

**Limerick
County
Council**

Corporate Procurement Plan



CORPORATE PROCUREMENT MISSION STATEMENT

“To ensure that the Organisation’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 transparency and accountability.”

Introduction

The purpose of procurement is to acquire the best in works supplies and services to meet the needs of the organisation and through the efficient and proper use of funds to achieve value for money. A Corporate Procurement Plan is a valuable means of identifying and reviewing current procurement practices, to determine future needs and to link procurement to the Councils strategic objectives. This Corporate Procurement Plan will also provide an opportunity to communicate to staff the direction of procurement reform within the organisation and the roles and responsibilities attached to procurement.

The National Public Procurement Policy Unit (NPPPU) was established in the Department of Finance in 2002 in order to develop public sector procurement, policy and practice through a process of Procurement Management Reform. The NPPPU has developed the National Public Procurement Policy Framework to manage the reform process which involves capacity building, supplier consolidation and training/education measures supported by suitable e-procurement initiatives.

Public bodies are expected to include Procurement Management Reform as one of the key strategic priorities and objectives in Statements of Strategy, and to develop appropriate Corporate Procurement Plans.

In meeting the requirements of the National Public Procurement Policy Framework, this Corporate Procurement Plan has been agreed by the Management Team. The Senior Executive Officer, Corporate Services has been nominated as the Procurement Co-ordinator for the Council and will be responsible for overseeing the implementation of the plan. The Plan will be subject to annual review as part of the process of preparing Annual Operational Plans. It will seek to meet the obligations of the Policy Framework and also reinforce the Organisations commitment to effective and efficient procurement.

In order to prepare this plan it was necessary to:

Analyse the goods and services purchased by the Organisation.

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

Procurement Overview

At present, procurement within the Organisation is heavily decentralised, with Directorates largely purchasing independently within a framework of EU Directives, National laws and guidelines. Generally speaking, these directives, laws and guidelines promote open and transparent competition as a means of achieving value for money in public spending.

However, the increasing volume and complexity of purchasing decisions by this Organisation is leading to a need for a more strategic focus and enhanced management of the procurement process. There is potential to achieve savings from effective procurement practices. Any savings achieved will release financial resources that can be redirected to the provision of services elsewhere within organisation. The extent to which potential savings will be achieved will depend upon how successful the Organisation is in implementing the plan and its objectives.

Procedures

The procurement review exercise carried out as part of the development of this plan suggest that there is an opportunity to develop procedural guides governing procurement particularly with regard to clarification of expenditure thresholds and general purchasing procedures. The procedural guides should provide a readily available source of information on tenders, practices, procedures to be adopted and any other necessary requirements. Anyone involved with non-pay expenditure throughout the Organisation should be aware of the Corporate Procurement Plan. In particular, however, the personnel involved with procurement should be familiar with the provisions relevant to their areas of interest, and with their respective responsibilities in implementing certain aspects of the plan.

Procurement is a key value adding function in any Organisation and it is vital that all staff involved in the procurement process have a comprehensive understanding of public sector accountability, legislative requirements and best practices in the methods and techniques involved. It is extremely important that the public procurement function is discharged honestly, fairly, and in a manner that secures best value for public money. Management must therefore ensure that there is an appropriate focus on good practice in purchasing and, where there is a significant procurement function that procedures are in place to ensure compliance with all relevant guidelines.

It is a requirement of this procurement plan that all staff involved in the procurement process within the organisation be familiar with the contents of this document.

PROCUREMENT EXPENDITURE ANALYSIS

Analytical Framework

A comprehensive review has recently been carried out in respect of expenditure on procurement in 2007. This analysis shows that the organisation's overall procurement non payroll spend in 2007 was 204,710,689 euro. This review has sought to identify opportunities for improving the procurement function in the Organisation in line with the procurement management reform programme being undertaken by the National Public Procurement Policy Unit of the Department of Finance.

| Accelem | Accelem(T) | |
|---------|--|-------------|
| 65000 | Land Purchase/Compensation | 17,189,322 |
| 65700 | Transfer to Fixed Assets/Capitalisation | 591,100 |
| 65940 | Inter Capital Transfers (Exp) | 0 |
| 65950 | Transfer to/from Reserves | -18,464,557 |
| 65965 | Transfer to/from Cap/Rev (Exp) | 3,072,292 |
| 65980 | Transfer to WIP/Prelim Exps | -22,870 |
| 70993 | Returns to Tar Stores | -35,998 |
| 72000 | Housing Grants | 3,726,122 |
| 72100 | Higher Education Grants | 3,845,578 |
| 72300 | Subsidy Grants | 6,361,964 |
| 72900 | Other Grants | 2,349,491 |
| 73150 | Removal Expenses | 139,578 |
| 73300 | Members Allowance | 210,887 |
| 73310 | SPC Members Expenses(Non-elected members) | 7,585 |
| 73320 | Members Conferences - home | 223,473 |
| 73330 | Members Conferences - abroad | 184 |
| 73340 | Members Entertainment & associated expenses | 8,999 |
| 73360 | SPC Chairs | 32,500 |
| 73400 | Staff Travelling & Subsistence Expenses | 1,591,436 |
| 73440 | Other Travelling & Subsistence Expenses | 67,932 |
| 73500 | Election Expenses | 5,324 |
| 73600 | RAS Landlord Rent Payments | 362,178 |
| 82000 | Voluntary Contributions to Other Bodies | 2,203,033 |
| 82100 | Statutory Contributions to Other Bodies | 935,009 |
| 85100 | Rates and Other LA Charges | 78,044 |
| 91000 | Bad Debts W/O | 1,919,545 |
| 91150 | Audit Fee | -4,008 |
| 93000 | Difference Account/Payment Difference | 145 |
| 99050 | Refunds | 4,137 |
| 70000 | Materials | 10,208,921 |
| 69000 | Hire (Ext) - Plant/Transport/Machinery & Equipment | 5,022,168 |
| 86000 | Energy | 4,395,171 |
| 99000 | Miscellaneous Expenses | 3,917,189 |
| 65500 | Minor Contracts- Trade Services & other works | 2,367,860 |
| 79000 | Legal Fees and Expenses | 1,819,783 |
| 68500 | Non-Capital Equip Purchase - Other | 1,253,328 |
| 70990 | Issues from Stores | 1,020,764 |

| | | |
|-------|--|-------------|
| 78000 | Training | 899,757 |
| 69200 | Repairs & Maint - Plant | 859,146 |
| 76000 | Communication Expenses | 603,519 |
| 77100 | Courier | 170,014 |
| 71550 | Library Book Purchases | 445,150 |
| 85000 | Rent | 375,568 |
| 75000 | Computer Software and Maintenance Fees | 366,606 |
| 80000 | Advertising | 363,807 |
| 81000 | Printing & Office Consumables | 323,305 |
| 67500 | Non-Capital Equip Purchase - Computers | 319,160 |
| 76100 | Postage | 309,537 |
| 68000 | Non-Capital Equip Purchase - Office Equip/Furn | 214,870 |
| 71500 | Arts Activities | 212,685 |
| 66500 | Non-Capital Equip Purchase - Fire Services | 170,130 |
| 77200 | Security - Property | 121,808 |
| 85200 | Cleaning | 106,581 |
| 81050 | Scanning | 94,355 |
| 69250 | Repairs & Maint - Computer Equip | 87,714 |
| 69150 | Repairs & Maint - Buildings (excl. LA Housing) | 64,992 |
| 77250 | Security - Cash Delivery | 61,899 |
| 69600 | Other Vehicle Expenses | 46,773 |
| 85300 | Canteen | 40,206 |
| 66000 | Non-Capital Equip Purchase - Civil Defence | 8,899 |
| 70991 | Returns to Stores | -18,247 |
| 70600 | Stock Adjustments | -22,499 |
| 69300 | Capital Contracts Expenditure | 103,448,025 |
| 69350 | Agency Services - Other Local Authorities | 6,721,760 |
| 69360 | Agency Services - Non Local authorities | 170,362 |
| 69400 | Transfers from Machinery Yard | 3,330,481 |
| 70980 | Issues from Tar Stores | 3,206,541 |
| 71000 | Insurance | 2,072,974 |
| 74000 | Meals for Firemen | 2,378 |
| 74500 | Entertainment and Associated Expenses | 163,039 |
| 75100 | LGCSB | 499,463 |
| 78100 | Recruitment Expenses | -441 |
| 79900 | Consultancy/Professional Fees and Expenses | 17,224,642 |
| 90100 | Housing Loan Repayments to HFA/OPW | 5,090,655 |
| 90200 | Overdraft interest & financial charges | 130,565 |
| 91200 | Prompt Payment Interest | 10,901 |

204,710,689

Having carried out analyses of the above expenditure, taking into account the nature of the business provided by the Council and considering that in many areas there is no spend discretion and procurement requirements already in place the actual expenditure which will be reviewed and analysed for savings is €30,203,605.

In taking a more detailed look at elements for potential savings it was discovered that in items such as Materials it was found that 66% of this account element is already included in the online tendering process LAQuotes. This highlighted the need to examine each Account Element to determine the procurement processes used and the potential for savings from a financial or efficiency perspective.

| | |
|---|--|
| <p>Quadrant 3 Difficult to secure supply and low relative expenditure</p> <p>Computer Software & Maintenance Fees 366,606 Repairs & Maint - Computer Equip 87,714 Non-Cap Equip Purchase – Fire Services 170,130 Postage 309,537</p> | <p>Quadrant 4: Difficult to secure supply and high relative expenditure</p> <p>Capital Contracts Expenditure 103,448,025 Repairs & Maintenance – Plant 859,146 Legal Fees and Expenses 1,819,783 Consultancy/Prof. Fees and Expenses 17,224,642 Energy 4,395,171</p> |
| <p>Quadrant 1: Easy to secure supply and low relative expenditure</p> <p>Advertising 363,807 Arts Activities 212,685 Non-Cap Equip Purchase – Office Equip/Furn 214,870 Non-Cap Equip Purchase – Computers 319,160 Courier 170,014 Printing & Office Consumables 323,305 Cleaning 106,581 Security – Property 121,808 Security – Cash Delivery 61,899 Scanning 94,335 Repairs & Maintenance – Buildings (excl LA Housing) 64,992 Library Book Purchases 445,150 Rent 375,568</p> | <p>Quadrant 2 Easy to secure supply and high relative expenditure</p> <p>Communication Expenses 603,519 Non- Capital Equip Purchase – Other 1,253,328 Minor Contracts- Trade Services & other works 2,367,860 Hire (Ext) – Plant/Transport/Machinery & Eq. 5,022,168 Training 899,757 Materials 4,171,608 Insurance 2,072,974</p> |

Explanation of the Spend Profile

Two main factors are considered to influence the nature of public purchasing and the spend profile is presented using a Supply Positioning Matrix, which segments the expenditure on procurement into four categories. The Matrix, shown, is designed to reflect the relationship between the two principal influences in the management of procurement:-

- **The difficulty of securing supplies of goods and services**, including the level of risk. This means the degree to which goods and services present risks or are critical to the purchasing organisation as well as the extent to which a competitive supply market for the goods or services exists.
- **The relative level of expenditure for goods and services** and this means the total cost of the individual goods or service relative to the total purchasing expenditure.

In the context of procurement management, risk exposures arise from four main sources (purchasing organisation, product/service, 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.

The organisation is 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.

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.

Quadrant 1: Easy to secure supply and low relative expenditure;

This segment includes ad hoc purchases such as subscriptions or publications. International experience suggests that total expenditure on categories in this segment is generally less than 5%. Purchasing of items in this segment is most efficient where decision-making is devolved to those who are closest to the point of need. The purchasing strategy in this segment is to reduce transaction costs.

Quadrant 2: Easy to secure supply and high relative expenditure;

Items in this segment include goods such as electricity, fuels or telecommunications. International experience suggests that expenditure on categories in this segment 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.

Quadrant 3: Difficult to secure supply and low relative expenditure;

This segment includes goods that are specialised, technical and often for the specific use of the purchasing body. Goods and services include, for example, specialised information technology consultancy or unique chemicals. Expenditure is likely to be less than 1% of the total. The procurement strategy in this segment is to reduce risk through changing demand attributes such as reducing demand for a good or service or seeking substitute products or services. There are generally limited opportunities for reducing costs in this segment.

Quadrant 4: Difficult to secure supply and high relative expenditure;

The segment includes goods and services that are critical to the core business of the body. Categories in this segment include, for example, information technology related systems development or major construction projects. Procurement related expenditure in this segment is usually between 50 - 60% of the total for a body. The procurement strategy is to achieve value for money through effective supplier selection and strong relationship Management.

Invoice Analysis Table

| Range of Value | Euro | Number of Invoices | % of Total Invoices |
|------------------|------|--------------------|---------------------|
| 1 – 100 | | 5900 | 22.66 |
| 100 – 500 | | 8144 | 31.28 |
| 500 – 1000 | | 3603 | 13.84 |
| 1,000 – 5,000 | | 4952 | 19.02 |
| 5,000 – 10,000 | | 1454 | 5.59 |
| 10,000 – 50,000 | | 1347 | 5.17 |
| 50,000 – 100,000 | | 246 | 0.94 |
| Over 100,000 | | 350 | 1.34 |
| Total | | 26,034 | |

As can be seen from the above table there are almost 54% of invoices totalling 14,044 processed with a value less than €500. A detailed analysis of these invoices needs to be undertaken to assess the possibilities of achieving reductions in transaction costs by consolidating invoices and reducing the supplier base.

Two separate Analyses of the invoices by supplier and by approver have been produced and an initial examination of these has shown that there is also possible scope to achieve savings both from a financial and an efficiency perspective.

Procurement Principles and High Level Goals

The Organisation 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 the Organisations key business activities and is focused 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 examine procurement structures and expertise in the Organisation on an on-going basis, ensuring that purchasing practices are professional and staff engaged in procurement has the necessary capabilities to operate in line with best practice.

In order to achieve this, the corporate procurement plan is underpinned by two overriding principles:-

Common Principles:-

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

Objective One

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

Considering the strategic importance of the procurement function to the Organisation there is a need to recognise this role as one of the strategic objectives in the business planning process.

This objective will be achieved through the following supporting strategies:-

- Provide for sign off on corporate procurement plan at senior management level
- Assign responsibility for implementation of the plan to an individual within senior management.
- Linking the Corporate Procurement Plan to the overall strategic objectives of the Organisation and into the business planning process.

Objective Two - Pursuit of Value for Money

“The pursuit of value for money through efficient purchasing practices that are fully compliant with all national and international public procurement guidelines”.

The achievement of this goal will depend on:-

- Developing the capabilities necessary to how best group and coordinate internal resources to manage total purchasing expenditure on goods, services and capital works.
- Procurement decision for centrally purchased, locally purchased with regard by market.
- Revise Council Purchasing Procedures and limits to improve efficiency of purchasing processes.
- Identify procurement areas for value for money initiatives

Objective Three – Develop information management procedures to inform procurement planning and practice at all management levels of the procurement function

The achievement of this objective will be progressed through the following:-

- Improve internal communication on procurement.
- Designation of staff member in each Directorate to have responsibility for procurement.
- Maintain copies of all procurement policy and compliance guidance on internal intranet.
- Examine position with suppliers from whom small items of goods or services are acquired with a view to publishing on the intranet a list of such suppliers in order to avoid duplication of suppliers and achieve efficiencies.
- Develop a General Procurement Procedural Guide governing all aspects of procurement particularly with regard to clarification of expenditure thresholds and general purchasing procedures.

Objective Four - Participate in procurement initiatives that are deemed appropriate to the Organisation.

Limerick County Council has already implemented a number of procurement initiatives such as Low Value Purchase Cards, participating in systems such as LAQuotes and e-Tenders.

The achievement of this goal will depend on:-

- Reduction in transaction costs by consolidating invoicing to monthly or quarterly issuance as appropriate.
- Examine possibility of reducing transaction costs by reducing the size of the supplier base.
- Expand use of Low Value Purchase Cards.

Conclusion

The process of producing this Corporate Procurement Plan has provided a valuable opportunity to examine the current position in relation to the efficiency of the procurement function operating within Limerick County Council. The initial non payroll spend for 2007 was in excess of 204 million euro and it was found that 30,203,605m euro could allow for potential savings. This represents 14.75% of the non payroll spend.

Within the areas identified for potential savings there is no one element which is likely to provide any major savings but there is the potential to achieve possible financial savings over a range of elements. The one area which possibly offers the greatest potential saving is in the area of efficiency and time which will free resources.

The development of a General Procurement Procedural Guide and revision of Purchasing Procedures will lead to a more co-ordinated approach and streamlined procurement operation.