

## Fingal County Council Corporate Procurement Plan 2009 – 2011

### 1 Corporate Procurement Mission Statement

Fingal County Council's strategic procurement goal is encompassed in one of its Core Values<sup>1</sup>, namely, to “Deliver Value for Money”. This value is cascaded down to departments through Departmental Objectives of which the following is particularly relevant to procurement:

- To maximise the financial resources of Fingal County Council and to ensure best value for money is obtained through their efficient and effective use<sup>2</sup>

### 2 Introduction

This Corporate Procurement Plan [CPP], required under the National Public Procurement Policy Framework, has been agreed by the Senior Management Team. It seeks to meet Council's obligations under the Policy Framework and, in so doing, reinforce senior management's commitment to effective and efficient allocation of resources and service provision as prescribed by the Public Service Management Act, 1997. The Plan will be subject to annual review.

In order to prepare this plan it was necessary to:

- Analyse the goods and services purchased by the Council
- Analyse the way in which the purchasing/procurement function currently operates

### 3 Procurement Overview

Fingal County Council completed a comprehensive review of procurement with a view to identifying opportunities for improvement in the context of the procurement management reform programme being sponsored by the National Public Procurement Policy Unit.

This review looked at two key elements:

- A comprehensive expenditure review based on the Council's expenditure data for the 2007 financial year. The analysis was completed using the services of a firm<sup>3</sup> that specialises in the analysis, collation and presentation of expenditure data. This approach provided a profile of expenditure including an accurate picture of expenditure by category, by supplier and identified the supplier base in terms of its size, age and its dependency upon the Council's business. These factors will be important in the development of the Council's future procurement strategies. The analysis also provided a payment profile, identifying the volumes and values of invoices which, in turn, provides a picture of the transactional activity and indicates where process efficiencies may be achieved.

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<sup>1</sup> Fingal County Council: Corporate Plan 2004 – 2009, Section 2. Core Values

<sup>2</sup> Fingal County Council: Corporate Plan 2004 – 2009, Section 4, Departmental Objectives, 4.1.7.3

<sup>3</sup> Spikes Cavell & Co Ltd

- A separate review looked at the actions of staff involved in procurement and purchasing activities. Procurement is defined here as the sourcing work completed before an order is created on the Agresso financial management system. Purchasing is defined as the actual process of doing the buying ie when the procurement information is used to create the Agresso purchase order

The findings of both exercises informed the development of this CPP and the key findings are presented here:

### 3.1 Spend Analysis

The purpose of the spend analysis was to:

- Inform the drafting of the CPP
- Support the high level strategies for the identified categories of spend
- Identify opportunities for improvement in terms of saving costs
- Identify opportunities for working in a more efficient manner
- Identify a number of Key Performance Indicators that can be used to monitor and review the impact of implementing the CPP

One aspect of the analysis was the classification of the expenditure into detailed generic product classifications. This information was then used to populate the supplier positioning matrix, SUPREM<sup>4</sup>.

The Council's total procurement revenue expenditure for the last financial year, 2007, was analysed. The total value examined was €65m, of which €55.8m was paid to 794 core trade suppliers.

#### 3.1.1 Headline messages

The headline messages that were drawn from the initial expenditure analysis were that in 2007

- 20% of the creditors were paid 78.3% of the expenditure
- 67% of the creditors were paid less than a total of €1k during the year
- Approximately 12,000 invoices were for less than €1000, of which over 2,500 were for less than €51
- 71% of the spend was with SMEs ie suppliers with less than 250 employees or an annual turnover of less than €10 million

A similar exercise was completed by South Dublin County Council using its 2007 data and this identified over 150 firms used by both Councils with an aggregated expenditure of over €51.5m.

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<sup>4</sup> **S**upplier **P**ositioning and **R**isk **E**valuation **M**atrix provided, by the Department of Finance, for use by public bodies when developing their corporate procurement plans <http://www.suprem.gov.ie>



In parallel with the spend analysis, 27 members of staff from various levels throughout the Council responded to a detailed questionnaire which requested information on their current procurement practices. A separate Skills Survey report was completed and presented to the Council.

### 3.2.1 Headline Messages

The survey showed:

- 41% said that they always or sometimes aggregated requirements
- 25% said that they always or sometimes disaggregated requirements
- 78% indicated that they frequently bought the same or similar products

This suggests an opportunity to aggregate procurement at a departmental, Council or sector level.

## 3.3 Summary

The evidence gathered, conclusions drawn and recommendations presented have formed the basis of this Corporate Procurement Plan. Its aim is to create a practical Route Map which will:

- Enable the development of better processes
- Introduce best practice procurement
- Lead to real cash savings and processing efficiencies

These strategies will be underpinned by clearly identified training support that will increase the skill base to ensure it can actively manage the Council's non-pay spend, deliver improved legal and financial compliance and, in so doing, reduce the risk of poor value for money and legal challenge.

In summary, therefore, the Corporate Procurement Plan is the formal outcome of the procurement review process. The procurement principles, high level objectives and operational elements presented in the sections below reflect the findings and recommendations reached during the review process. In support of this Plan, a Route Map has also been prepared. This details the key milestones and timelines for the attainment of the CPP's Goals and Objectives. The Route Map is a working document and will form the basis for regular reporting to the Council's Senior Management Team.

## 4 Procurement Principles and High Level Objectives

### 4.1 Introduction

Fingal County Council is committed to maximising value for money while meeting its obligations under the National Public Procurement Policy Framework, which is the national policy underpinning public procurement reform. This commitment requires the Council to:

- Ensure that the procurement function formally supports the Council's key business activities; and
- Focus on delivering value for money outcomes through an analysis-based approach to developing purchasing strategies that are consistent with EU and national procurement law

To achieve this will require, as outlined in this CPP, an undertaking to improve procurement structures and expertise within the Council on an on-going basis, ensuring that purchasing practices are professional and staff involved in procurement activities have the necessary skills to operate in line with best practice.

The need for continually improving best procurement practice was reinforced in August 2008 when the Department of the Environment, Heritage and Local Government contacted Local Authorities stating that the management and development of its programme of reform in respect of certain types of public procurement was tasked with yielding some €50m savings across the public sector in 2009.

## **4.2 Core Procurement Principles**

This CPP is underpinned by four core procurement principles. In all its procurement and purchasing activities, the Council and its staff will, at all times, endeavour to:

- Achieve optimum value for money
- Carry out procurement and purchasing activities in a manner consistent with EU and national procurement law
- Follow best procurement practice, seeking to achieve the procurement reform policy objectives as set out in the National Public Procurement Policy Framework and other Government led initiatives
- Promote an increasingly sustainable approach to the Council's procurement activities in terms of environmental, social and financial considerations and requirements, within applicable legislative constraints

## **4.3 High Level Procurement Objectives**

The Council has identified seven high level procurement objectives:

### **(1) Planning framework**

To develop a planning framework that will deliver a coherent and consistent approach to procurement across the Council and that will support the introduction and adoption of best procurement practice.

### **(2) Infrastructure**

Develop appropriate purchasing structures and capabilities to support the planning framework and provide the strategic direction and capabilities to deliver effective purchasing performance.

### **(3) Governance**

To develop policies and procedures that ensure the management of the Council's procurement activities in an open, transparent and non-discriminatory manner with the highest levels of compliance, probity and risk awareness.

### **(4) Management Information / Technology**

To ensure that the Council's information technology systems, in particular its financial management and purchase-to-pay systems, support an information-based managed procurement strategy and its day-to-day purchasing in a robust and streamlined manner.

### **(5) Category Management**

To introduce procurement plans designed to embed category management strategies within the Council's purchasing activity.

**(6) Collaboration and Proactive Participation**

To collaborate with other public sector bodies, where it makes good economic sense, and to participate in public sector procurement initiatives as they arise and are deemed appropriate to the Council.

**(7) Measuring and Monitoring**

To develop, monitor and measure procurement-related activity to ensure that the adopted procurement policies and strategies are working and, based upon that data, review this CPP on an annual basis to ensure that it continues to provide an appropriate framework within which the Council will manage its procurement activities.

A more detailed Route Map has been developed where these seven procurement objectives have been broken down into a series of actions. This Map is the working document which outlines the short, medium and longer-term steps that need to be followed when implementing this CPP.

## **5 Procurement Objectives and Actions**

Each of the High Level Objectives are now analysed further. For each, there is a short positioning statement which is followed by a series of Actions that will need to be addressed. The associated Route Map (see Appendix 1) provides the detailed short to medium-term work plan by which the Objectives will start to be achieved.

**(1) Planning framework**

To develop a planning framework that will deliver a coherent and consistent approach to procurement across the Council and that will support the introduction and adoption of best procurement practice.

Within the public sector, procurement activity has tended to be viewed as a back office support function rather than one that is critical to an organisation's financial well being. The quality of each value for money decision is dependant upon the thought processes at the time of the procurement decision; the wrong decision will mean paying for the wrong product or paying too much for the right one. In the past, the Council has not given its procurement activities the prominence afforded to other key processes in the organisation such as information technology, financial planning or human resources. This shortcoming has now been recognised by the Council and will be addressed.

The development of practical, realistic, procurement strategies must be planned for and the following actions have been identified:

- 1.1 Ensure procurement reform is visibly supported at the most senior level within the Council
- 1.2 Establish a Procurement Policy Group [PPG] made up of representatives of key procuring divisions from within the Council to oversee the achievement of best value for money
- 1.3 Ensure that the CPP supports and is recognised within the Council's future Corporate Strategies

## **(2) Infrastructure**

Develop appropriate purchasing structures and capabilities to support the planning framework and provide the strategic direction and capabilities to deliver effective purchasing performance.

The procurement review exercise carried out by the Council suggests that there is a requirement to create the role a “Procurement Coordinator” who will provide practical, professional procurement advice and guidance. The Coordinator will lead on the adoption of best practice procurement, working with staff throughout the Council in their day-to-day procurement activities.

In addition, the review suggested that there was an opportunity to develop the procedural guides governing procurement, particularly with regard to procurement practice and a clarification of expenditure thresholds for staff. Those involved in procurement must be cognisant of the national and EU procurement guidelines. There is an opportunity to formalise this knowledge through training and also audit its application to manage risk associated with non-compliance.

This objective will be progressed through the following actions:

- 2.1 Create a central Procurement Coordinator position with a remit to manage, support and monitor procurement across the Council
- 2.2 Establish a network of lead buyers throughout the Council who will liaise between the Procurement Co-ordinator and their departments
- 2.3 Establish procurement policies and procedures that support the achievement of optimum value for money, compliance with national and European legislation and minimise procurement-related risk
- 2.4 Develop a training strategy to promote best practice procurement activity throughout the Council
- 2.5 Implement the training strategy, review its impact and update, where appropriate
- 2.6 Develop template procurement documentation
- 2.7 Review the impact of the newly implemented procurement infrastructure

## **(3) Governance**

Develop policies and procedures that ensure the management of the Council's procurement activities in an open, transparent and non-discriminatory manner with the highest levels of compliance, probity and risk awareness

Responsibility for the use of public funds brings with it an expectation of sound policies and procedures, which will ensure transparency, non-discrimination and probity.

This objective will be progressed through the following actions:

- 3.1 Develop procurement policies based upon best procurement practice, that are designed to protect the Council and its staff from governance-related challenges

- 3.2 Develop procedures that provide a cost-effective procurement process while giving cognisance to each requirement's relative importance in terms of legal compliance as well as financial and political risks
- 3.3 Ensure appropriate separation of duties in all the Council's procurement to payment activities including the relationship between sourcing of requirements and the placing of orders

#### **(4) Management Information / Technology**

To ensure that the Council's information technology systems, in particular its financial management and purchase-to-pay systems, support an information-based managed procurement strategy and its day-to-day purchasing in a robust and streamlined manner.

The Council has invested time and effort in the design and roll out of its Agresso financial management system. The system can support automated purchase-to-pay and gather, record and process financial data in a structured, readily available, transparent and auditable way. This data, enhanced by category classification at the supplier level, provides a platform upon which the Council can develop future procurement strategies (see Objective 5) to optimise the value for money achieved.

To maximise the potential benefits from Agresso, supplier classification and the adoption of best procurement practice, the Council must understand and specify its systems-generated procurement information needs in a manner that enables staff to use the information held in a proactive and intelligent manner.

This objective will be progressed through the following actions:

- 4.1 Review expenditure patterns, using the data to inform future procurement strategies and evaluate the impact of on-going initiatives
- 4.2 Configure procurement reports required from the Agresso financial management system to meet end-users' needs
- 4.3 Seek to reduce transaction and processing costs by adopting the use of available electronic systems
- 4.4 PPG will liaise closely with the Finance Department to understand budget plans and communicate with the Procurement Coordinator and Lead Buyer Group to ensure major expenditure is planned for appropriately
- 4.5 Training materials and support documents will be developed and provided on the Council's Intranet, providing 'on-demand' information to staff
- 4.6 Develop and implement an on-line reporting facility through which staff can provide feedback on suppliers' performance and on the Council's internal procurement and purchasing procedures
- 4.7 Review the Agresso financial system training from a procurement / purchasing viewpoint

#### **(5) Category Management**

To introduce procurement plans designed to embed category management strategies within the teams' purchasing activity.

The use of supplier classification has enabled the Council to identify its expenditure profile on a category basis. The top product groupings, in total payments terms, have been identified and further analysed using SUPREM. This has enabled the Council to

allocate these areas of expenditure into one of the four generic procurement approaches (see section 3.1.2 above).

Best procurement practice is that the Council now manage its procurement activity using the SUPREM positioning matrix and associated strategies. The ability to optimise the application of any product category strategy relies, in part, on the skills of the staff involved in the implementation of the strategy. This high level objective is reliant upon the successful roll-out of the training and support elements outlined in Objective (2) above.

This objective will be progressed through the following operational elements:

- 5.1 Establish high level approaches for the different categories of expenditure identified in the expenditure and SUPREM analyses
- 5.2 Develop and implement detailed procurement strategies for the selected categories identified using the expenditure and SUPREM analyses
- 5.3 Maintain a sound understanding of changing legislation where it applies to the Council's procurement activity
- 5.4 Where appropriate, seek to reduce the size of the supplier base
- 5.5 Develop a proactive approach to ensure an adequate number of quality suppliers and a competitive market place, wherever possible
- 5.6 Develop and implement a supplier relationship management approach

## **(6) Collaboration and Proactive Participation**

To collaborate with other public sector bodies, where it makes good economic sense, participate in public sector procurement initiatives as they arise and are deemed appropriate to the Council.

The adage 'work smarter, not harder' is at the centre of collaboration. Aggregating the Council's purchasing power with other organisations and sharing the work involved in setting up and managing collaborative arrangements will bring both cash savings and process efficiencies to the participants. On any given day, a price can be bettered, however the time and effort to achieve the savings will often far outweigh the reduction in price. It is important, therefore, that where collaborative ventures are undertaken, be they internal within the Council or in association with external organisations, that there is genuine commitment and serious intention to support the final procurement arrangements.

This objective will be progressed through the following operational elements:

- 6.1 Investigate and, where beneficial, use national, regional and other procurement arrangements
- 6.2 Investigate opportunities for collaborative procurement, where beneficial, with other Local Authorities and other public sector bodies
- 6.3 Investigate opportunities to streamline the purchase-to-pay process through the adoption of e-procurement techniques and functionalities. Adopt where they will bring benefits to the Council
- 6.4 Investigate and, where it is beneficial to do so, participate in major initiatives led by central Government, the Department of Finance or other appropriate bodies

## **(7) Measuring and Monitoring**

To develop, monitor and measure procurement-related activity to ensure that the adopted procurement policies and strategies are working and, based upon the data, review this CPP on an annual basis to ensure that it continues to provide an appropriate framework within the Council will manage its procurement activities.

The development and implementation of this CPP needs to be assessed in terms of the benefits its adoption brings to the Council. The 2007 expenditure analysis provided a snap shot of the Council's procurement activity in transactional terms and this data will now form an objective baseline against which the implementation of the Plan can be measured and monitored. The skills analysis data is more subjective and the impact of any procurement training must also be assessed.

It is important, however, that the measuring is more that a simple counting exercise. The data must be assessed in the context of the CPP, successes identified and where strategies do not appear to be working they must be reviewed and amended accordingly.

To deliver this requires the following actions:

- 7.1 Develop an easy to understand system of capturing and reporting cash savings and efficiency gains arising from the adoption of better procurement practices
- 7.2 Develop a set of Key Performance Indicators that will be used to monitor the Council's procurement and purchasing activity on a year-by-year basis
- 7.3 Develop Key Performance Indicators to use within the category management strategies and which monitor the levels of procurement influence and control on the Council's non-pay expenditure
- 7.4 Use annual expenditure and SUPREM analyses to measure past performance and inform the Council's future procurement plans