

KILKENNY LOCAL AUTHORITIES

Corporate Procurement Plan

2009 - 2012

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1 Comment from County Manager

- 1.1 Kilkenny County Council and Kilkenny Borough Council have prepared this Corporate Procurement Plan under the National Public Procurement Policy Framework which was issued from the Department of Finance.
- 1.2 The objective of Corporate Procurement Planning in Kilkenny Local Authorities is to achieve greater value for money through procurement modernisation. This can be achieved by ensuring that purchasing within both Authorities is carried out in a co-ordinated and strategic manner, that the administration of existing purchasing processes is streamlined and that both Authorities utilize their buying power to achieve greater value for money when purchasing goods and services in the market place.
- 1.3 Both Authorities have a combined spend €29.5million each year on procuring goods and services on behalf of the citizens of Kilkenny and, through the Public Service Modernisation Agenda, pressure has been increasing on both Authorities to demonstrate that they are achieving the best possible outcomes for the public. It is essential, therefore, that both Authorities are in a position to take advantage of the developments in how expenditure can be better planned and managed in a purchasing environment which is growing more complex. This strategy will become part of the process of the planning and management of expenditure and developing a stronger focus on the management of procurement and the further development of efficiency in both Organisations.

Signed: **Mr Joe Crockett**
County Manager

2 Executive Summary

2.1 Kilkenny Local Authorities' Corporate Vision, Mission Statement and Core Values and Principles have been outlined in the Corporate Plan 2004 – 2009, which provides details of the core objectives and supporting strategies of all the functional departments. Procurement is not a specific objective within those statements or plans.

2.2 In response to procurement challenges facing Local Government Authorities, Kilkenny Local Authorities are proposing to:

Develop and implement a Corporate Procurement Plan, which will outline the principles under which the Local Authority will conduct its procurement and contracting arrangements, and adopt a corporate wide approach in all procurement activities. While delivering value for money, Kilkenny Local Authorities will continually seek to ensure procurement best practice.

2.3 Kilkenny Local Authorities' vision for procurement is to establish good and best practice procurement processes, demonstrating value for money based on effectiveness and efficiency. To achieve this, a number of challenges face the Authorities. These include:

- Development of a Corporate Procurement Plan aligned to the Council's Corporate Objectives;
- Implementation of an appropriate procurement organisational structure within the local authority;
- Identification of efficiency savings through refinement of procurement business processes;
- Implementation of processes to target, monitor and measure efficiency savings;
- Organisational and personnel development to ensure realisation of benefits;
- Optimisation of technology to support the Corporate Procurement Plan and wider Council objectives;
- Implementation of supporting strategies addressing risk management, change management and communications;
- Implementation of a cross departmental approach to identifying demand; and
- Clearly defined roles & responsibilities, including competency based skills matrices.

Drivers for Change

2.4 The specific Corporate Procurement Objective is:

“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.”

Background

- 2.5 The National Public Procurement Policy Unit (NPPPU) was established in the Department of Finance in 2002 to develop public sector procurement policy and practice through a process of procurement Management Reform.
- 2.6 The reform process comprises a series of integrated activities: capacity building, supplier consolidation and training/education measures supported by appropriate e-procurement initiatives. A Procurement Policy Framework has been developed by the NPPPU to assist the reform process, the main thrust of which is to facilitate a more professional approach to public procurement.
- 2.7 Specifically, it requires public bodies to include Procurement Management Reform as one of the key strategic priorities and objectives in Statements of Strategy, and to develop annual Corporate Procurement Plans from 2006 onwards.

Organisational Capacity and Competence

- 2.8 An analysis of organisational procurement capacity & competence within Kilkenny Local Authorities was conducted by PricewaterhouseCoopers, in conjunction with Kilkenny Local Authorities staff.
- 2.9 In summary, the analysis shows that procurement within Kilkenny Local Authorities is not perceived as a strategic function. There are a large number of improvements required to change not only this perception, but the reality that better procurement can provide significant value to the organisation.
- 2.10 There is a gap between current procurement activities conducted versus best practice procurement. The analysis recognises that a number of key areas need to be addressed in order to make improvements to achieve best practice procurement.
- 2.11 However, the present organisational structures do not accommodate the concept of strategic procurement. The main focus of current procurement activity is based on EU compliance and daily operational purchasing, rather than strategic sourcing and planning.
- 2.12 In most cases the procurement role represents a part of the daily routine of activities of the majority of staff. As a result, there is evidence of duplication of effort and dilution of effectiveness, as purchasing decisions are made with minimal communication with other potential users in the Local Authorities. It was highlighted that staff feel exposed and insecure with a lack of confidence, particularly in relation to compliance.

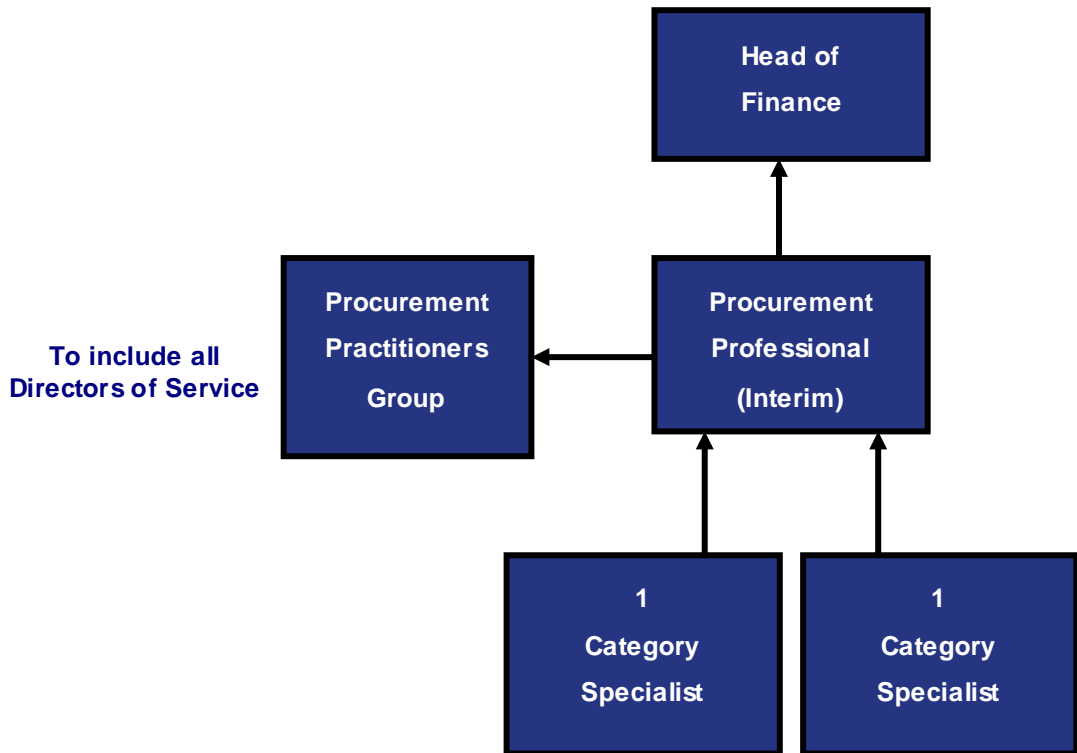
2.13 Procurement skills are in short supply and this skills deficit is not taken into consideration when developing corporate training programmes. Kilkenny Local Authorities need to take advantage of the opportunity to improve and rationalise the current procurement effort, where appropriate, across the Council in order to facilitate the release of resources for reallocation elsewhere.

Recommendations and Benefits

2.14 Procurement must be given greater emphasis within Kilkenny Local Authorities. It should be seen as providing a strategic support role and not simply as one of compliance. The service which procurement provides should be equivalent to other functions, such as IT or Human Resources, that are intended to underpin and support all operational activities. An organisational structure should be put in place to provide a centralised procurement team.

2.15 It has been recommended that a team is implemented which is led, for an interim period of 18 months, by a procurement professional, with the support of two full-time category specialists. This proposed structure is outlined in the diagram below:

Option 5 – Centralised procurement team led by an interim Procurement Professional



- 2.16 The Procurement Professional would provide procurement compliance, strategic procurement & demand planning, collaborative buying expertise on a Council wide basis, in parallel with providing facilitation support to Corporate Procurement implementation activities such as:
- Specification of requirements co-ordination;
 - Chair of Tender Evaluation Panels;
 - Monitoring Local Authority wide contracts;
 - Co-ordination of supplier management activities;
 - Co-ordination of contract management activities; and
 - Aggregate specification and demand for collaboration on a regional and national basis.
- 2.17 Two Category Specialists would be employed with the responsibility for the following activities:
- Co-ordination of specific product/service requirements;
 - Build and maintain market knowledge and expertise of specific products/services;
 - Ensure compliance expertise to end users; and
 - Demand planning.
- 2.18 To sustain best procurement practice, the procurement efforts should be directed together with those of the functional areas at determining the level of demand across the authority, so that markets can be approached from the strongest position, in terms of knowing the complete organisation's requirements.
- 2.19 In addition, procurement should co-ordinate and cultivate the knowledge of the supply markets that already exists in the organisation. For "significant purchases", knowledge of the value of the organisation within the supply market can enhance negotiating power.
- 2.20 Senior management should be encouraged to 'champion' the development of a strong procurement ethos and actively promote the use of best practice in all procurement-related activities. Accordingly, senior management should ensure that Annual Corporate Plans include a central role for procurement.
- 2.21 Against an annual procurement spend of €29.5m, benefits would be expected in the range of €400,000 - €800,000 representing a saving of 3-6%. The achievement of these savings should be one of the objectives of the Procurement Professional and therefore cover the cost of recruitment and appointment. The potential benefits available are outlined in the table

below, showing the current spend and the lowest and highest potential savings. The strategic action which is recommended for the category is also outlined.

Procurement Categories	Negotiable Spend (€)	Potential Annual Saving (Lowest)		Potential Annual Saving (€) (Highest)		Category Strategies
		%	(€)	%	(€)	
Aggregate Materials	4,545,000	1	45,000	1.5	67,500	Review existing framework agreement
Plant Hire	3,169,000	6	186,000	10	310,000	Framework Agreement Review Demand
Electricity	2,761,000	1	27,400	2	54,000	Review existing arrangement Introduce fixed price arrangement
Professional Services	1,758,000	5	87,900	10	175,800	Framework Agreement Review Demand Aggregate agreement
Office Supplies	357,000	8	27,000	15	54,000	Review demand Aggregate agreement
Advertising & Marketing	343,000	10	34,000	18	62,000	Review demand Aggregate agreement
Telecoms	284,000	10	28,400	20	56,000	Review existing arrangement
Office Equipment	166,000	10	16,000	25	41,000	Review demand Aggregate agreement
TOTAL:	€13,383,000		€451,700		€820,300	

Table 7.2

Corporate Procurement Plan Objectives

2.22 In conducting this analysis, the main objectives of Kilkenny Local Authorities Corporate Procurement Plan have been identified as:

- **Compliance to EU Legislation** - Kilkenny Local Authorities intend to conduct procurement activities in line with EU and National Procurement legislation;
- **To achieve Value for Money** – through complying to EU thresholds and delivering efficient procurement procedures in order to ensure the achievement of Value for Money in all local authority spending;
- To have an **organisation structure** in place to develop the capabilities necessary to deliver good and best practice procurement ; and
- **Deliver benefits** to the organisation under an organised and monitored framework.

2.23 The plan also:

- Sets **specific targets** to achieve value for money objectives, including savings;
- Provides **action plans** to implement good procurement practice; and
- **Communicate** to staff the direction of procurement change within the Organisation.

2.24 The following table outlines the top 10 priorities required for Kilkenny Local Authorities to make progress towards the ultimate procurement vision. The timeframe for the implementation of these actions commences on appointment of the Interim Procurement Professional. It is expected that minimum period of six months should be allowed to conduct the recruitment process.

Table 1.1 Kilkenny Local Authorities - Top 10 priorities

Action No.	Action	Tasks	Owner	Timescale (within)	KPI
PS1	Recruit an Interim Procurement Professional. Identify two full-time category specialists from current staff compliment	Define the job description to include the specific roles and responsibilities	SMT	Immediate	Appointment of Interim Procurement Professional and two category specialists
		Identify the skills and competencies required for the role			
		Design recruitment advertisement, conduct interviews, make and agree offer of appointment.			
OC1	Design and implement Corporate Procurement structure to support all departments across KLA	Identify and implement the procurement structure appropriate to KLA	SMT	Immediate	Appropriate structure identified
OC3	Review purchasing Terms and Conditions of supply	Establish a generic set of Terms and Conditions appropriate to Kilkenny Local Authorities requirements for supply of goods and services	SMT	1 month	Terms & Conditions of Supply document produced
OC4	Identify and introduce Key Performance Indicators for all departments including spend analysis (Appendix 10)	Identify areas of procurement that require measurement and set meaningful KPI.	SMT	2 month	A set of SMART KPIs are developed and implemented
EP1	Review functionality of Agresso to provide meaningful management information	Review Agresso procurement functionality to ensure controls and reporting mechanisms are in place in line with Procurement Best Practice.	IT & Finance	2 month	A list of 10 KPIs developed and implemented.
EP2	Develop a suite of Key Performance Indicators extractable from Agresso	Identify what information is extractable from Agresso and is appropriate for measurement and develop meaningful SMART KPIs for regular measurement for use by SMT	SMT, IT & Finance	2month	
PS2	Develop matrices of staff skills, knowledge and expertise required for successful performance of each job, through the extension of Job Descriptions and Personnel Specifications.	Create skills, knowledge and expertise matrices, training and development plans and training courses on procurement specific topics. Define roles and responsibilities.	HR	2-3 months	Staff skills, knowledge and expertise matrices implemented and issued to all staff. Training and development plans now include procurement options.
PS3	Conduct procurement training needs analysis for all staff	Include procurement in PDPs	Procurement Professional	3 months	Identification of specific procurement training needs and interest registered in skills development.
OC2	Categorisation of products	Review current product and category codes and ensure all	Finance	3 months	All products are classified into

Action No.	Action	Tasks	Owner	Timescale (within)	KPI
		products are classified into categories and input onto SUPREM.			categories
PA4	Review the current policy on Low Value Purchase Cards including a review of the geographical spread of suppliers on Low Value Purchase Cards	<p>Conduct analysis on areas of low value spend not conducted using LVPC. Identify the location of all suppliers currently accepting the LVPC as a payment method</p> <p>Ensure that there is an even geographical spread of suppliers and issue instructions to all users of LVPC to ensure these suppliers are being used.</p> <p>Identify gaps in geographical spread and contact appropriate suppliers</p>	Finance & Procurement Professional	3 months	Introduce new suppliers to areas where none currently exist.

