

# Cork City Council



## CORPORATE PROCUREMENT PLAN

2008 – 2010

## Foreword

---

Cork City Council is committed to delivering excellent quality services. The role a strategic approach to procurement has in achieving such services efficiently is recognised in the National Public Procurement Policy Framework. I am pleased to present the Council's first Corporate Procurement Plan, which recognises the importance of using efficient procurement procedures and is the first step in raising the profile of strategic procurement planning within the organisation.

The aim of the Plan is to ensure that the procurement function becomes more effective, professional and well-managed. To achieve these goals existing procurement methods will be challenged, we will develop expertise by learning from others and collaborating internally and externally. Within the plan we have set clear and challenging aims for procurement. We have defined the future structures that will achieve a stronger focus on procurement planning, information sharing and collaboration between the different purchasing areas of the Council.

By aligning our purchasing practices with the goals and objectives as set out in this document I am confident that the organisation can secure better services for our citizens for the same cost or less.

Joe Gavin  
City Manager

## Table of Contents

<b>Foreword</b> .....	<b>2</b>
<b>1.0 Executive Summary</b> .....	<b>4</b>
<b>2.0 Introduction</b> .....	<b>7</b>
2.1 Background.....	7
2.2 Objectives of the Plan .....	7
<b>3.0 Purchasing Analysis</b> .....	<b>9</b>
3.1 Introduction .....	9
3.2 Acquisition of Assets .....	10
3.3 Repairs & Maintenance - Other Equipment .....	10
3.4 Contracts - Housing .....	10
3.5 Contracts - Environment .....	11
3.6 Hire of Plant.....	12
3.7 Printing & Stationery .....	12
3.8 Security .....	13
3.9 Advertising .....	13
3.10 Supplier Analysis .....	13
3.11 Transaction Analysis.....	14
<b>4.0 Summary of Current Structures &amp; Procurement Practices</b> .....	<b>15</b>
4.1 Current Structures .....	15
4.2 Procurement Practices .....	16
<b>5.0 Procurement Strategy</b> .....	<b>18</b>
5.1 Strategic Objectives.....	18
5.2 Goal One - Integration with the Corporate Planning Process .....	18
5.3 Goal Two - Develop Specialist Purchasing Capabilities.....	19
5.4 Goal Three - Procurement Policies and Procedures.....	21
5.5 Goal Four – Information Management .....	22
5.6 Goal Five – Use technology to support procurement initiatives.....	23
5.7 Goal Six – Development of Procurement Initiatives .....	24
5.8 Goal Seven - Cross Organisational Collaboration .....	26
5.9 Conclusion .....	26

## **1.0 Executive Summary**

---

### **1.1 Introduction**

Pressure is growing on public bodies to improve performance of how they procure goods, services and works contracts. Partly this pressure arises from ensuring compliance with the complex public procurement regulations but more importantly it arises from the need to achieve efficiencies and value for money targets. Public sector procurement reform is guided by a Policy Framework developed by the National Public Procurement Policy Unit (NPPPU) in the Department of Finance. Among other things, the Framework requires public bodies to include procurement management reform as one of their key priorities in future Corporate Plans and to develop annual Corporate Procurement Plans in the future.

The primary objectives of the procurement planning process are, to set specific efficiency or value for money targets, to recommend purchasing strategies, to implement appropriate procedural and structural reform and to communicate to all staff the direction of procurement reform within the Council. This first Corporate Procurement plan is based to a large extent on a purchasing analysis undertaken in 2008 by the Finance Department.

### **1.2 Procurement Overview**

The procurement review undertaken included an analysis of the purchasing data for 2007 taken from the Financial Management System and shows the broad spend profile of the Council.

The analysis included both Revenue and Capital expenditure and shows that the Council's total expenditure for 2007 was €413,725,110, with procurement expenditure amounting to €240,035,084 (58%). This figure was broken down into 41 expenditure categories, each of which was examined in terms of the number of suppliers, transactions and Directorates purchasing within that category. In addition a representative sample of individual categories was analysed further in relation to purchasing patterns and practices.

In addition a review of the current procurement structures and practices was carried out and the results formed the basis of a number of the procurement goals.

### 1.3 Procurement Strategy

Cork City Council is committed to meeting its obligations under the National Public Procurement Policy Framework. This will involve reforming the procurement function so that

- i. It formally supports the organisation's delivery of key services
- ii. It is focused on delivering value for money through the use of analysis-based purchasing strategies
- iii. It ensures compliance with EU and state procurement law

To achieve these objectives procurement structures and expertise must be improved on an ongoing basis so that purchasing practices are professional and staff have the capabilities to operate in line with best practice. The following high level goals are designed to achieve these aims:

- **Goal one:** Make procurement reform a key strategic priority within the Council's corporate planning process and assign responsibility for its delivery at a senior level.
- **Goal two:** Set up procurement structures that will tap into existing procurement knowledge within the organisation and build up expertise in a central unit. The new structures will include a working group drawn from each of the Directorates / Departments and a procurement coordination unit headed by the Procurement Officer. A key function of these structures will be to provide training and advice to those making procurement decisions across the organisation
- **Goal three:** Roll out an organisation wide procurement policy document that consolidates all existing national and EU guidelines, and adopts specific policy positions appropriate to the Council.
- **Goal four:** Enhance information management procedures to inform procurement planning and practice at all levels of the organisation.
- **Goal five:** Optimise the organisational IT systems (both financial and e-procurement) to support information-based procurement management and streamlined procurement processing
- **Goal six:** Shift the focus to strategic procurement including demand management, supplier development and supplier performance management. The plan sets out some specific procurement initiatives that will lead the way in the

short to medium term. These initiatives were identified on the basis of supply, demand and transaction analysis carried out to date. More extensive analysis will be required including 2008 data to identify efficiencies and to establish a baseline against which targets can be set in future annual procurement plans. The initial initiatives include:

- A review all suppliers with an annual spend over the EU thresholds to ensure that the EU and national procurement rules have been compiled with.
  - Ensure annual spends over €50K are in compliance with the corporate procurement policy. Any exceptions will trigger a tender process via e-tenders for current requirements.
  - To minimise the tender effort, National Framework agreements will be utilised where available.
  - A review of the supplier base to reduce the number of suppliers where we use too many and widening the supplier base where we have too few
  - Initiatives to reduce the Councils demand such as consolidating Council newspaper advertisements into one weekly composite advert
  - Initiatives to reduce transaction costs such as increasing Low Value Purchase cards usage where appropriate
- \* **Goal seven:** Actively participate in appropriate public sector procurement aggregation initiatives. It is in the Council's best interests to continue to participate in such initiatives and seek out further opportunities as this is the best opportunity to attaining large cost reductions and procurement efficiencies

#### **1.4 Conclusion**

The purpose of this Corporate Procurement Plan is to reflect the Council's commitment to the treatment of procurement as a deliverable under the Corporate Planning Process. Its overriding objective will be to deliver a coherent and consistent approach to procurement across the organisation and support the introduction of best procurement practice initiatives.

## 2.0 Introduction

---

### 2.1 Background

Public procurement can be defined as the acquisition, whether under formal contract or not, of works, supplies and services by public bodies. The procurement process spans the whole cycle from identification of needs through to the completion of a service's contract or the end of an asset's useful life.

Cork City Council incurs over €200m in procurement expenditure every year. The scale of this spend leads to a need for the Council to build procurement into its business planning. Pressure to improve performance on procurement is mounting because:

- Savings realised through more efficient procurement can be used to enhance existing services, be channelled into priority services or allow reductions to various Council charges.
- Authorities are accountable for achieving Best Value and are open to legal challenge under the EC public procurement directives and the Irish national procurement regulations (EC rules).
- Inadequate planning and contract failures can result in financial loss and damage to the authority's reputation.
- Poor practices in design and procurement result in poor quality together with time and cost overruns.
- Unnecessary 'red tape', inefficient processes and excessive timescales are costly for authorities and suppliers alike.

### 2.2 Objectives of the Plan

These issues are recognised at a national level and the production of this Corporate Procurement Plan is required under the National Public Procurement Policy Framework. The requirements of the policy framework set out by the National Public Procurement Policy Unit (NPPPU) are

- Include procurement management reform as a key priority within the organisations formal strategic plans and develop strategies to remove any barriers to such reform.
- Develop appropriate annual corporate procurement plans and set out targets to achieve cost savings and better cost effectiveness within those plans.

- Identify the appropriate organisational and staffing changes needed to achieve the stated targets.

This Corporate Procurement Plan has drawn upon earlier studies and analysis. A comprehensive review and report on the City Council's procurement performance was undertaken by Leading Edge (Ireland) Ltd in 1999. In 2005 the Council carried out a Spend Analysis with the assistance of both IBM and the Local Government Computer Services Board. Many of the recommendations from those reviews have been incorporated into this strategy. In 2008 the Council conducted a further analysis of its purchasing and this has been used to shape the emphasis on particular projects and developments.

This Corporate Procurement Plan has been agreed by the City Manager, the Corporate Services Group and Senior Management Team. This reinforces the Council's commitment to effective and efficient resource allocation and service provision as prescribed by legislation. The main objectives of the corporate procurement plan are:

- to identify and review the Council's current spend profile and purchasing practices.
- to assess and determine future purchasing needs from a corporate-wide perspective.
- to link the procurement function to the Council's strategic objectives.

Responsibility for this strategy rests with the Senior Management Team. The Head of Finance is the sponsor of the plan and the Corporate Services Group will act as a steering group overseeing implementation of the plan. Annual Procurement Plans will be adopted and reports on progress under this Plan will be produced on a regular basis. The Corporate Procurement Plan will be subject to ongoing review and refinement. The aim will be to highlight best practice procurement developments that can further advance the City Council's corporate goals.

### **3.0 Purchasing Analysis**

---

#### **3.1 Introduction**

The purpose of the spend analysis is to provide a context for the Corporate Procurement Plan by providing detailed analysis of spending patterns and practices across the City Council. The analysis is set out in Appendix 1 and 2 and the summary findings of the analysis are set out in this section.

This analysis is based on expenditure incurred by Cork City Council in 2007 and includes both revenue and capital expenditure. While the capital expenditure is specialised and project based our review highlighted that from a procurement perspective much of the capital expenditure is identical in nature to revenue expenditure. Expenditure as per the 2007 Annual Financial Statements was €413,725,110. Revenue expenditure accounted for €174,629,336 of this with capital expenditure making up the balance of €239,095,774

A review of this expenditure by account element across all programme groups enabled the separation of the Council's procurement expenditure from total expenditure. Non procurement expenditure excluded from the analysis on this basis include such items as salaries & wages, pensions, payment of grants, Council Member costs, contributions to other bodies etc. In terms of capital expenditure purchase of land was also excluded. The resulting expenditure incurred in 2007 in procuring goods and services was €240,035,084 which breaks down into €46,388,165 (Revenue expenditure) and €193,646,919 (Capital). This expenditure was further broken down into purchasing categories that are procured in the same/similar marketplace. At this level the transactions making up the categories were extracted for analysis to arrive at a detailed picture of the procurement activity being undertaken in the organisation at present.

Appendix 2, Table 15 sets out a further analysis of the above expenditure in terms of the number of transactions and suppliers under each heading and purchasing directorates / departments. Transaction and supplier analysis is summarised below together with a sample of categories that were selected for more detailed analysis as follows:

### **3.2 Acquisition of Assets**

Property acquisitions amounted to 28% of total procurement expenditure in 2007 with €69 million spent on the acquisition of houses. While it is appreciated that these acquisitions are driven by social and housing policy issues it is recommended that value for money guidelines are documented for those in the process to follow.

Non property acquisitions amounted to €3,349,700 with the top five business units accounting for 29% of the expenditure. The analysis shows a high level of compliance with public procurement requirements. Three of these business units relate to IT expenditure which included a number of sole or much specialised suppliers. Such supply markets can pose a potential risk to the Council and as such a further analysis of the area is recommended, however the specific examples covered in the review involved a relatively low level of expenditure

### **3.3 Repairs & Maintenance - Other Equipment**

Total expenditure in 2007 in respect of the repairs and maintenance of other equipment was €1,856,473, 71% of which was revenue expenditure. The Roads & Transportation directorate accounts for €1,459,630 of this mainly relating to the Lee Tunnel. €700k of the Lee Tunnel expenditure relates to the top 4 suppliers and contracts are in place. In the case of once supplier Dambach UK (2007 €85,638) it was stated that there is no alternative service agent, it is recommended that tenders be invited (via e-tenders) anyway as this may have the added benefit of broadening the base of suppliers.

In addition to the above suppliers there are another 152 suppliers being used to maintain other equipment and 72 of these are in respect of invoices less than €1,000. If maintenance of much of this equipment was planned and tendered/quotations sought in advance there may be the opportunity to reduce the number of suppliers and obtain better value for money. There is little use of the same suppliers across different directorates in the case of this category.

### **3.4 Contracts - Housing**

This capital expenditure is in respect of house building programmes and the Council incurred expenditure in respect of 43 house building contracts with total expenditure over €100m in 2007. This would suggest that substantial experience exists in the Council of running the tendering process for building contracts of all sizes. However it would appear that some personnel close to these contracts have left the organisation

and certain expertise may have been lost. The involvement of a central unit would protect against this recurring in the future if structural recommendations are implemented. Similar experience exists in other Directorates such as Road and Transportation, which will be valuable to the Council in running tender processes in the future and should be utilised in terms of the training of areas that have less experience.

Such large capital contracts are one area of the Council's activities where supply market analysis could be carried out as outlined by the NPPPU. These contracts are critical to the ongoing business of the Council and pose certain risks due to the complexity and high level of expenditure involved. Typically such supply market analysis will involve research into the marketplace and an analysis of factors such as the market structure, competition and supply chain. It is recommended as a starting point that the individual markets in which the Council engage in large capital contracts are identified and steps are taken to plan and carry out the analysis outline in brief above.

Housing contracts classified as revenue expenditure of €4,123,578 represents contracts in place for the maintenance of the housing stock. The largest of these was the window / door replacement programme where €1.1m was expended between 3 main supplies (C & W Windows €681,959, Window Master Ltd €317,458 and WindowMasters Ltd 132,100). A works tender process (contract supply and fit) was run after receiving expressions of interest from a number of suppliers including those named above. The second supplier above is an example of where the same supplier has two supplier numbers / names on the Financial Management system. Our review identified a number such duplications. It is recommended that full review is carried out and where duplicate accounts are identified that one of the accounts is set to inactive.

### **3.5 Contracts - Environment**

In 2007 €4,387,452 was expended in respect of environmental contracts, €1,739,547 of which was in respect of capital works and the balance of € 2,647,905 related to revenue expenditure. The 10 suppliers with the highest expenditure in 2007 accounting for 93% of total expenditure and relate to the Landfill and Drainage activities. The level of awareness and experience of procurement issues appears to be very high in both these areas as evidence by the extensive use of e-tenders and staff knowledge. All of the top ten suppliers had been through an appropriate tender process.

The remaining €302,304 of expenditure was paid to 27 suppliers with 17 of these being paid less than €5,000. While this is not a very high level of expenditure a further review should be carried out to see if the services could be provided as part of the larger contracts.

### **3.6 Hire of Plant**

In 2007 the Council spent €3,073,343 in revenue expenditure on plant hire and €642,296 hire for capital projects. The top 10 suppliers account for 84% of the total expenditure of both revenue and capital. The expenditure relating to these suppliers is spread among four Directorates and currently the purchasing function is centralised in the Recreation, Amenity & Culture (RAC) directorate.

The LA quotes system is used for plant hire purchases. However where the aggregate amount paid by the overall organisation is over national and EU thresholds then the LA quotes system would not be appropriate. In this case a tender process should be carried out to include the requirements of all Directorates.

To avoid such an issue it is recommended that the Procurement Unit should coordinate an ongoing review of not just plant hire expenditure but all areas where similar risks exist.

The remaining expenditure of €596,260 is divided among 65 suppliers which is a high number of plant hire companies and the average order given is under €10k. The orders given to these suppliers should be reviewed to see if the requirements can be met by plant hire companies who are successful in the tender process which is recommended above.

### **3.7 Printing & Stationery**

€797,931 was spent on printing and stationery by the Council in 2007. This expenditure is spread across over 200 suppliers. Paper/stationery is purchased centrally and a stock of the most used items is maintained. Items that are not in stock must be ordered directly from suppliers. Our analysis showed that while preferred suppliers with whom the Council have negotiated special discounts are used most often, there is no effective restriction on the use of suppliers as evidenced by the use of 68 suppliers for Paper/Stationery element of Printing & Stationery. It is recommended that a tender process be undertaken to appoint a single supplier that would meet the majority of the Council's needs. Value for money targets should be set and subsequent purchasing should be monitored to ensure compliance.

### **3.8 Security**

Security services are used in respect of protecting properties owed by the Council and also protecting cash in transit. €661,460 was spent in respect of these services in 2007. Separate suppliers are used for each of these requirements and the top two suppliers for each of these activities account for 73% of total expenditure. These suppliers provide services across a number of Directorates with no aggregation of requirements on the Council's part. It would benefit the council from a cost saving perspective if all security requirements were tendered for and only the winning contractor was used by all Directorates. There may be scope to include Housing and Community's current contract with a supplier for the provision of security / caretaking services at halting sites totalling €241k in 2007. It may be appropriate to include this service with security and run a framework agreement which could include the more specialist security requirements such as services under the Control of Horses Act 1996.

The overall analysis indicates that there is scope for both demand aggregation and transaction consolidation in this category.

### **3.9 Advertising**

The Council has an appointed supplier to fulfil all advertising requirements and all advertising must be placed with this supplier. The Corporate Affairs directorate deals directly with the supplier and coordinates internal demand and produce the 'proof' of the advertisement with the supplier before it is placed. Expenditure of €612,371 was incurred in 2007.

The analysis shows that ten Directorates / Departments place advertisements for varied reasons and at present only similar requirements are grouped. A review of the Council's advertising requirements is proposed so that all public notices and advertisements are consolidated into composite advertisements for Cork City Council each week. Efficiency in terms of value for money and effort will only be achieved if a clear process is put in place across the organisation.

### **3.10 Supplier Analysis**

The analysis carried out on the 2007 expenditure shows that Cork City Council is using a very large number of suppliers which results in our purchasing power being fragmented. A high level view of suppliers is included in Appendix 2, Table 14 where

the suppliers with the highest revenue expenditure are listed and analysed across Directorates.

Appendix 2, Table 15 shows the number of suppliers utilised under each of the procurement categories. This data shows that there is ample scope to reduce the number of suppliers used by the organisation. For example in 2007 almost 43% of suppliers were used for only one transaction and 75% were used for 5 or less transactions.

### **3.11 Transaction Analysis**

The profile of purchasing transactions is documented in Table 11. The number of low value transactions under €400 is 33,690 accounting for 63.80% of the total number of transactions. The cost of each of these transactions is estimated to be over €75. It is therefore recommended that where possible that low value purchase cards are used for these transactions. This will substantially reduce the staff time and cost associated with the use of the JDE Ordering System. In addition certain suppliers generate a high volume of low value transactions for example our mobile phone supplier O2 generated 2,537 transactions. For these suppliers it is worth investigating options such as electronic billing options or monthly consolidated billing.

A large number of low value transactions relate to employee expenses which currently are treated the same as supplier transactions. It is recommended that a system to process these electronically be researched.

## **4.0 Summary of Current Structures & Procurement Practices**

---

### **4.1 Current Structures**

The current procurement structures in Cork City Council have developed over time and in general purchasing areas work independently of one another without central coordination. There is however a number of exceptions to this as follows

- A position of e-Procurement Officer was set up in 2001 within the Finance Department of Cork City Council. The responsibilities of this position include coordinating purchasing within the organisation and introducing improvements. The main focus of the Procurement Officer over recent years has been in rolling out e-procurement initiatives with the introduction of Low Value Purchase Cards, and an electronic Annual Quotations and Request for Quotations system. Ongoing system administration of these systems is carried out by the Procurement officer.
- The Recreation, Amenity & Culture (RAC) Directorate manages the procurement process of a number of key purchases in Cork City Council. Open competition tenders for Council-wide requirements including electricity have been run by RAC. In addition the Stores (purchases materials for consumption across the council and Garage (maintains the Council's fleet of vehicles) functions are part of the directorate. The LA Quotes system in use by the Council for plant hire is operated here.
- Large Capital Contracts are tendered for within the Directorate where the works are to be carried out. There is no central expertise or significant sharing of knowledge across Directorates.
- The IS department procures and purchases IT hardware and software licences for the whole organisation.
- The Corporate Affairs directorate manages the purchasing of stationery and advertising requirements for the whole organisation.

#### 4.2 Procurement Practices

- The majority of purchases in terms of both value and volume are purchased under a system of devolved procurement and purchasing. This purchasing is carried out by the individual Directorates/Departments using the Purchase Ordering module of the Council's financial management system, J D Edwards EnterpriseOne. Purchase orders are raised and approved and three way matched (to ensure that the original order, the goods receipts note and the subsequent supplier invoice all agree) on the system by the purchasing section prior to being sent forward for payment centrally. Prior to raising the purchase order quotations must be obtained from suppliers and these form part of the documentation backing up the transaction. Where the value of the purchase is greater than €50,000 then the individual Directorate will hold the tender process via e-tenders and where it is greater than the EU threshold they will advertise it in the Official Journal of the EU and be responsible for compliance with the regulations. With the exception of items that are procured centrally listed below currently there is minimal communication between Directorates in respect of their procurement requirements.
- The Council operates centralised procurement for the following specific areas of expenditure
  - Computer Hardware & Equipment
  - Electricity & Gas
  - Advertising
  - Plant Hire & Tool Hire (in terms of quotations)
  - Central Stores (General Stores, Garage & Electrical Store, Water Works Stores)
  - Printing & Stationery (partially)
  - Fuel Cards
  - Mobile Phones
- Quotations are obtained from suppliers on an annual basis through the LA Quotes system for plant and tool hire requirements and a limited amount of goods and services.
- In 2005 low value purchase cards were introduced successfully to reduce the transactions costs of low value purchases.

- As mentioned previously the e-tenders website is used to advertise and run the tender process. There is significant experience in the use of this website for running all types of tender processes within the organisation and the procurement officer provides support for those with queries on its operation.
- While many of the organisation's requirements are procured under supplier contracts entered into after holding open competition no central database of these contracts is maintained.
- A significant level of experience exists within the organisation of running a tender process for large construction contracts however this experience is not shared or held centrally.

One of the biggest challenges facing Cork City Council is to communicate and co-operate across Directorates / Departments and work together to leverage our purchases on the basis of approved supplier lists.

## **5.0 Procurement Strategy**

---

### **5.1 Strategic Objectives**

Cork City Council is committed to meeting its obligations under the National Public Procurement Policy Framework. This will involve reforming the procurement function so that

- i. It formally supports the organisation's delivery of key services.
- ii. It is focused on delivering value for money through the use of analysis-based purchasing strategies.
- iii. It ensures compliance with EU and state procurement law.

To achieve these objectives procurement structures and expertise must be improved on an ongoing basis so that purchasing practices are professional and staff have the capabilities to operate in line with best practice. For these changes to be effective, high level commitment and focus must be sustained and staff who are involved in procurement will need training and guidance in their day to day work. Procurement and purchasing expertise must be built up centrally to provide this support. To achieve these objectives the following goals will be implemented.

### **5.2 Goal One - Integration with the Corporate Planning Process**

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

While many procurement initiatives have been undertaken in the past it is true to say that historically the strategic importance of procurement to the organisation has been undervalued. As a consequence procurement planning has been weak in the past and has not been undertaken on the basis of the Council being a single procurement unit. The first goal of this procurement plan is to address these shortcomings by setting and achieving the following objectives:

1. Ensure procurement reform is supported at a high level of the organisation
  - i. Provide for sign off on corporate procurement plan at senior management team level

- ii. Make the preparation of the Annual Procurement Plans the responsibility of an individual within the senior management team i.e. Head of Finance
  - iii. Provide half yearly reports to the senior management team
2. Assign responsibility to the Corporate Services Group to act as the 'steering committee' overseeing the implementation of the plan.
3. Link the Corporate Procurement Plan to the Corporate Planning Process
  - i. Include procurement as a high level strategic objective in the Corporate Plan (or a subset of a high level objective).
  - ii. Ensure the necessary resources are allocated to procurement in the annual budget process so the objectives in the corporate procurement plan can be achieved.
  - iii. Ensure procurement objectives are included in the directorate / department annual operational plans.

### **5.3 Goal Two - Develop Specialist Purchasing Capabilities**

*In support of the planning framework, develop the 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 requirements*

The initial review of the current procurement structures and skills revealed that our procurement efforts are quite fragmented and that activities are not coordinated to the optimum level. While specialist procurement capability does exist in certain areas of the organisation it is not shared across Directorates. To date, the role of the procurement officer has been limited to the implementation of e-procurement initiatives, with limited responsibility for overall corporate procurement strategy. As a result there has not been sufficient build up of expertise which could provide the necessary direction in reforming procurement and monitoring its operation post implementation. Goal two will be realised though achieving the following objectives

1. Set up a working group made up of one nominated staff member from each Directorate / Department. The nominated person should have practical experience in procurement and contribute to both strategic and practical aspects of procurement.
  - Establish the terms of reference and responsibilities of the group.
  - Prioritise the transfer of skills between the group and from the group to the Procurement Coordination Unit.
  
2. Establish a Central Procurement Coordination Unit headed up by the Procurement Officer and determine the level of additional resources that may be required. The Units chief role will be advisory and it will accumulate skills centrally over time through its interaction with the working group. Reporting lines between it, the steering committee and the working group must be defined. Its responsibilities will include:
  - Provision of an advisory service on all aspects of the procurement process and provide ongoing training to purchasing units as required.
  - Management of the implementation of the Corporate Procurement Plan including the operational objectives.
  - Development of future corporate procurement plans and annual operational procurement plans.
  - Run training workshops for those involved in procurement / purchasing.
  - Development, review and implementation of an organisation-wide procurement policy document including roll out presentations to staff.
  - Develop and maintain an up-to-date procurement information portal on the Intranet.
  - Maintenance of a central database for all contracts above a designated threshold.
  - Management of the Council's interaction with [www.eTenders.gov.ie](http://www.eTenders.gov.ie) , the Government's official procurement e-business portal.
  - Perform checks to ensure that policies and procedures are being complied with consistently across the organisation.
  
3. Determine the appropriate skills mix for the central procurement coordination 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 required of each post /officer involved in procurement
- Acquire appropriate procurement training based on gap analysis which would indicate the skills required for each post and set up a training programme to meet these needs

#### **5.4 Goal Three - Procurement Policies and Procedures**

*Develop an up to date organisation wide procurement policy that consolidates all requirements in one document*

Existing procurement policies and procedures have changed over time and the Council's documentation has been superseded by a range of separate national and EU policy documents and guidelines. As a result there is an increased risk of an inconsistent application of the revised requirements and of non-compliance. While those involved in procurement are aware of the changes there is an opportunity to formalise this knowledge by developing a document that consolidates all relevant national and EU guidelines and that adopts specific policy positions appropriate to Cork City Council.

An organisation wide procurement policy document has been drawn up and will be launched across the organisation. This document will help to achieve a consistent application of procurement rules and policy. As mentioned previously to compliment this document the procurement unit will act in an advisory capacity in particular for unusual situations that can arise. In addition a purchase to pay procedure document has been completed documenting all existing procedures and procedural documents into one document and this is being launched in conjunction with the policy document. The adherence to the policy will be checked on a quarterly basis by the procurement unit taking a sample of payments and reviewing all procurement activities and procedures followed.

## 5.5 Goal Four – Information Management

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

Information management is a key element to effective procurement. Readily available sources of information on procurement documentation, suppliers and procedures allow organisations to tender more efficiently without having to constantly “re-invent the wheel”. They also provide for consistency and continuity in the event of staff changes. The procurement review exercise carried out suggests that there is an opportunity to further develop information management procedures across the Council. One of the most serious weaknesses of the current arrangements is that sections of the organisation are only focused on their requirements and do not have visibility of the overall requirements of the organisation as a whole. To achieve better informed decision making when it comes to procurement the following objectives will be pursued:

1. Improve internal communication on procurement
  - Develop the procurement portal on the intranet, by making available standard compliant template documentation commonly used in the tendering process i.e. request for tenders, scoring matrices, contract documentation, ‘FAQ’ guides for frequent purchasers, checklists etc.
  - Maintain up to date copies of all procurement policy and compliance guidance on the intranet.
2. Publicise a list of approved suppliers for commonly acquired low value goods and services.
3. Inform organisation of wider procurement issues in the public sector
  - Develop contacts with wider procurement community to exchange information.
  - Collect information on co-operative and aggregated arrangements (Framework Agreements)
  - Disseminate such information across the Organisation.
4. Establish a network of procurement co-coordinators across the organisation to act as primary points of contact in sharing information and contributing to organisation-wide procurement issues. The network should comprise at the first instance of those making up the working group discussed under goal two.

## **5.6 Goal Five – Use technology to support procurement initiatives**

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

Cork City Council has a number of IT systems which are currently supporting to purchase to pay cycle and these systems are interconnecting through in house developed interfaces. These systems include

- The Financial Management System - JD Edwards EnterpriseOne which includes a purchase to pay cycle and processes the majority of the Councils purchases.
- Low Value Purchase Cards - DeCal is the system that processes Low Value Purchase cards and it is an on-line system linked to Ulster Bank.
- LA Quotes website.
- On-line Annual Quotations system.
- On-line Request for Quotations system.

To date the many e-procurement initiatives that have been launched nationally have been implemented in Cork City Council and interfaced into the Financial Management System (FMS) where appropriate. The FMS itself has allowed the organisation to modernise its purchasing procedures but there are still opportunities to facilitate procurement plans in particular in the area of producing meaningful data for analysis and measuring performance. The aim will be to exploit technology to facilitate information-based procurement management and streamlined procurement processing.

To optimise the benefits of these systems it is important that those managing procurement reform identify clearly what their needs are in terms of purchasing functionality. In particular that their system generated procurement information needs are specified clearly. These information needs should cover both the measurement of results of the procurement initiatives and the ability to monitor compliance with policies and procedures. The following steps should be taken to support procurement staff

- JDE EnterpriseOne and IS Financial Support resources be allocated to the continual development of the FMS and e-procurement systems to support procurement requirements e.g. increase use of catalogues.
- Detailed specifications of system requirements are signed off by the Central Procurement Unit.

- The relevant training is provided to all staff and documented on the User Productivity Kit.

## **5.7 Goal Six – Development of Procurement Initiatives**

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

Apart from identified opportunities to improve practice and performance with regard to procurement planning, structures, policy, procedures and IT systems, the expenditure review and analysis highlighted a number of other areas that could be addressed on a pilot basis. It is recommended that a more detailed analysis be carried out before additional efficiency initiatives can be introduced. These future initiatives must be measured in terms of savings and it is important that a clear policy is put in place that covers the calculation and reporting of the savings together with rules to ensure that savings are sustained over time.

The initiatives detailed below will lead the way in the short to medium and have been identified on the basis of supply, demand and transaction analysis carried out in the review in Appendix 1.

### **Supplier Objectives**

- Our supplier review highlighted a number of instances where duplicate accounts were set up for the same supplier on the FMS. The target is to eliminate all duplicate accounts.
- The review of suppliers (a sample is included in Appendix 2 Table 14) shows the total amount expended on each supplier for 2007 analysed by directorate. This is an ideal view of suppliers to carry out a review to check that supplier expenditure above the EU thresholds is in compliance with regulations and to check that expenditure greater than €50K complies with the Council's corporate procurement policy. The target is to update this review for 2008 expenditure and complete this exercise for all expenditure over the respective limits. Any exceptions identified above will trigger a tender process via e-tenders where 2009 requirements are at the same level as 2008.
- Carry out a review of national framework agreements and national local government agreements that are planned or currently in place with a view to using them in areas they will most benefit the organisation. At present we are using such agreements mainly in the IT sector and are in the process of using the

agreement for the supply of mobile phone services to procure such services. An agreement also exists for business equipment which we will use for future requirements.

- Reduce the number of suppliers in the categories of Plant Hire, Printing and Stationery, Security and Advertising as discussed in the Purchasing Analysis in Appendix 1.

### **Demand Objectives**

- Analyse the Council's requirements in respect of fleet vehicles (replacing and maintaining) and issue tender document via e-tenders as a priority.
- Review Plant Hire demand across the four heavy user Directorates and consolidate into one tender for the whole organisation. Fleet Tender above will reduce demand in respect of vehicle hire.
- Review Security demand across the user directorates and consolidate into one tender for the whole organisation.
- For newspaper advertising reduce demand by using one weekly composite advertisement for all Council requirements. In addition review expenditure to ensure no advertising is placed outside appointed supplier. Using 2007 and 2008 as the base line in advertising expenditure track % decrease in 2009 expenditure.

### **Transaction Cost objectives**

- In 2007 10.5% of transactions under €400 were being transacted using Low Value Purchase cards. It is planned to identify recurring purchases with significant volume that could be procured under contract.

While some of the above targets might appear somewhat conservative, their achievement will nonetheless require a considerable amount of time and effort from a wide range of resources with the Council. These initiatives and targets should be seen as an important first step in a much longer-term campaign of procurement reform that is expected to span the course of several successive procurement plans.

## **5.8 Goal Seven - Cross Organisational Collaboration**

*Participate in appropriate public sector procurement initiatives as they arise, including aggregation and e-procurement*

Cork City Council will participate in cross organisational aggregation initiatives with a view to reducing costs through the maximisation of local government purchasing power. The procurement review highlighted the benefits of participating in cross organisational collaborative initiatives, for example we recently ran a tender competition via e-tenders on behalf of the five local authorities in the south west region for the purchase of an encryption solution for our combined laptop population. It is likely that increasing opportunities will arise from even more such aggregation schemes in the future. Accordingly, it is in the Council's best interests to continue to participate in such initiatives as this is the best opportunity to attaining large cost reductions and procurement efficiencies.

## **5.9 Conclusion**

Procurement reform will face a number of key challenges which include achieving the buy in of those involved in procuring goods, services and works for the organisation. At the same time the skills which will provide the leadership for those same members of staff must be accumulated centrally. The high level goals set out in this plan are intended to provide the basis to overcome these challenges. They articulate how the necessary commitment can be achieve by starting with procurement being included in the strategic planning of the organisation and assigning responsibility for making it a key operational goal. Structural changes outlined will allow the expertise be accumulated and will focus the effort of the many stakeholders involved to effect both cultural and organisational change overtime.

**Appendix 1 Detailed Procurement Analysis**

**Appendix 2 Supplier and Transaction Analysis Tables**