

GALWAY COUNTY COUNCIL



Corporate Procurement Plan 2007 - 2009

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Corporate Procurement Plan

Introduction

Required under the National Public Procurement Policy Framework, this procurement plan will attempt to meet the obligations of the Policy Framework and in doing so reinforce Galway County Council's and management's commitment to effective and efficient resource allocation and service provision as prescribed by the Public Service Management Act, 1993. The Plan will also be subject to periodic review.

Mission Statement

“Ensure that Galway County Council’s procurement function operates in accordance with best practice as outlined in the national public procurement Policy Framework and supports effective value for money purchasing while ensuring probity and accountability.”

Section One

Procurement Overview

In order to prepare this plan it was necessary to:

Analyse the goods and services purchased by Galway County Council.

Analyse the way in which the purchase / procurement function currently operates.

This information was collated from corporate and business units' plans, financial systems reports for 2006 and interviews with relevant personnel.

Chapter 1

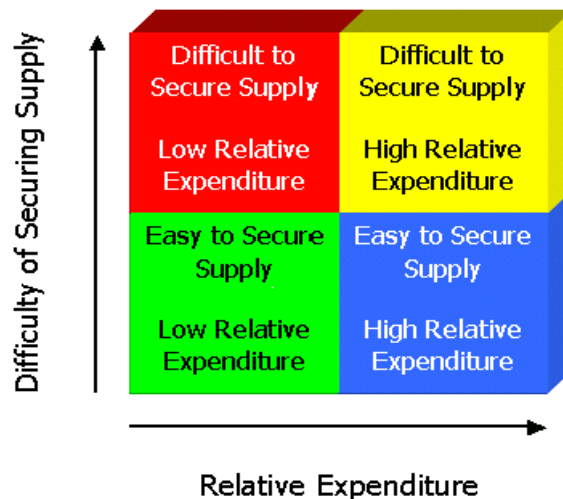
Analytical and Organisational Framework – The Theory

1.0 Introduction

This chapter presents a framework for analysing procurement expenditure in organisations. The methodology underpinning the framework is known as *spend profiling*. This is a tool to guide organisations in better managing 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. This approach is then applied to Galway County Council and a spend profile is presented in subsequent chapters.

1.1 Explanation of Generic Spend Profiling-

The spend profile is presented using a Supply Positioning Matrix¹, 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: **the difficulty of securing supply**, including the level of risk (represented on the vertical axis), and the **relative level of expenditure** (represented on the horizontal axis).



¹ 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. Departments/agencies/organisations are vulnerable where a supply market is unreliable or uncompetitive. If the department/agency/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.

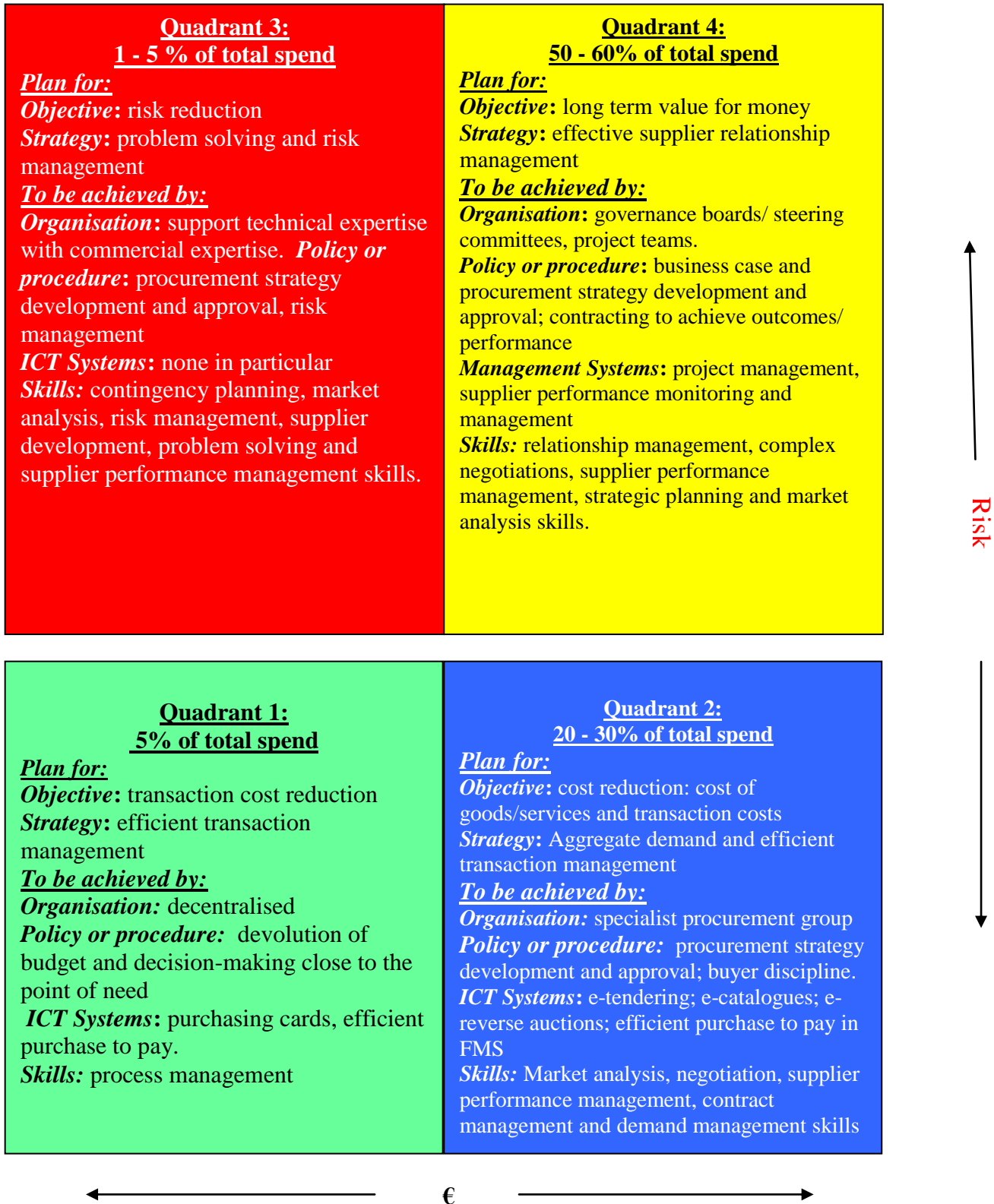
1.2 Analytical Framework

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 1.2

Figure 1.2 Analytical Framework



1.2.1 Quadrant 1 (bottom left quadrant: low relative spend – easy to secure supply). This quadrant typically includes ad hoc purchases such as subscriptions or courier services. International experience suggests that expenditure on categories in this quadrant is generally less than **10%** and often less than **5% of total procurement expenditure**. Purchasing of items in this quadrant is most efficient where decision-making is devolved to those who are closest to the point of need.

The purchasing strategy in this quadrant is to reduce transaction costs.

1.2.2 Quadrant 2 (bottom right quadrant: high relative spend – easy to secure supply) Items in this quadrant typically include goods such as office equipment, fuels or telecommunications. International experience suggests that expenditure on categories in this quadrant is usually around **20 – 30%** of the total. Usually there is some degree of competition in the market that favours the position of the buyer.

The purchasing strategy is to reduce unit costs by leveraging volume demand into the market and reduce associated transaction costs.

1.2.3 Quadrant 3 (top left quadrant: low relative spend – difficult to secure supply) This quadrant includes goods that are specialised or technical. Goods and services include, for example, specialised information technology consultancy or specialised marine equipment. Expenditure in this category is likely to be less than **1%** of the total. There are generally limited opportunities for reducing costs in this quadrant but there are opportunities to better manage risk exposure.

The procurement strategy in this quadrant is to reduce risk through changing demand attributes (e.g. seeking substitute products or services that can reduce the organisation's dependence on one supplier or good/service) and/or improving the body's position in the market (i.e. developing better relationships with the supplier base or seeking a wider range of suppliers possibly in another jurisdiction).

1.2.4 Quadrant 4 (top right quadrant: high relative spend – difficult to secure supply) This quadrant includes goods and services that are critical to the core business of the body. Categories in this quadrant include, for example, large information technology related systems development, capital works projects, military defence

equipment. Procurement related expenditure in this quadrant is usually between **50 - 60%** of the total for a body. This is generally the area of the most significant expenditure both in quantum and in the importance of the procurement or the purchase to the business of the public body concerned.

The procurement strategy is to achieve value for money through effective supplier selection and strong relationship management.

1.3 Organisation of Procurement and Supporting Policy and Procedures

1.3.1 Organisation:

Organisations at the forefront of procurement best practice position procurement at the centre of business planning. They would have in place a suitably skilled and managed function to coordinate procurement spending to ensure the organisation as a whole gets the most from its spending. Best procurement practice suggests that proper procurement management starts at senior management level of an organisation and feeds down in a structured and focused way through policy and operational divisions. Depending on the relative importance and/or level of expenditure on procurement, it should be accorded the same strategic priority as financial, human resource and IT issues and if warranted, should operate as a separate business unit charged with ensuring an appropriately unified approach. While a finance officer is responsible for overseeing how much is available to spend, how much is spent and what it is spent on, a procurement officer should be responsible for overseeing how procurement expenditure is spent and whether it is spent in a way that achieves the best possible outcomes in value for money terms.

1.3.2 Policy:

Procurement policy aims to achieve value for money and is underpinned by core principles such as accountability, the need to maximise competition, fairness and transparency. This plan will provide a comprehensive overview of procurement within the organisation and address the management of all key aspects of the function. It also sets objectives for the year ahead, state how these specified objectives are to be met and establish mechanisms to measure the achievement of these objectives. Furthermore, the Corporate Procurement Plan focuses on specific planning for purchases of high relative expenditure and/or where securing supply can be difficult and/or is critical to the operation of the organisation.

1.3.3 Procedures:

Written procurement procedures should address the organisation and management of the purchasing function, specifically the procurement planning processes, information gathering processes, buying strategies and practices, and achieving probity and accountability. The procedures should cover:

- roles and responsibilities of relevant officers;
- clear lines of accountability;
- documentation and recording requirements;
- the steps required to complete a routine purchase;
- monitoring systems and performance review frameworks;
- market analysis requirements.

1.4 Systems

Successful procurement strategy development requires good information. It is essential to have information management systems that are capable of extracting the required procurement information for planning and review purposes. Such systems can be manual or IT based. Therefore the systems, which support procurement, include Financial Management Systems as well as asset and inventory management tools.

Systems can support and enhance the procurement effort by introducing efficient and standardised automated processes, by making transactions more auditable and transparent and by providing uniform information to support more informed decision-making. Both ICT and management systems such as supplier performance monitoring and management and project management systems have a role in supporting procurement. Financial management systems can be used to manage orders, review and approve requisitions, manage inbound inventory and track supplier performance. They are also used to automate routine transactions, enabling buyers to focus on the value-added aspects of procurement, such as effective contract negotiations, strategic sourcing, and value-added analyses. Depending on the particular installation of the system they can also offer real-time access to inventory levels, expected deliveries and projected demand, which can significantly impact on procurement decisions. Factors such as the coding and classification methods employed will impact on the 'usability' of data produced. Other ICT solutions involve the use of purchasing facilities such as electronic payment and purchase cards, which can be used to further, streamline procurement activity.

1.5 Skills

Developing procurement expertise will help Galway County Council to meet its purchasing objectives. Organisations should ensure that staff involved in procurement holds the correct mix of skills and knowledge. As a first step a skills needs inventory is required and a development plan identified so that staff can expand their

skills and knowledge base on an on-going basis in support of better procurement. The degree of skills required should always be proportionate to the levels and scale of purchasing activity. As the level of expertise required will depend on the frequency and complexity of procurement activities within each position, not all staff will require the same level, quantity or emphasis of training provision. Training arrangements should be flexible enough to deal with a variety of different needs.

Conclusion

As outlined above, 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 Galway County Council in the next chapter and the analytical framework will be applied in subsequent chapters.

For the purpose of providing a more uniform view of the spend analysis it was necessary to break down certain account elements such as, Capital Contracts, Minor Contracts, Materials and Fees and Expenses into programme groups.

Chapter 2

Application of the Analytical Framework to Galway County Council

This chapter presents a spend profile for Galway County Council and then applies the analytical framework.

2.1 Procurement in Galway County Council

Galway County Council had a **Total Spend** in 2006 of € **378.7 million** (Revenue + Capital)

The % breakdown across the eight expenditure groups was as follows:

1	Housing	58,967,812.36	15.6%
2	Roads	179,758,308.35	47.5%
3	Water & Sewage	66,856,026.22	17.7%
4	Planning & Devel	8,174,762.71	2.2%
5	Environment	18,138,443.39	4.8%
6	Recreation & Amenity	7,151,510.11	1.9%
7	Agriculture	15,064,035.41	4.0%
8	Miscellaneous	24,659,577.70	6.5%

Total Spend 2006: 378,770,476.25

The top six expenditure Account Elements in overall terms were:

65000	77,629,576.00	Land Purchase/Compensation	20.5%
69300	72,016,052.79	Capital Contracts	19.0%
60000	43,652,788.10	Basic Pay	11.5%
79900	32,835,331.72	Consultancy/Pro Fees & Exp	8.7%
70000	20,453,984.00	Materials	5.4%
65500	15,601,856.00	Minor Contracts	4.1%

Spend Areas.

As can be seen from the tables above the three programme groups, Housing, Roads and Water/Sewage account for almost 81% of the overall expenditure of €378.7 million.

The **Housing Section** accounts for **€ 58.9m or 15.6 %** of which Capital Contracts is €24.4m.

Observations:

- Capital Contracts are processed under the EU Directive.
- There is a five-year rolling plan in operation within the Housing Section.
- One of the main risks identified by the housing section is the servicing of land purchased for building. In some cases temporary services have to be provided which adds significantly to the overall cost.
- For Grant works involving LA houses the normal procedure is for Tenders to be sought from contractors on an annual basis. (Type of Framework)
- For Private houses the tenant is responsible for getting tender prices for the work before any grant is made available.
- Repairs and maintenance to Local Authority houses is normally carried out by Council crews and the materials required are calculated and purchased by the maintenance supervisor or designate.
- An area of concern expressed by the housing section is the present spend limits within the existing purchasing procedures of Galway County Council. Procurement of €1,500 to € 30,000 requiring six written quotations is not practical given the difficulty in securing contractors to carry out the small jobs; it is just not always possible to get six quotations.

The **Roads and Transport Section** accounts for **€179.7m or 47.5%** of expenditure. The main areas of expenditure were as follows:

1. Land Purchase/Compensation €77.6m, the bulk of which relates to N6 Ballinasloe/Galway
2. Fees and Expenses €23.4m,
3. Materials €14.9m,
4. Capital Contracts €15.6m,
5. External Plant Hire €7m,
6. Minor Contracts €10.2m.

- As with housing the Capital Contracts are covered by the EU Directive.
- The Roads and Transport section also operate from a five-year plan.
- Work is prioritised based on meetings between the Director of Services and Senior Engineers and agreed by the Councilors.
- The use of Consultants in many cases is as a result of a scarcity of qualified Council Staff and this is seen as a potential risk in not completing the programme of works within the planned schedule.
- Quotations for Road Making Materials are sought once per year by means of the LA Quotes system.
- Materials are purchased on an engineering area basis as required.
- Plant Hire is procured on a similar basis to materials. Orders for materials and plant hire are raised at Area level by a Clerical or Staff Officer and approved by the Area Engineer.
- The Roads and Transport section have issued a draft of a document called “**Public Procurement Process Guidelines**” outlining procedures to be followed when dealing with contracts. This document is intended to ensure that the best practice procedures are adhered to.

The **Sanitary Services Section** accounts for **€ 66.8m or 17.7%**. Capital Contracts were € 31.9m. The main areas within the capital expenditure were as follows:

1. Headford Sewerage Scheme € 2.6m,
2. Carraroe Sewerage Scheme € 2.7m,
3. Non Domestic Water Metering Project € 4.4m,
4. Tuam RWSS € 6.7m,

5. Kilkieran WSS € 7.7m.
6. Consultants Fees and Expenses € 3.6m,
7. Energy € 1.8m,
8. Materials € 2.0m
9. Plant Hire € 1.0m.

For the purpose of a more detailed look at **procurement** across relevant sectors of the organisation it was necessary to omit certain categories of non procurement spend from the analysis such as Grants, Refunds, Expenses and Pay, etc.

The Total value of the omitted categories was € 206,711,064 (GL Extract)

The following is a list of those categories/ account elements omitted:

13000	Local Authority Housing Suspense	73210	Leas Cathaoirlach
60000	Basic Pay	73300	Mem Allowance
60050	Pensions	73310	SPC Mem Expenses(Non-elected members)
60100	ER PRSI	73320	Members Conferences - Home
60200	Overtime	73330	Members Conferences - abroad
61990	Other Allowances	73340	Members Expenses
62000	Overhead charge	73360	SPC Chairs
63000	Gratuities	73400	Staff Traveling & Subsistence Expenses
65000	Land Purchase/Compensation	73440	Other Traveling & Subsistence Expenses
65965	Transfer to/from Cap/Rev (Exp)	74000	Meals for Firemen
69350	Agency Services - Other L A	75100	LGCSB
69360	Agency Services - Non L A	79910	Commissioner of Valuation Office Fees
69400	Transfers from Machinery Yard	82000	Voluntary Contributions to Other Bodies
70980	Issues from Tar Stores	85100	Rates and Other LA charges
70990	Issues from Stores	90100	Housing Loan Repayments to HFA/OPW
72000	Housing Grants	90200	Overdraft interest & Financial Charges
72100	Higher Education Grants	91000	Bad Debts W/O
72200	Amenity Grants	91150	Audit Fee
72300	Subsidy Grants	91200	Prompt Payment Interest
72400	Payments to County Council	92000	Exchange gain/loss account
72900	Other Grants	93000	Difference Account/Payment Difference
73150	Removal Expenses	99000	Miscellaneous Expenses
73200	Cathaoirlach	99050	Refunds
		45000	LA Housing Capitalisation

This leaves a Procurement Total of €171.5m spread over 53 different categories which will be analysed in detail and is set out in the table below.

The colours used in Table 2.1 correspond to the colours in the supply positioning matrix i.e.

Blue – Quadrant 2 – High value/Low risk

Yellow – Quadrant 4 – High value/High risk and

Green – Quadrant 1- Low value/Low risk

69300	Capital Contracts Water / Sew	31,545,192.04	18.39%
69300	Capital Contracts Housing	24,401,395.07	14.23%
79900	Consultants for Roads	19,577,111.40	11.42%
69300	Capital Contracts Roads	19,424,765.84	11.33%
70000	Materials for Roads	14,877,269.52	8.67%
65500	Minor Contracts Roads	10,225,734.90	5.96%
69000	External Plant Hire	8,598,060.44	5.01%
79900	Consultants Other	4,388,910.63	2.56%
79900	Consultants for Water / Sew	3,627,083.33	2.11%
86000	Energy	3,484,075.19	2.03%
69150	Repairs / Maintenance Buildings	3,271,710.57	1.91%
71000	Insurance	3,246,788.66	1.89%
65500	Minor Contracts Other	2,947,699.27	1.72%
65500	Minor Contracts Housing	2,497,012.45	1.46%
70000	Materials Water / Sew	2,000,355.39	1.17%
79900	Consultants for Housing	1,445,819.92	.84%
70000	Materials Housing	1,345,530.40	.78%
69200	Repairs and Maintenance Plant	1,187,969.34	.69%
66500	Non Capital Equip – Fire Service	1,145,188.32	.67%
70000	Materials Other	1,111,265.27	.65%
85000	Rent	1,060,852.23	.62%
68500	Non Capital Equipment Other	1,027,372.16	.60%
81000	Printing & Office Consumables	1,010,300.82	.59%
13200	Plant Long Life Suspense	921,006.63	.54%
78000	Training	898,372.77	.52%
80000	Advertising	807,567.13	.47%
65500	Minor Contracts Water / Sew	723,805.75	.42%
79000	Legal Fees & Expenses	645,198.90	.38%
76000	Communication Expenses	561,118.5	.33%
81050	Scanning	380,921.16	.22%
76100	Postage	370,855.14	.22%
67500	Non Capital Equip Computers	361,166.05	.21%
71500	Arts Activities	301,576.69	.18%
13300	Computer Equipment Suspense	296,297.90	.17%
75000	Computer Software & Fees	269,149.56	.16%
14200	Plant Short Life Suspense	233,173.68	.14%
85200	Cleaning	175,730.43	.10%

69250	Repairs & Maintenance Computer	174,628.78	.10%
78100	Recruitment Expenses	170,161.19	.10%
68000	Non Capital Equip – Office / Furn	137,303.48	.08%
45000	Capitalisation of LA Housing	125,762	.07%
13100	Other Buildings Suspense	124,837.50	.07%
69300	Capital Contracts Other	84,710.42	.05%
13400	Other Equipment Suspense	64,366.64	.04%
77250	Security – Cash Delivery	64,340.10	.04%
69600	Other Vehicle Suspense	56,002.21	.03%
85300	Canteen	51,835.67	.03%
77200	Security – Property	18,755.38	.01%
77100	Courier	18,163.41	.01%
69260	Repairs & Maintenance Other	9,968.93	.01%
13600	Furniture Suspense	5,338	.0%
66000	Non Capital Equip Civil Defense	968	.0%
67000	Non Capital Equip Machinery	816.75	.0%
	Total for Procurement Analysis	171,501,361.46	

Within Galway County Council each member of staff is given a certain degree of access to the Financial Management System. Management has agreed a structure for the levels of approval limits applicable to each grade and each user is part of an approval hierarchy as outlined below.

PURCHASE OF GOODS, MATERIALS AND SERVICES EXPENDITURE APPROVAL LIMITS			
GRADE	LIMITS €	GRADE	LIMITS €
COUNTY MANAGER	99,000,000	A.S.O. STORES	65,000
DIRECTOR OF SERVICES	13,000,000	EXECUTIVE ENGINEER	35,000
HEAD OF FINANCE	13,000,000	ASST. C.FO.	35,000
SENIOR EXECUTIVE OFFICER	320,000	SENIOR STAFF OFFICER	35,000
SENIOR ENGINEER	320,000	EXECUTIVE LIBRARIAN	35,000
SENIOR EXECUTIVE ENGINEER	130,000	STAFF OFFICER	13,000
HEAD OF I.T.	130,000	ASSISTANT ENGINEER	10,000
CHIEF FIRE OFFICER	130,000	AREA A.S.O. OFFICER'S	10,000
COUNTY LIBRARIAN	130,000	CIVIL DEFENCE OFFICER	10,000
ADMINISTRATION OFFICERS	130,000	ARTS OFFICER	10,000
AREA ENGINEERS	80,000	A.STAFF OFFICER	10,000
STOREKEEPER	65,000	CLERICAL OFFICER	1.27

Chapter 3

Introduction

This chapter examines the organisation's spend in Quadrant 1 (Bottom left quadrant: Low relative spend – Easy to secure supply). This quadrant includes ad hoc purchases such as courier services, newspapers, cleaning, advertising and low value office equipment. International experience suggests that total expenditure on categories in this quadrant is generally less than **10%** and often less than **5%**. Purchasing of items in this quadrant is most efficient where decision-making is devolved to those who are closest to the point of need. The purchasing strategy in this quadrant is to reduce transaction costs. Figure 3.1 below outlines at a glance a best practice approach for the quadrant according to the analytical framework and identifies the business units involved in purchasing goods and services for the department in this quadrant.

Figure 3.1: Best Practice Approach

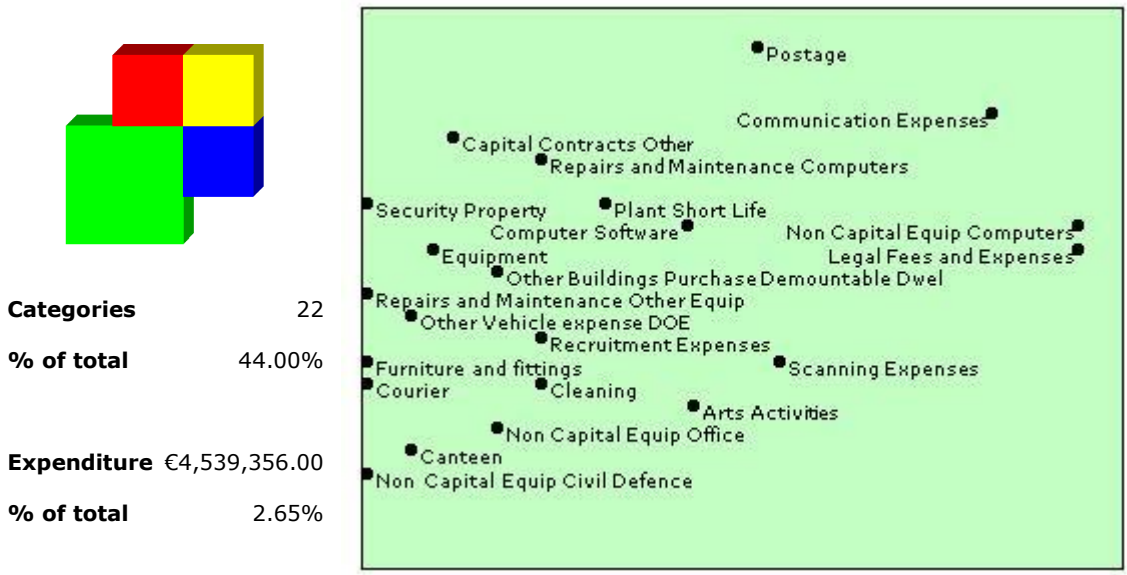
<p><u>Best Practice Approach</u></p> <ul style="list-style-type: none">▪ Objective: transaction cost reduction▪ Strategy: efficient transaction management and/or aggregation <p><u>Achieved By:</u></p> <ul style="list-style-type: none">▪ Policy or procedure: devolution of budget and decision-making close to the point of need▪ Organisation: decentralised▪ ICT Systems: purchasing cards, efficient purchase to pay▪ Skills: process management	<p><u>Sections Involved in Procurement of Goods and Service in this Quadrant</u></p> <ul style="list-style-type: none">▪ All Sections Across the organisation.
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The Council's spend profile is wholly consistent with international norms, as can be seen in **Figure 3.2** which illustrates the goods and services which fall into this quadrant. The spend in this quadrant is **€ 4.5m** and this represents **2.7%** of the total procurement analyzed. There are **22** categories of goods and services and these represent **44%** of the categories of spend.

Figure 3.2: Supply Positioning of Low Value/Low Risk Purchases

Low relative expenditure
 Low-moderate difficulty of securing supply

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.



3.2 Best Practice Objective and Strategy

Planning: The procurement management goal for low value purchasing should be *transaction cost reduction* through efficient transaction management. This, in effect, means reducing as far as possible the administration surrounding these purchases, which can be achieved by:

- 1. Organisation and Policy/Procedures:** allowing purchasing decisions to be made and purchasing to be carried out directly by officers in the business unit that requires the good or service either on an ad hoc basis or through framework agreements that are either specific to the Local Authority or national policy (i.e. purchasing devolved close to the point of need);
- 2. Systems:** allowing such purchases to be made using a corporate purchasing card that is compatible with the financial management/purchase-to-pay system to facilitate electronic transaction data transfer and processing;
- 3. Skills:** developing and maintaining efficient process skills.

3.3 Analysis of Suppliers / Invoices / Payments 2006

The following section deals mainly with the level of activity within the purchase to pay system. The main highlight of the analysis is the very high volume of purchase orders and invoices with low levels of expenditure being processed.

Trade Suppliers Paid

Excluding Land Compensation Payments (NRA), Wayleaves, Plan/Misc Refunds, Sundry Suppliers, LVP's

Total Trade Suppliers Paid	2,301
Total Value	206,868,644

Payment Frequency

Suppliers with one payment only	831	35%
Suppliers with two payments or less	1198	51%

Payments Size

Suppliers Paid less than € 1000	845	36%
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Payments by Supplier Group (1) 2006

Trade Suppliers (1)	47,610	281,529,768

Trade Suppliers (1) Invoice Breakdown

Level	Invoices	%
< € 100	16,271	34%
< € 500	28,556	60%
< € 1,000	34,192	72%
< € 5,000	43,363	91%
< € 10,000	45,151	95%
> € 10,000	6,459	14%
Total	47,610	

Purchase Orders / Invoices

Total Invoices Paid	47,610	Incl. ESB, Vodaphone, Eircom
Total Purchase Orders Raised	19,918	

Purchase Order Value

Excluding the following: LVP's, Land Compensation, Land Registry, Chief Clerk, Planning Refunds

Orders less than € 20	410	2%
Orders less than € 100	3,760	19%
Orders less than € 500	10,339	52%
Orders less than € 1000	13,585	68%

Chapter 4

Introduction

This chapter examines the organisation's spend in **Quadrant 2** (bottom right – High Value – Easy to Buy)

Best Practice Approach

- **Objective:** Cost reduction of Goods and Services and Transactions.
- **Strategy:** Aggregate Demand and Efficient transaction management.

Achieved By:

- **Policy or procedure:** Procurement strategy development and buyer discipline.
- **Organisation:** Specialist Procurement Group
- **ICT Systems:** E-Tendering, Efficiency Purchase to Pay in FMS
- **Skills:** Market Analysis, Supplier Performance Management ,Contract Management.

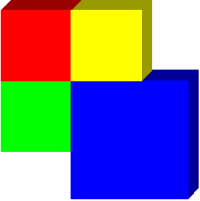
Sections Involved in Procurement of Goods and Service in this Quadrant

- **All Sections Across the organisation. Primarily Housing ,Roads and Sanitary.**

High relative value

Low-moderate difficulty of securing supply

Goods and services in this category are generally commodity items available from stable markets. They are items that are commonly used across the organisation, often in high volumes with the individual transactions being of low value. International experience suggests that total expenditure on categories in this quadrant is generally less than **20%** and often less than **30%**. Purchasing of items in this quadrant is most efficient where decision-making is devolved to those who are closest to the point of need. The purchasing strategy in this quadrant is to reduce transaction costs.



Categories	21
% of total	42.00%
Expenditure	€58,149,931.00
% of total	33.92%



4.1 Objective: Cost Reduction of Goods/Services and Transaction Costs

Galway County Council's spend (33.9%) in this category is in line with international norms.

Road Making Materials is the main spend item in this category and is made up mainly of Stone Products, Bitumen and Road Signs. All Stone products are purchased from an approved list of suppliers taken from the LA Quotes system by the Engineering and Roads Section on an annual basis.

Tenders for the supply of bitumen are sought a number of times during the year by the Roads and Transport section. The Department of the Environment also advises on a regular basis a list of approved suppliers and allowed fluctuations in price due to increases in oil prices. The geographical location of the job for which the materials are required particularly plant hire also has a bearing on procurement of Road Making Materials.

Plant Hire accounts for a high proportion of the transactions in Q2. See Example (1) below. Plant Hire is procured across 12 different sections of the organisation from **158** different suppliers and used on over 1000 jobs. This is mainly as a result of the complexities that arise given the size of the county and the type of work involved. In most cases localised decisions are made in relation to purchases based on the annual quotations received.

There is scope for greater use of the Purchasing Card in relation to small plant in many areas throughout the county. The Purchase Card has also been proven to exercise the mind as regards the return of equipment which otherwise might remain on hire even though not in use. Close scrutiny of the suppliers selected for Plant Hire should be a priority as convenience and historical purchases are often used as excuses when ordering, and Value for Money may not always be the outcome.

Printing and Office Consumables is being purchased on a department-by-department basis without any aggregation. As can be seen from the example (2) below we are raising far too many orders with too many suppliers involved. Consideration should be given to organising a two or three year contract for the organisation with just one or two suppliers. This is also an area where greater use of the purchasing card would be of major benefit as the transaction costs can be greatly reduced.

Minor Contracts, which total €7.9m, is spread across 700 different Jobs. Of this total Roads accounts for € 5.8m covering 500 jobs. The main spend areas were the supply and laying of Bitumen, Surface Dressing and Road Lining Services. More advanced planning of the work is the key factor to avoid unnecessary panic buying and to ensure optimum use of the quotations list. Minor contracts total also includes the servicing of our IT equipment at €300k.

4.2 Example (1) Hire of External Plant 2006 (Account Element 69000)

Total Expenditure	€ 8,556,400	
No. of Invoices	6,187	
Average per Invoice	€ 1,383	
No. of Orders	2,781	
No. of Suppliers	158	
Expenditure by Directorate		
Housing (1)	€ 194,318	2.3%
Roads (2)	€ 7,135,151	83.3%
Sanitary (3)	€ 1,007,975	11.8%
Planning & Development (4)	€ 2,984	0
Environment (5)	€ 140,020	1.6%
Recreation & Amenity (6)	€ 26,502	.3%
Agriculture & Education (7)	€ 11,909	.1%
Miscellaneous (8)	€ 37,541	.4%

Invoice Amounts		
€ 0 to € 100	537	9%
€100 to €500	1,731	28%
€500 to €1000	1085	18%
> €1000	2834	46%

4.3 Example (2) Stationery & Office Consumables (Account Element 81000)

Total Expenditure	€ 1,010,300	
No. of Invoices	1,442	
Average per Invoice	€ 701	
No. of Orders	1,262	
No. of Supplies	211	
Expenditure by Directorate		
Housing (1)	€ 28,797	3%
Roads (2)	€ 112,714	11%
Sanitary (3)	€ 9,020	1%
Planning & Development (4)	€ 370,234	37%
Environment (5)	€ 66,501	7%
Recreation & Amenity (6)	€ 60,129	6%
Agriculture & Education (7)	€ 127	0
Miscellaneous (8)	€ 344,031	34%
Invoice Amounts		
€ 0 to € 100	552	38%
€100 to €500	547	38%
€500 to €1000	153	11%
> € 1000	190	13%

4.4 Supplier Breakdown Value / Orders

Top %	Suppliers	Value €	% Tot. Value	Orders	% Tot. Orders
1	23	99,671,345	48.2%	1641	8.2%
5	115	168,997,314	81.7%	4853	24.4%
10	230	189,224,504	91.5%	8097	40.7%
20	460	200,949,874	97.1%	12596	63.2%

As can be seen from the above tables 20% of our suppliers (460) accounted for **97%** of the amount paid but only **63%** of the transactions, which suggests that the remaining 3% of the amount paid is spread across 80% of the suppliers. This indicates that a vast amount of administration time is tied up in a very small % of spend.

4.5 Communication Expenses Phones:

It is noted that we have improved our efficiencies as regards paying landline phone bills. We are now inputting them into Agresso by means of a load sheet.

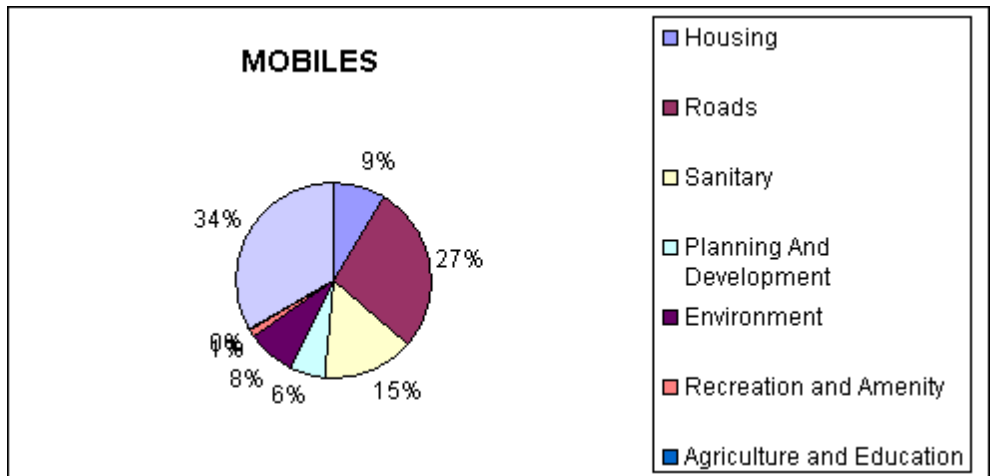
The system of receiving, processing and payment of Mobile bills however still remains extremely cumbersome and totally inefficient.

- Approximately 700 Bills are received on a monthly basis.
- Detailed Bills and Cover Invoices are received separately.
- All bills must be sorted and matched.
- Certification sheets are attached to each Bill.
- A log sheet is created by user and Invoice number and maintained by Accounts Payable.
- Bills are sent to each individual user for approval and coding.
- Personal call portions of the bill is paid by the individual through the cash desk
- Receipts are attached to the bill and certified by section head
- The log sheet is updated upon return of receipted and approved bill.
- The bills are then paid by means of a load sheet.

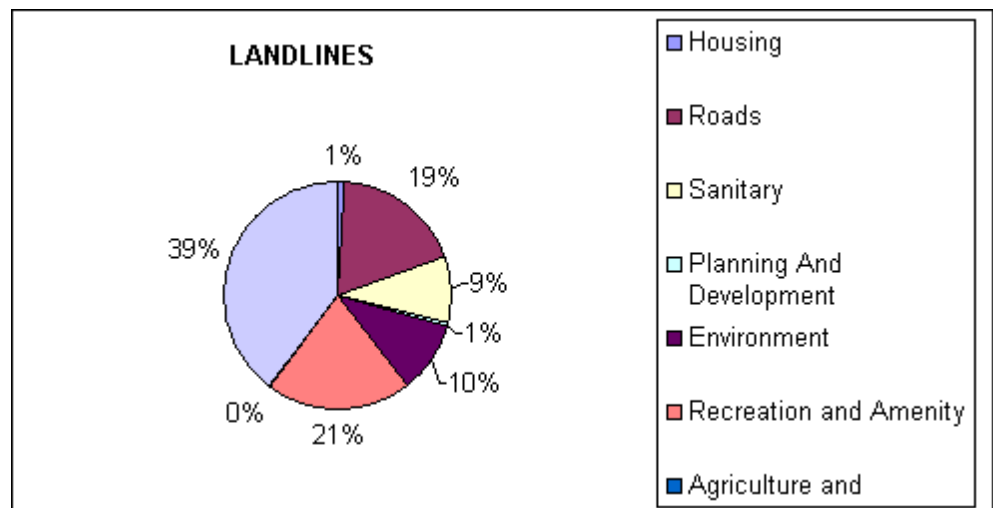
Consideration will have to be given to try and introduce a more efficient method of dealing with mobile phone bills such as paying bills by direct debit, charging the full amount against an individual's salary and using the expense claims to reclaim.

The following is a breakdown of the phone charges for 2006.

Expenditure Group	Mobiles
Housing	22,902
Roads	70,083
Sanitary	37,887
Planning And Development	15,196
Environment	19,970
Recreation and Amenity	3,689
Agriculture and Education	0
Miscellaneous Services	85,622
Total:	255,349

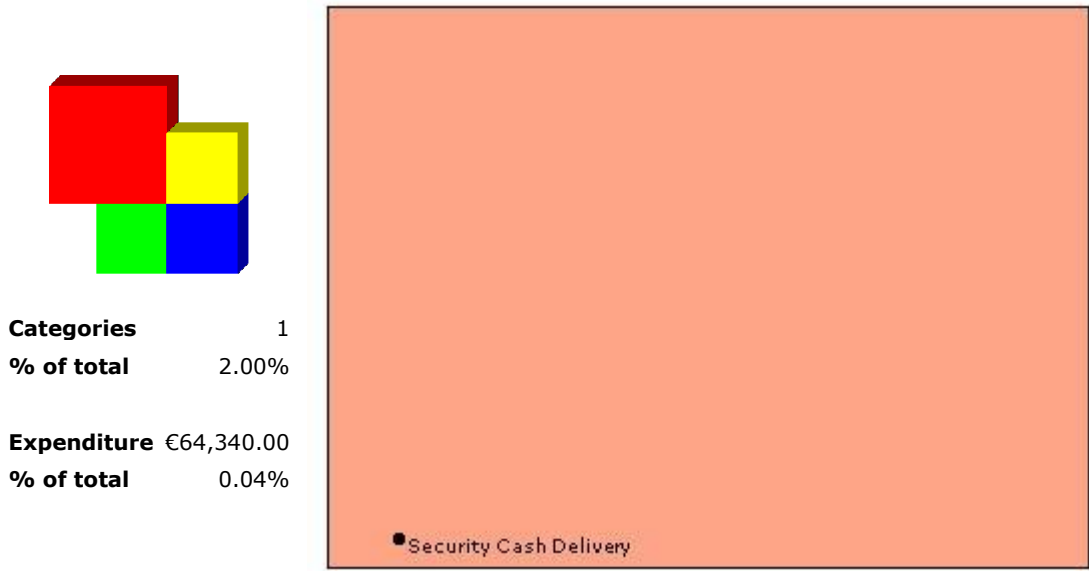


Expenditure Group	Landlines
Housing	3,570
Roads	64,409
Sanitary	31,580
Planning And Development	1,813
Environment	34,358
Recreation and Amenity	71,039
Agriculture and Education	0
Miscellaneous Services	138,144
Total:	344,913



**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.



The international norm for this Quadrant is less than 1% and will usually consist of specialist goods or services. The only category in our profile which may be considered as a low relative spend with a difficulty to secure supply would be Cash Collection / Delivery. As the figures show it only makes up 0.04% of the total.

Chapter 5

Introduction

This chapter examines the organisation's spend in Quadrant 4 (Top Right – High Value – Difficult to Secure Supply)

Best Practice Approach

- **Objective:** Long Term Value for Money.
- **Strategy:** Effective Supplier Relationship.

Achieved By:

- **Policy or procedure:** Procurement strategy development and buyer discipline.
- **Organisation:** Specialist Procurement Group
- **ICT Systems:** E-Tendering, Efficiency Purchase to Pay in FMS
- **Skills:** Market Analysis, Supplier Performance Management, Contract Management.

Sections Involved in Procurement of Goods and Service in this Quadrant

- **All Sections Across the organisation. Primarily Housing, Roads and Sanitary.**

Objective: Long term Value for Money.

Strategy: Effective Supplier Relationship Management

Galway County Council's spend of **63%** in Quadrant 4 is in line with the norm of 50-60%. 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.

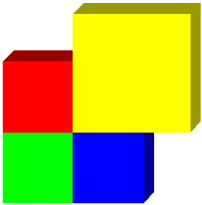
The bulk of the procurement in this quadrant is carried out under the EU Directive 2004/18/EC and by its very nature complies with best practice procedures. The appointment of consultants to oversee the contracts may act as a very good method in terms of ensuring compliance but it may fall short in terms of **Supplier Relationship Management** and effective **Supplier Performance Management**. It is vital that all project management teams include a number of key members of the organisation as well as consultants.

One of the key areas of focus in the medium to long term should be **Energy**. Galway County Council should take the lead and appoint a **Task Force** to examine the potential for cost savings in this area as well as obtaining secure long term supplies. Aggregation of requirements between the various local authorities in the county and indeed surrounding counties would be a priority in the calculation of demand This task force should not alone

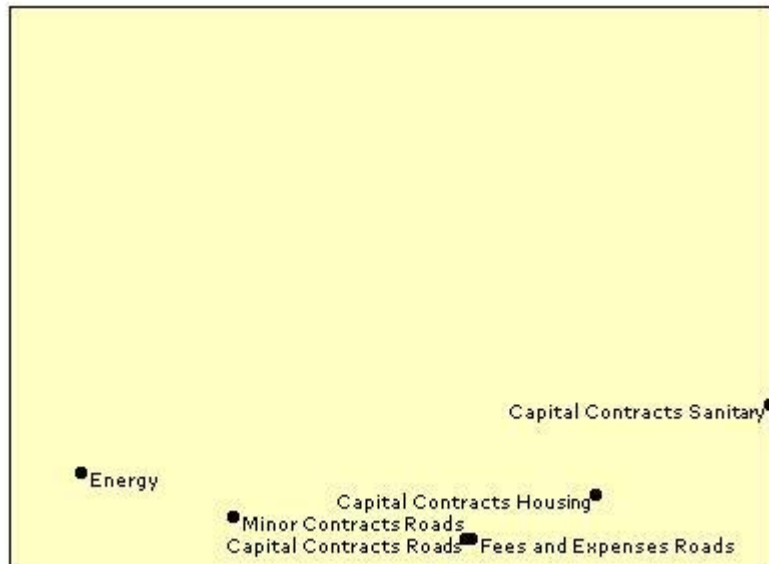
look at alternative suppliers such as Energia, ESBIE, Bord Gais etc., but should also examine the feasibility of alternative sources of energy. Given the fact that a lot of the Council's reservoirs are located at high elevations Wind Turbines may be an option to power pumping stations / water / sewerage plants but all alternative sources should be fully investigated.

High relative expenditure

High difficulty of securing supply



Categories	6
% of total	12.00%
Expenditure	€108,658,272.00
% of total	63.39%



Key Findings of the current Procurement Analysis:

- Organised structure of the **Procurement Function** within Galway County Council needs improvement.
- All main contracts, which fall within the scope of the EU Directive 2004/18/EC, are initially controlled at Director of Service or Senior Engineer level. A Clerical Officer or Assistant Staff Officer normally carries out the actual processing of the related purchase orders.
- External Plant Hire and Road Making Materials are purchased from quotation lists, which are available through a web-based system called **LA Quotes**. Purchasing of these materials is carried out at Engineering Area level by a Clerical / Staff Officer and approved locally by an Area Engineer.
- The purchase of day-to-day supplies and materials including stationery and office equipment is carried out across the organisation in a very diverse manner, again with little or no aggregation.
- The IT Section purchases computers and all related equipment. Access to IT product codes within Agresso is controlled and restricted by user group. It has also been recommended in a recent Internal Audit Report that all cameras and related equipment be purchased through the IT section in order to ensure system compatibility.
- There needs to be an educated approach to the basic fundamentals of high standard procurement techniques and procedures.
- Shared expertise between Galway County Council, Galway City Council and Ballinasloe Town Council in terms of aggregating requirements needs recognition in order to obtain “Better Value for Money”.
- Our **Supplier Data Base** has become increasingly cumbersome due to the number of “once off” purchases.
- There is a need for a central **Vendor Filing System** within Galway County Council so that proper supplier performance analysis can take place.
- Galway County Council requires a database of **Product Specifications**.
- A procedure needs to be drawn up to carry out analytical comparisons between tenders and actual prices paid for supplies.
- The volume of Supplier Invoices being processed by the Accounts Payable section needs to be reduced.
- There is further scope available to develop the **Low Value Purchase Cards** scheme particularly in the areas of stationery purchase and small plant hire procurement.
- A central register of **Contracts / Service Agreements** in relation to Fire Equipment, Photocopiers, Vermin Control, Office Rental, Drinking Water and other such related activities needs to be created and maintained. Interdepartmental aggregation on such contracts needs improvement.

- The Central County Stores at Sandy Road acts as a small procurement and logistics centre not only for stocked product but also for direct deliveries to the various engineering areas. At present there is no method of recovering the costs involved in providing this service to the areas.
- Since the introduction of Purchase Cards in Oct/Nov 2002 there has been a reduction of approx 28% in the number of invoices been processed by the Accounts Payable section. We presently have an average of 165 cards in use every month with an average monthly spend of €105,000.

Purchasing in Galway County Council is at present governed by the Financial Regulations as issued in December 2006 by the Head of Finance and listed below.

Galway County Council

Financial Regulations – Council Expenditure

These regulations may be added to or amended from time to time and updated versions will be circulated and posted as required.

1. No Commitment or Liability, on behalf of Galway County Council, is to be entered into unless:

Provision therefore is included in the current annual budget adopted by the Council

or

Prior approval of the Council, to any expenditure, additional to that in the adopted budget, has been received

or

Additional income, over and above that included in the current annual budget, has been received or approved in writing by a Government agency and that in all such cases of additional income, both, the expenditure has been formally approved by the Manager / Delegated Manager, and the funding arrangements have been approved by the Head of Finance

and

Expenditure and Income coding procedures have been completed with Finance Department.

2. All Purchases of Goods and Services are subject to the following:
 - a) EU procurement requirements must be strictly observed in all cases. Staff engaged in purchasing are required to be aware at all times of current EU requirements. (These can be viewed on the etenders.gov.ie website.)
 - b) Where goods or services are included in annual or periodic quotation lists, orders must be placed in accordance with the conditions of the accepted quotation.
3. For goods or services not included on quotation lists the following purchasing conditions applies:
 - a) **Value less than €5,000** – No written quotation will be necessary provided that the Budget Holder is satisfied that value-for-money is obtained. It is recommended however that verbal quotations be obtained from one or more competitive suppliers.
 - b) **Value between €5,000 and €15,000** – Quotations to be invited by letter, fax or email to at least three suppliers.
 - c) Value between €15,000 and €50,000 – Quotations / Tenders to be invited by public advertisement or by letter to at least six suppliers. While contracting authorities are not required to advertise on the national public procurement website etenders.gov.ie for requirements below €50,000 they are encouraged to do so if the anticipated response would not be disproportionate, having regard to the value of the requirement.
 - d) Value above €50,000 – and up to the value of EU thresholds for advertising in OJEU, not part of a “draw down” or framework contract should normally be advertised as part of a formal tendering process. Publication on etenders.gov.ie website generally meets national advertising and publicity requirements and significantly reduces the need for expenditure on advertising. Tenders to be accepted by Manager / Delegated Managers Order.
4. Fragmentation of orders or issue of repeat orders, in order to bring the value within any of the above rules, is not permitted.
5. Except in cases (specific or general) specifically approved by Head of Finance or where the use of Low Value Purchase Cards is authorised, purchase orders in accordance with the Councils Financial Management System, must be issued, at point of ordering, for supply of goods and services, such purchase

orders complying in all aspects in relation to codes, prices, quantities etc as outlined in Agresso procedures.

6. Goods and Services should only be coded and charged to, the actual job or project, on which they are consumed. Miscoding to avoid budgetary discipline or for any other reason is strictly forbidden.
7. G.R.N.'s for Goods and Services should be accurately input to Agresso as soon as possible after delivery and such GRN's are the authorisation, for the Council, to pay the supplier, on production of accurate invoices. GRN's therefore must be given the required care and checking at point of entry.
8. The Annual Budget adopted by the Council, relates to the provision of services within the financial year. No provision will be made for carry forward of unspent budgetary provisions at year end. It is the responsibility of each Department to plan their work programmes for completion within the year of budget approval. Any expenditure incurred on any project, outside the budget approval year, will be a charge on the budget of the year in which it is incurred and will be subject to prior approval of the Council if not catered for in that years budget.
9. Except in cases of emergency, threat to public health, safety, property or the environment, specific approval of Head of Finance to deviation from the above regulations is required. In all cases of emergency, full details must be reported to the Head of Finance within two working days.

Recommendations based on Review:

- The creation of a properly structured Procurement position.
- Examine the possibility of aggregation between the three L.A. bodies in the county.
- Update our Procurement Policies and Procedures in line with the national guidelines as outlined by the Department of Finance.
- Carry out reviews of both the Product Data Base and the Supplier Data Base with a view to reducing both
- Retraining of staff on Agresso, particularly Budget Holders in the key areas of budget control and verification and basic purchasing training for all other relevant staff in relation to Vendor Selection, Tendering Process, and Product Identification etc.
- Carry out quarterly reviews of the actual prices charged for supplies and services and the tenders / quotations received.
- Examine the possibility of setting up a web page on the intranet dedicated to Procurement with links to all relevant documents and sites such as, Public Procurement Guidelines, Directives, Purchasing Procedures, Financial Regulations, and Ethics in Public Procurement, Public Procurement Checklist, EU thresholds and all EU Forms etc.
- Ensure that all future purchases of furniture and equipment is in line with requirements in relation to section 27 of the 2005 Disability Act.
- Review and centralise all Contracts / Service Agreements entered into by Galway County Council such as Rent agreements, Security Contracts, Cleaning, Fire Equipment, Photocopiers and other service agreements.
- Examine the possibility of creating a list of Product Specifications linked to potential suppliers, which would be available on the intranet.
- Extend the use of the Purchase Card and explore the implications of increasing spend limits.
- Examine the possibility of setting up two year contracts for the supply of Stationery and P.P.E.
- Setting up of a Task Force to examine alternative suppliers / sources of energy.

SECTION TWO

PROCUREMENT PRINCIPLES AND HIGH LEVEL GOALS

Galway County Council is committed to meeting its obligations under the National Public Procurement Policy Framework, which is the national policy underpinning public procurement reform. This involves ensuring that the procurement function formally supports Galway County Council's key business activities and is focussed on delivering value for money outcomes through analysis-based purchasing strategies that are consistent with EU and national procurement law. This will require an undertaking to improve procurement structures and expertise in the organisation on a continual basis, ensuring that purchasing practices are professional and procurement staff have the necessary capabilities to operate in line with best practice.

Common Principles:

1. Carry out procurement in a manner consistent with EU and national procurement law.
2. Comply with procurement reform policy objectives set out in the National Public Procurement Policy Framework.

Social, Environmental and Other Policies:

Reflecting the organisation's broader policy remit the procurement function of Galway County Council will seek to:

1. Ensure that procurement activity supports regional development, subject to legal requirements.
2. Supports the participation of the SME (Small, Medium Enterprise) sector in Local Government contracts, subject to legal requirements.
3. Ensure that procurement supports waste recycling policies.
4. Assure that procurement complies with, supports and promotes the 2005 Disability Act, particularly in relation to section 27, which deals with the provision of goods and services. Staff involved in procurement should also be aware of Part 3 of the Disability Act, which deals with the council's responsibilities in relation to ensuring that their services are accessible to people with disabilities.

High Level Goals:

Practical implementation of these Policies will be through the following six high-level procurement goals:

Goal One:

Develop a framework that seeks to deliver a coherent and consistent approach to procurement across the Organisation and support the introduction of best practice initiatives.

Goal Two:

In support of the framework, develop specialist purchasing structures and capabilities necessary to provide the strategic direction, analysis and advice to deliver effective purchasing performance. This includes consideration of how best to group and coordinate internal resources to manage total purchasing expenditure on goods, services and capital works.

Goal Three:

Expand information management procedures to inform procurement planning and practice at all management levels of the procurement function.

Goal Four:

Ensure that organisational systems, in particular the financial management system and purchase to pay system can support information-based procurement management and streamlined procurement processing.

Goal Five:

Introduce initiatives designed to enhance demand management, purchasing strategy development, supplier performance management and performance review.

Goal Six:

To participate in public sector procurement initiatives as they arise and are deemed appropriate to the organisation, including e-procurement initiatives and aggregation projects.

Goal One

“Develop a framework that seeks to deliver a coherent and consistent approach to procurement across the Organisation and support the introduction of best procurement practice initiatives.”

The key to sustaining continuous improvement in the management of procurement is having people who are suitably qualified to provide the necessary professional input. There is a tendency to rely on external expertise via consultants or other advisors for the specialist skills that are required. It is rare for procurement to feature as part of any overall corporate training programme, and where it does, it is largely systems or compliance orientated. The degree of skills required should always be proportionate to the levels and scale of purchasing activity. As the level of expertise required will depend on the frequency and complexity of procurement activities within each position, not all staff will require the same level, quantity or emphasis of training.

The whole aspect of budgeting within LA’s needs to be examined, as under the present format it tends to direct focus on spending for spending’s sake and promotes the ill-founded “use it or loose it” concept.

This concept is rampant throughout the organisation and is one of the main ingredients which lead to poor procurement decisions. It also remains one of the strongest barriers towards obtaining better value for money. The yearly scramble to spend unused budgets which occurs every December raises very serious questions about Procurement Planning.

The strategic importance of procurement to Galway County Council has historically been undervalued with the function for the most part viewed as a low level back office support function. As a consequence, the planning regime for procurement has a significantly less important role than equivalent human resource and IT plans. This shortcoming has to be recognised and the organisation will seek to address this through the realisation of Goal One.

Goal One will be progressed through the following objectives:

1. Ensure procurement reform is supported at a high level in the organisation
 - Provide for sign off on corporate procurement plan at senior management level
 - Seek to make implementation of the plan the responsibility of an individual within senior management.
 - Provide half yearly reports to the management team of the council.
 - Establish a procurement planning team made up of key procuring divisions from within the council.

2. Link the Corporate Procurement Plan to the Council's Corporate Plan

- Award procurement a high level strategic objective or make it a subset of a high level objective within the Council's Corporate Plan
- Award procurement the same stature as HR or IT in the annual business plan
- Include reference to procurement objectives for the relevant area in local business plans.

Goal Two

“In support of the framework, develop the specialist purchasing structures and capabilities where necessary to provide the strategic direction, analysis and advice to deliver effective purchasing performance. This includes consideration of how best to group and coordinate internal resources to manage total purchasing expenditure on goods, services and capital works.”

Procurement in Galway County Council is decentralised and is presently carried out on a section by section basis. There is little or no interdepartmental coordination as regards sharing of expertise or indeed utilising the whole aspect of aggregation of demand. Most, if not all of the Capital Procurement, particularly that which is subject to the EU directive 2004/18 is handled through the use of external consultants appointed by the council. The purchase of general goods, materials and services is managed across the organisation in a very diverse manner by different levels of staff with varying degrees of procurement expertise. The lack of experience in some departments not alone leads to poor value for money but due to miscoding in the purchase to pay system it can have a detrimental effect on the quality of the financial information which forms the nucleolus of the AFS.

There are 450 “users” set up on the Financial Management System (Agresso) 360 of which have authorisation to raise purchase orders. Approval limits as agreed by management are set and can be seen in chapter 2. Effectively there are 360 members of staff involved in the procurement process at one level or another. While the majority of these have had some form of training on Agresso very few have had any sort of procurement training. Many local authorities are not fully aware that a skills deficit exists. A skills mapping exercise should be carried out which will allow Galway County Council to identify the gaps that must be filled, and an appropriate procurement skills training programme should be put in place to facilitate this.

The procurement review exercise suggests that there is an opportunity to create a role of procurement officer. Galway County Council will seek to address these issues through the realisation of Goal Two.

Goal Two will be progressed through the following objectives:

1. Establish a central procurement unit (Officer) with a remit to manage, control, monitor and bring a more integrated approach to procurement across the organisation. The purpose of such a central procurement resource is not to combine into one unit all procurement activity in the Council but rather it would act as a strategic conduit which would support a more integrated approach in terms of sharing internal expertise and administration and liaising with other departments.
 - Establish terms of reference, responsibilities and work programme for procurement officer
 - Consider the degree to which the unit/officer should have direct control and/or influence different types of procurement, low value and on major procurement undertakings.

2. Determine the appropriate skills mix for the central procurement unit and other business units involved in procurement projects in the organisation to ensure that staff have the necessary capabilities and operate in line with best practice.
 - Define procurement skills for each officer involved in procurement
 - Acquire appropriate procurement training based on gap analysis which would indicate the skills required for each post and define a strategy to meet these needs.

Goal Three

“Develop information management procedures to inform procurement planning and practice at all management levels of the procurement function”

Up until recently there was a distinct lack of information throughout the organisation in relation to procurement procedures. The only available guidelines were contained in the Financial Regulations on the Finance web page. However over the last number of weeks a start has been made to correct this anomaly with the creation of a dedicated web page featuring all the various aspects of procurement such as:

- Public Procurement – National Guidelines
- EU Thresholds
- Ethics in Public Procurement Advertising in OJEU

- Revised Financial Regulations
- EU Directive 2004/18/EC
- Low Value Purchase Cards
- Prompt and Late Payments
- E-Auctions
- VAT Rules and PSWT

Some departments such as Roads and Transportation had taken the initiative to draw up a set of internal guidelines on procurement, which proved to be effective and beneficial, but there was little or no coordination or sharing of information between sections across the organisation.

The procurement review exercise suggested that there was an opportunity to develop the procedural guides governing procurement, particularly with regard to clarification of expenditure thresholds for staff. Those involved in procurement are cognisant of the national and EU procurement guidelines but there is nonetheless an opportunity to formalise this knowledge through training and also audit its application to manage risk associated with non-compliance. Galway County Council will seek to address these issues through the realisation of Goal Three.

Goal Three will be progressed through the following objectives:

1. Establish procedural framework for different categories of expenditure
 - Draw up procurement procedures reflecting decision on which expenditure is centrally purchased, locally purchased; including which purchases should be supported by market analysis ahead of tendering, which should be purchased using purchase cards etc.

2. Improve internal communication on procurement
 - Issue template draft request for tenders on an internet site as a resource for those tendering
 - Maintain copies of all procurement policy and compliance guidance on internal intranet

3. Publicise commonly acquired goods and services and lists of suppliers

- Develop a list of suppliers from whom small items of goods or services are acquired
- Make this list available on the internal intranet in order to avoid duplication of suppliers and limit time spent searching for suppliers of certain small value goods or services

4. Inform the organisation of wider procurement issues in the public sector

- Develop contacts with wider community to exchange information and co-ordinate purchasing
- Collect information
- Disseminate such information to the organisation and target groups involved in purchasing

Goal Four

“Ensure that the Council’s ICT systems, in particular the financial management system and purchase to pay system, support information based procurement management and streamlined procurement processing”

Much time and effort have been invested in the design and roll out of the new financial management system, which can support automated purchase-to-pay and provide for the gathering, recording and processing of procurement and financial information in a structured, readily available, transparent and auditable way. However after almost six years operating the Agresso system and despite many hours of training staff, Galway County Council is still suffers from incorrect use of product codes in the purchase-to-pay system. Basic fundamental errors are occurring at the purchase order stage, which causes serious problems later in the process.

Incorrect use of product codes not only affects account elements but can also have serious implications for parameters such as vat rates and withholding tax, which in turn can lead to an increase in administration costs in trying to resolve. In trying to establish Purchase Statistics to aid future procurement decisions or indeed collating information to reply to FOI’s or management requests,

Accurate information retrieval is fundamental to any successful organisation because it allows it to plan better, make more informed decisions in relation to future procurement needs, provides better job costing information

and allows for better budgetary control. Used correctly, Agresso has the capabilities to provide these benefits. In order to optimise the return and the potential, management must understand and specify their systems –generated procurement information needs. The organisation will seek to address these issues through the realisation of Goal Four.

Goal Four will be progressed through the following objectives:

1. Configure procurement reports required from the financial management system
 - Set out reporting requirement to support procurement planning and management
 - Set up working group with finance to discuss actions to format system to produce reports
 - Provide training and education for management and staff to get maximum advantage from new report capability
2. Reduce transaction costs by consolidating invoicing to monthly or quarterly issuance where possible.
3. Reduce transaction costs by reducing the size of the supplier base
4. Reduce administration costs by eliminating coding errors at purchase order stage

Goal Five

“Establish initiatives designed to introduce or enhance demand management, purchasing strategy development, supplier development processes, supplier performance management and performance review”

Apart from identified opportunities to improve practice and performance with regard to procurement planning, structures and procedures the review highlighted a number of other areas that could be addressed in the short term on a project basis. These would include;

- External Plant Hire
- Office Consumables
- Stores Materials

The above three spend categories total about €10.5m. Existing procurement methods need to be examined and improved. Areas such as the expansion of the Purchase Card Scheme for Plant Hire, 2 or 3 year contracts for Office Consumables and aggregation of supply for Stores Materials being some of the possibilities that need to be explored.

In the area of Office Consumables and Plant Hire we should be able to set ourselves realistic targets for cost reduction and improved efficiency. These can be realised by lowering transaction costs, reduce demand and aggregation.

Galway County Council will seek to address these issues through the realisation of Goal Five.

Goal Five will be progressed through the following objectives:

1. Establish a programme of purchasing strategy development
 - Identify priority expenditure areas suitable for purchasing strategies in line with best practice solutions provided in the SUPREM analytical framework
 - Assess existing procurement approach for goods or services
 - Carry out demand analysis, involving assessment of demand and possible substitution of the goods or services or a reduction of demand.
 - Carry out supply market analysis
 - Devise new strategy to reflect demand and supply realities
 - Formalise process to evaluate strategy outcomes, carry out evaluation and use results to inform future procurement

2. Address first priority expenditure – Consultants
 - Develop a centralised register of all consultants used by Galway County Council
 - Establish key tests and requirements which must be fulfilled in order to hire consultants
 - Establish a regime for monitoring the outputs from consultants

3. Develop demand management techniques at a central level which help manage and reduce costs

4. Introduce and assist a programme of supplier development

- Examine the supplier base and indicate how long suppliers have been used by the organisation
- Seek the views of existing suppliers on the way in which the procurement process could be improved
- Examine the supplier base with a view to narrowing it due to the number of one off suppliers

5. Introduce efficiency targets and output measures

- Develop a programme for efficiency targets and outputs in procurement
- Develop a monitoring and reporting framework

Goal Six

“To participate in public sector procurement initiatives as they arise and are deemed appropriate to Galway County Council, including e-procurement and aggregation”

The procurement review highlighted a number of opportunities for the organisation to engage in cross-local authority procurement initiatives with a view to achieving better outcomes than would be possible from acting alone. Galway County Council will seek to maximise benefits from such opportunities through the realisation of Goal Six.

1. Participate in cross-organisational aggregation initiatives with a view to reducing costs through the maximisation of public sector purchasing power
 - Examine the possibility of aggregation in the following spend areas:
 - Computer supplies, office equipment, PPE, drinking water, photo copying paper
 - Consider the extent of maverick purchasing and determine the reasons for it
 - Issue appropriate instructions on the use of aggregation
 - Share information on aggregation with other local authorities in order to improve practices and behaviours.

Conclusion:

This purchasing review and plan affords Galway County Council the opportunity to promote and enhance the entire procurement process across the organisation with a view to improving both efficiency and effectiveness. In order to succeed however it must be both supported and advanced at senior management level.