positioning, critical areas of expenditure and significant purchases can be identified. This is the starting point for further demand and supply market analysis, through which organisations can develop strategies to support their business objectives. Supply Positioning should be conducted by officers with high level procurement planning expertise, with input from technical and other experts in some of the specialised categories of goods and services.

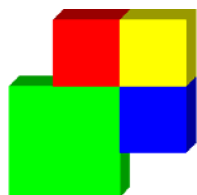


Distribution by quadrant				Expenditure statistics	
	Expenditure		Categories	Maximum value	€6,301,569.84
Box 1	€352,716.65	1.37%	4 18.18%	Minimum value	€34,123.00
Box 2	€14,847,865.07	57.48%	9 40.91%	Average	€1,174,146.95
Box 3	€34,123.00	0.13%	1 4.55%	90th percentile	€3,051,549.01
Box 4	€10,596,528.15	41.02%	8 36.36%	1% of spend	€200,000.00
Total	€25,831,232.87		22	(excluding outliers)	

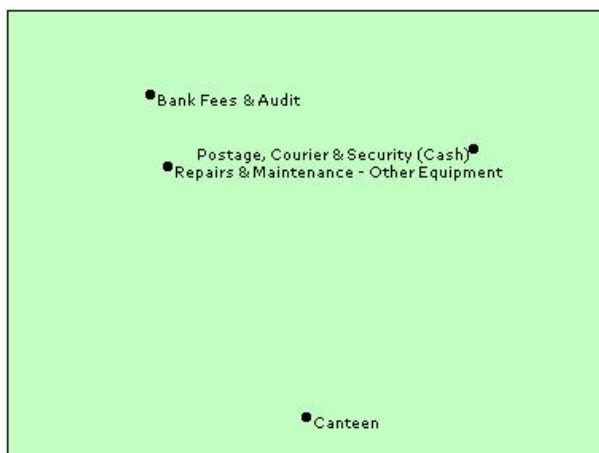
Quadrant 1;

Low relative spend – easy to secure supplies

These items collectively make up a relatively small proportion of the total expenditure on purchased items. However, they represent a high proportion of the purchasing transactions carried out by the organisation. Individual transactions are of low value and the goods and services are readily available. There is often little capability to be aggregate demand to improve buying power. The transaction costs associated with purchasing these items are often high, relative to the value of the items themselves. These costs need to be contained to ensure value for money. As the goods and services are readily available, buying from competitive local suppliers is often an effective strategy for minimising transaction costs.



Categories	4
% of total	18.18%
Expenditure	€352,716.65
% of total	1.37%



Code	Category	Expenditure	% of total	Risk	Strategic importance to organisation	Impact of supply failure	Complexity of the procurement relationship	Chance of supply failure	Nature of the supply market
76100	Postage, Courier & Security (Cash)	€150,564.71	0.58%	Medium	Moderate importance	High	Very easy	Low	Slightly favours supplier
85300	Canteen	€97,266.01	0.38%	Low	Easily substitutable	Low	Very easy	Very low	Highly favourable to buyer
69260	Repairs & Maintenance - Other Equipment	€54,915.63	0.21%	Medium	Moderate importance	Moderate	Slightly complex	Low - moderate	Highly favourable to buyer
90000	Bank Fees & Audit	€49,970.30	0.19%	Medium	Important	Low	Easy	Low	Slightly favours supplier

Quadrant 1 (cont'd)

Best Practice; Objective and Strategy

The aim is to minimise the administrative effort associated with these purchases. The procurement management goal is transaction cost reduction through efficient transaction management. This requires reducing as far as possible the administration surrounding these purchases.

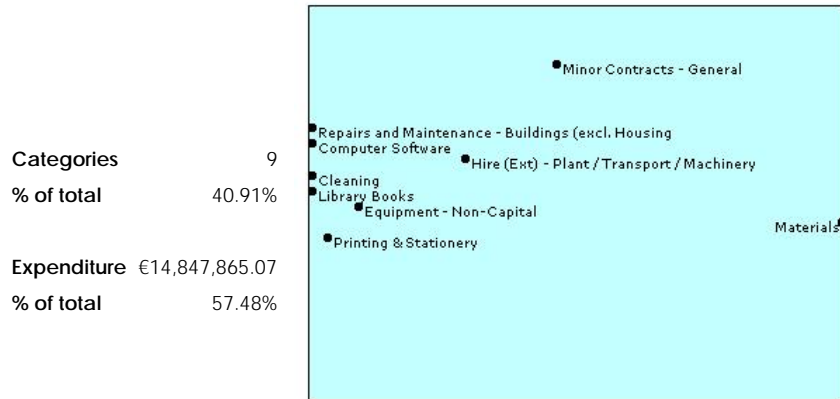
Recommendations

- (1) Responsibility for the procurement of Category 1 expenditure to remain within the individual sections.
- (2) A set of non formal procedures are put in place to support this level of procurement as part of an overall review of the Council's procurement procedures.
- (3) The individual personnel to undertake procurement purposes within each team are identified.
- (4) As part of an overall organisational procurement training programme:
 - (i) All staff are trained in respect of the Council's policy and procedures;
 - (ii) Staff identified as at (3) above are given specific training appropriate to their role; and
 - (iii) Repeat training to be provided systematically to provide for staff changes and to maintain awareness level
- (5) Extend the use of LVP organisation payment cards.
- (6) Consider potential for use of Framework Agreements.

Quadrant 2;

High relative expenditure - Low-moderate difficulty of securing supply

Goods and services in this category are generally commodity type items available from stable supply markets. They are items that are commonly used across the organisation, often in high volumes and with the individual transactions being of low value. Supply strategies often focus on aggregating demand with a few suppliers to gain volume discounts. As there are often many low value purchases made against the arrangements, having simple buying practices that reduce transaction costs is important.



Code	Category	Expenditure	% of total	Risk	Strategic importance to organisation	Impact of supply failure	Complexity of the procurement relationship	Chance of supply failure	Nature of the supply market
Mats	Materials	€6,301,569.84	24.40%	Low	Low - moderate importance	Low	Easy	Low	Highly favourable to buyer
69000	Hire (Ext) - Plant / Transport / Machinery	€3,317,567.81	12.84%	Medium	Important	High	Easy	Very low	Highly - moderately favourable to buyer
65500	Minor Contracts - General	€3,051,549.01	11.81%	Medium	Important	High	Easy	Low	Moderately favourable to buyer
66000	Equipment - Non-Capital	€744,279.93	2.88%	Medium	Moderate importance	Low	Easy	Low	Highly favourable to buyer
81000	Printing & Stationery	€422,426.09	1.64%	Low	Low importance	Low	Easy	Low	Highly favourable to buyer
75000	Computer Software	€368,690.00	1.43%	Medium	Moderate importance	Moderate	Slightly complex	Low	Highly favourable to buyer
69150	Repairs and Maintenance - Buildings (excl. Housing)	€235,034.34	0.91%	Medium	Moderate importance	Moderate - high	Easy	Low	Moderately favourable to buyer
71550	Library Books	€205,215.92	0.79%	Medium	Moderate importance	Low - moderate	Easy	Low	Highly favourable to buyer
CLN	Cleaning	€201,532.13	0.78%	Medium	Moderate importance	Low	Easy	Moderate	Highly fav to buyer

Quadrant 2 (cont'd)

Best Practice Objective and Strategy

The objective for category 2 supplies is to reduce transaction costs and to ensure purchases achieve best value for money.

Recommendations

- (1) Broaden the use of low value purchasing cards
- (2) Review potential for further aggregation of purchasing
- (3) Undertake review of all hired plant expenditure to evaluate if value for money is being obtained. Consider merits of equipping construction teams with smaller items of plant possibly with service agreements with suppliers.
- (4) Consider setting up Framework agreements for purchase of significant supplies
- (5) Consider merits of setting up Framework Agreements for supplies and plant hire on an individual engineering area basis with call offs by the individual area offices.
- (6) Set up panels of contractors for sub EU threshold contracts in housing roads and water
- (7) Framework Agreements and panels to incorporate contractor/ supplier performance monitoring.

Quadrant 3;

Low relative expenditure - High difficulty of securing supply

These items collectively make up a very small proportion of the total expenditure on purchased items. Goods and services in this category are usually highly specialised and there are often very few potential suppliers. Purchasing strategies for securing supply in this category generally focus on reducing the organisation's vulnerability in the market. Strategies for doing this include actively identifying alternative sources of supply, changing the demand requirements or developing stronger relationships with key suppliers.



Code	Category	Expenditure	% of total	Risk	Strategic importance to organisation	Impact of supply failure	Complexity of the procurement relationship	Chance of supply failure	Nature of the supply market
75100	LGCSB	€34,123.00	0.13%	High	Important	Moderate	Easy	Low	Highly favourable to supplier

As per Department Guidelines the expenditure analysed for the purposes of producing the CPP excludes capital funding for contracted out infrastructural projects. Such purchases would normally fall into this category but are now outside the scope of this analysis.

Best Practice Objective and Strategy

The generic objective for category 3 purchases is to reduce the level of the Council's vulnerability in the market by improving the continuity and quality of supply.

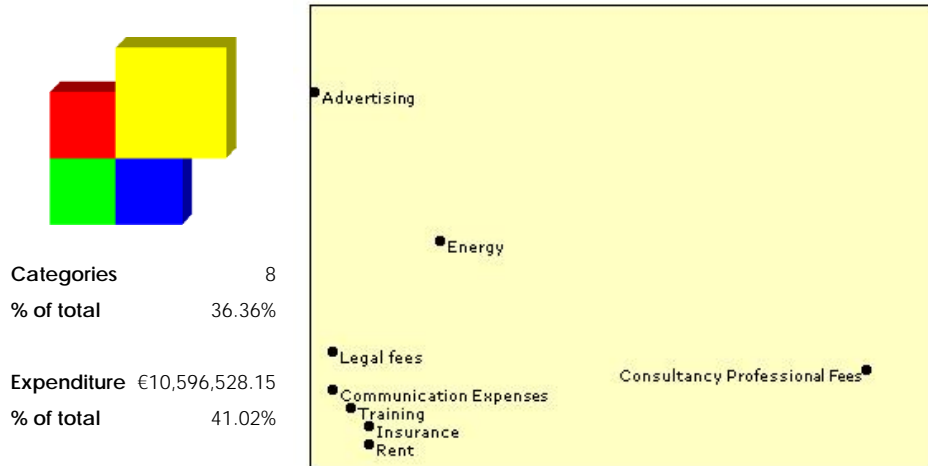
Strategies to achieve this include

- Identification of substitute goods and services
- Identification of alternative sources of supply
- Development of supplier capability
- Changing the demand requirements of the department

Quadrant 4;

High relative expenditure - High difficulty of securing supply

Goods and services in this category are often a complex 'bundle' or 'package' of services and associated goods that are critical to the organisation's service delivery. Long-term relationships with suppliers are common and therefore effective contract management practices are essential for obtaining full value from the arrangement.



Code	Category	Expenditure	% of total	Risk	Strategic importance to organisation	Impact of supply failure	Complexity of the procurement relationship	Chance of supply failure	Nature of the supply market
79900	Consultancy Professional Fees	€5,564,815.34	21.54%	High	Important - very important	Moderate - high	Complex	Low - moderate	Moderately - slightly favourable to buyer
86000	Energy	€1,478,893.54	5.73%	Very high	Important	Critical	Moderately complex	Low	Moderately favourable to supplier
INS	Insurance	€885,693.67	3.43%	High	Important	High	Complex	Low	Moderately - slightly fav to buyer
85000	Rent	€845,034.37	3.27%	High	Important	High	Moderately complex	Low	Moderately - slightly fav to buyer
TRN	Training	€650,018.05	2.52%	Medium	Low - moderate importance	Moderate - high	Slightly complex	Low	Moderately favourable to supplier
76000	Communication Expenses	€515,030.47	1.99%	High	Very important (critical)	Critical	Slightly complex	Low	Highly favourable to buyer
LGL	Legal fees	€444,721.07	1.72%	High	Very important (critical)	Critical	Easy	Low	Moderately favourable to supplier
ADV	Advertising	€212,321.64	0.82%	Very high	Very important (critical)	Very high	Moderately complex	Moderate	Moderately favourable to supplier

Quadrant 4 (cont'd);

Best Practice Objective and Strategy

The objective for category 4 purchases is to

- Secure optimum value for money and
- Reduce risks from purchases

Strategies would include a combination of the following

- Establish supplier performance and relationship management regimes.
- Seek value through use of technology, innovation and continuous improvements

Recommendations

- (1) Require the preparation of a business case for all major purchases as an element to the approval process.
- (2) Maintain a small centrally based team of highly trained personnel in purchasing and project management.
- (3) Require that each major purchase is subject to a risk assessment
- (4) Prepare detailed Council procedures for major purchases. The procedures to include
 - Articulation of the various stages in the development of a project or purchase from an initial statement of the required output to a post project review.
 - Clear documentation to a determined format of product or purchase development based on the project stages set out. This would set a standard file and record format for each project or purchase.
 - Development of a checklist of matters for signing off at the completion of each stage and before progression to the next stage.
 - Internal Audit to have a minimum target for review of major projects and purchases. Reviews to report on compliance with Council procedures.
 - Council to prepare a generic or template project plan as an aid to the development of individual project plans. Each project to have its own project plan covering matters such as communications, scope management, management of project programme, budget management etc
 - Each project, major purchase to include a supplier performance management process.
- (5) Minimum requirements for contract documents to be set down including list of standard inclusions in
 - RTP documents
 - Advertising
 - Instructions to Tenderers
 - Terms and Conditions
 - Contract agreements

- (6) Projects to follow formal project management procedures with breakdown of tasks and assignment of task responsibility.
- (7) Every engagement to be the subject of a contract agreement. Generic agreements to be devised as aid to project teams who would adapt generic agreement to project
- (8) Each project or major purchase to be subject to a post project review.
- (9) Use of established Framework Agreements for Design, Architectural, Engineering and Landscaping consultancy services to be actively encouraged

Chapter 5

Summary Recommendations and Review 2008

Recommendations for implementation during 2009.

1. The Corporate Procurement Plan (CPP) together with general procurement information to be made available to all staff on the Council's Intranet site.
2. A user guide to the policies and procedures involved in the procurement of goods and services should be made available to all staff.
3. All employees involved in the procurement process should be familiar with these agreed policies and procedures. Appropriate targeted training as required should be given to all employees involved in the procurement process.
4. The use of established Framework Agreements for Design, Architectural, Engineering and Landscape consultancy services to be encouraged among staff.
5. Streamline the process of procuring stationery and develop a system that meets the needs of the organisation and users while maximising efficiencies.
6. The use of Low Value Purchase (LVP) cards already established within the organisation should be reviewed. Subject to the outcome of this review, consideration should be given to extending the use of LVP cards.
7. Supplier analysis to be executed in an effort to reduce transaction costs by reducing the size of the supplier base.
8. Encourage the aggregation of invoices from suppliers
9. In line with good practice, all contracts of a recurring nature should be re-tendered for after a maximum of three years. Sligo County Council has a number of these long-term, high-value contracts with various suppliers. Examples include stationery, cleaning, telephone, etc.
10. An annual review of the recommendations should be carried out alongside the preparation of the annual Corporate Procurement Plan. Report to be provided to the Management Team.

Long Term Recommendations 2009 - 2012

1. Responsibility for overseeing the procurement function within each Directorate should be delegated to a senior officer. A deputy should also be identified.
2. Regular in-house procurement information sessions should be made available to employees. The content of these sessions should be based on best practice procurement processes. The objective of providing the sessions will be to encourage an awareness of cost consciousness to be applied across the organisation at all times. It is recommended that these training sessions be held at least annually.
3. Streamline the system of procuring certain goods among all Area Offices and help to reduce costs incurred in processing payments to same suppliers – Material and plant hire
4. The current practice of advertising in local and national newspapers should be reviewed. The Council should consider gradually moving to a situation where all tenders are advertised only on the e-tenders website www.etenders.gov.ie. Adopting the e-tenders site as the main advertising method for tenders would result in reduced advertising costs and deliver process efficiencies.
5. If advertising changes are introduced the Council should consider providing additional training on the use of eTenders for users as required.
6. Continue to provide Agresso Training and organised refresher training for PO raisers, with an emphasis on the correct use and significance of the use of Account Elements, Products etc.