



Kilkenny County Council

Corporate Procurement Plan 2016 – 2019

**Prepared by the Procurement Unit, Kilkenny County
Council in accordance with CCMA/LGMA Guidance
2015 for Corporate Procurement Planning in the Local
Government Sector**

November 2016

Table of Contents

GLOSSARY OF ACRONYMS.....	4
CHAPTER 1 – INTRODUCTION AND BACKGROUND.....	6
1.1 Introduction.....	6
1.2 Definition of Procurement	6
1.3 Legislative overview	7
1.4 Public Expenditure Code.....	7
1.5 Government Public Sector Reform Plan 2011 and public procurement reforms	8
1.6 Overview of Procurement in the Council.....	8
1.7 Review of interventions since 2009 Plan	9
1.8 Expenditure profile and procurement spend	10
1.9 Corporate Plan - Analysis undertaken.....	11
CHAPTER 2 – PROCUREMENT OBJECTIVES AND STRATEGIES.....	12
2.0 Procurement Objectives and supporting strategies	12
2.1 Corporate Procurement Plan – Objectives	12
2.2 Specific Goals/Targets	13
2.3 Organisational Procurement Goals/Targets	13
CHAPTER 3 – ANALYSIS OF CURRENT PROCESSES	15
3.1 Processes and Systems targets.....	15
3.2 Posting of information on share point	15
3.3 Financial Information gathering and reporting arrangements	15
3.4 Introducing improved structures, systems and processes to realise procurement savings.....	15
3.5 Utilising IT systems to streamline workflow processes for Service Areas and for suppliers	16
3.6 Use of Electronic Tender portals	16

3.7	Contract registers, tender logs etc	16
3.8	Managing contracts and supplier performance.....	16
3.9	Impacts of centralised tendering on SMEs	17
3.10	Measurement of procurement objectives.....	17
CHAPTER 4 – EXPENDITURE ANALYSIS AND RISK MANAGEMENT		18
4.0	Expenditure Optimisation and Risk Management	18
4.1	Expenditure Analysis	18
4.2	Collaborative opportunities	20
4.3	Procurement interventions.....	20
4.4	Risk Analysis	20
4.5	Risk Register	21
4.6	Business Engagement	21
4.7	Communications Plan	22
4.8	Approval of Corporate Procurement Plan and implementation	23
5.0	ACTION PLAN.....	24
6.0	IMPLEMENTATION PLAN.....	30
7.0	CONCLUSION – PLAN APPROVED	30
Appendix 1 – OGP Purchase Categories 2014		31
APPENDIX 2:		32
KILKENNY COUNTY COUNCIL - AUTHORIZED OFFICERS.....		32
PURCHASE ORDER APPROVAL LIMITS 2016.....		32

Glossary of Acronyms

CCMA	County and City Management Association
CE	Chief Executive
DPER	Department of Public Expenditure & Reform
DoS	Director of Services
LGMA	Local Government Management Agency
LGOPC	Local Government Operational Procurement Centre (based in Kerry Co Co)
LGSPC	Local Government Strategic Procurement Centre (based in LGMA)
NOAC	National Oversight and Audit Commission
OGP	Office of Government Procurement
PU	Procurement Unit
SMEs	Small and medium-sized enterprises
VFM	Value for money

Foreword - Chief Executive, Kilkenny County Council

Purpose of Local Authority Corporate procurement planning

In order for local authorities including Kilkenny County Council (the Council) to comply with public procurement best practice, obtain value for money, manage risks related to procurement activities and support service delivery, it is imperative that suitable corporate governance, procurement planning and management procedures are in place and strengthened where necessary. This Corporate Procurement Plan provides an opportunity for the Council to identify and state its key corporate procurement objectives and how these will be delivered over the intended 3 year lifetime of the plan.

Council's Procurement Unit was established in 2010 in response to previous Corporate plan

The previous Corporate Procurement Plan adopted in 2009 identified that procurement was regarded as an ancillary function undertaken by individuals within the Council in order to comply with the basic requirements of the EU Public Procurement Directives and National Guidelines. The establishment of the Council's Procurement Unit in 2010 has modernised the procurement function within the Council and has brought it centre stage to ensure compliance, support for service delivery, minimization of risks and the provision of good value for money on an ongoing basis. In addition, the Council's procurement activity facilitates economic, social and environmental objectives wherever possible by identifying opportunities for social or green procurement and by improving SME business activity locally through the Local Enterprise Office.

The Government's Public Sector Reform Plan and public procurement reforms

One of the priorities in the Government's Public Sector Reform Plan (2011) was to achieve reduced costs and obtain better value for money through procurement reforms to meet changed economic conditions. A target procurement saving was set for the entire public sector for 2014-2016. The reform, principally a transition to greater use of centralised contracts and frameworks by the public sector, is co-ordinated and driven by the Office of Government Procurement (OGP). Sixteen categories of expenditure have been identified and spend under these categories is managed by a lead agency either the OGP or the LGOPC, based in Kerry County Council, which leads two categories on behalf of the public sector; Minor Building Works & Civils and Plant Hire.

This plan

This document outlines the key objectives, specific procurement policies and strategies for the Council for the next 3 years and incorporates annual progress reviews. To ensure that the key procurement objectives identified will be achieved, resources have been identified and suitable systems put in place to support its successful implementation.

Colette Byrne

Chief Executive, Kilkenny County Council

Chapter 1 – Introduction and background

1.1 Introduction

This Corporate Procurement Plan identifies the actions that need to be implemented in order to maintain a professional and modern procurement function in Kilkenny County Council. The plan sets out key targets for delivery over the next three years. The procurement objectives will support the efficient and effective delivery of services by the Council.

1.2 Definition of Procurement

“Procurement” is the process of acquiring goods, services and works, whether from third parties or in-house providers. The process spans the cycle from the original needs identification, through to the end of a services contract or the end of an asset useful life. It involves options appraisal, including the critical “make or buy” decision which may result in the provision of services in-house in appropriate circumstances.

From a practical perspective, the procurement process is usually broken down into six stages:

1. Preparation and planning incl. procurement strategy, award criteria & price/quality ratio
2. Publication of contract notice on OJEU or eTenders
3. Submission of tenders
4. Selection and evaluation of tenders by competent assessment panel
5. Awarding the contract and related procedures
6. Contract implementation incl. contract management

Thus the Council broadly considers ‘Procurement’ to describe the functions and processes required to source and acquire the goods, services and works that it requires to provide its core services. It includes strategic elements such as Policy & Governance; Budgeting & Planning. It also includes operational elements including Sourcing; Operations; Contract Management and Requisition to Pay.

‘Purchasing’ is a subset of the overall procurement process. It refers to the transactional process of buying goods and services or engaging a works contractor or consultant i.e. raising a purchase order on the Agresso Financial Management system, receiving the goods and services and the receipt of invoice and payment.

It is estimated that the Irish public service in a typical year expends some €15 billion on goods, general services, construction works and related technical consultancies.

The estimated revenue procurable expenditure in 2014 for the Council was €24.3 m.

1.3 Legislative overview

Tenders/Contracts above EU Threshold levels

EU Directives, Irish public procurement Regulations and Departmental Circulars & Guidelines govern the purchases by public bodies of works and works related activities, goods and services. Contracts that exceed specified EU financial thresholds are subject to the current Public Sector Procurement Directive, as implemented by Irish law.

Such contracts require to be advertised in the Official Journal of the European Union and require compliance with the procurement procedures set out in the Directive.

Tenders/Contracts below EU Threshold levels

Contracts valued below those threshold levels are principally governed by Irish Government Circulars & Guidelines (the Competitive Process document) issued by the Department of Public Expenditure and Reform (DPER).

Contracts valued above €25,000 for goods and services and above €50,000 for works and works related technical services require to be advertised on the eTenders public procurement portal.

For other expenditures below these levels, the Council generally seeks competitive quotations from a minimum of three suitable suppliers in accordance with its own procurement procedures.

Framework Agreements – National and local

The Council utilises many important national Framework Agreements established centrally by the Office of Government Procurement (OGP) and the Local Government Operational Procurement Centre (LGOPC) based in Kerry County Council. The Council also uses locally established fixed term Framework Agreements and pre-qualified supplier panels.

Irish Water (Uisce Eireann) purchasing

The Council manages the transition of Water Services (Water and Wastewater) to Irish Water through a Service Level Agreement which commenced on the 1st January, 2014. Therefore, Irish Water is responsible for procuring and paying all suppliers serving the public water and wastewater services sector from that date. The Rural Water Programme, which facilitates support to over 200 group schemes in the county, remains the responsibility of the Council.

1.4 Public Expenditure Code

The Council's Chief Executive is required to report to the National Oversight and Audit Commission (NOAC) under the Public Expenditure Code issued by the Department of Public Expenditure & Reform (DPER), which applies to both Capital and Current expenditure. The Code sets out what is required of public service managers at different points of the expenditure lifecycle and offers advice on how to fulfil those requirements. All Government Departments and public bodies and all bodies in receipt of public funding must comply, as appropriate, with the relevant requirements of the Public Spending Code.

1.5 Government Public Sector Reform Plan 2011 and public procurement reforms

One of the priorities in the Public Sector Reform Plan (2011) was to achieve reduced costs and obtain better value for money through procurement reforms. A target procurement saving of €500m was set for the entire public sector for 2014-2016. The reform, principally a transition to greater use of centralised contracts and frameworks by the public sector, is co-ordinated and driven by the OGP.

Sixteen categories of expenditure were identified and spend under these categories is managed by a lead agency either the OGP or LGOPC on behalf of the public sector as a whole. The LGOPC, based in Kerry County Council, leads two categories on behalf of the public sector; Minor Building Works & Civils and Plant Hire. **Please refer to Appendix 1 for category details.**

The Local Government Strategic Procurement Centre (LGSPC) was established within the existing Local Government Management Agency (LGMA) in 2014 to support the local government sector in playing a meaningful role in the reform of procurement, as well as to develop the procurement function, processes and systems in local authorities.

Whilst the establishment of the OGP represents a key milestone towards centralised procurement for goods and services for the entire public service the procurement of other capital works, related services and both above and below EU threshold spends will remain with the contracting authority. The local authority, as the contracting authority, remains accountable for all public procurement which it carries out and for draw down of goods and services from central frameworks.

1.6 Overview of Procurement in the Council

Procurement Unit reporting and staffing

Following the adoption of the previous Council Corporate Procurement Plan in 2009, formal responsibility for Procurement matters was delegated to the Head of Finance to whom the Procurement Unit reports. The Unit was formally established in September 2010 and is staffed by Kevin Hanley, Procurement Manager (and Head of Information Systems) on a part time basis and by John Walsh, Procurement Officer on a full time basis.

Organisational model adopted for the Council's Procurement Unit

The Council adopted the hybrid procurement model in 2010 for its Procurement Unit - with one office carrying out all of the strategic functions and undertaking all of the corporate type operational tasks and corporate tender competitions such as Legal Services.

The Council operates a primarily decentralised procurement system. Procurement and Purchasing authority is delegated to many staff members at directorate, section and district levels. The procurement and purchase of any given product or service is carried out by certain staff in multiple sections throughout the organisation. Recent years have brought about the

centralisation of the operational procurement function in the Procurement Unit for all tenders which require advertising on eTenders and on the European Journal. However, purchasing remains decentralised.

A Chief Executive's Order sets out the procurement authorisation levels for Authorised Officers. The Chief Executive (CE) has ultimate responsibility to ensure compliant procurement. The CE delegates significant budgetary and procurement responsibilities to each Director of Services. Each Director has the responsibility to ensure that the budget holders, to whom they in turn delegate, take responsibility for the compliant procurement of all goods, services and works for which they authorise spend. **Please refer to Appendix 2 for Purchase Order approval limits.**

The Procurement Unit's role is also strategic; to provide advice and guidance to the Management Team and staff on legislative requirements and to pro-actively engage with the OPG and the LGSPC. In order to meet national requirements and use centralised contracts, the Council has had to consider how to match an in-house decentralised approach with an external centralised model. **Please refer to Figure 1.1 Organisational Structure: Procurement.**

The principal functions of the Council's Procurement Unit can therefore be classified as follows;

Strategic Procurement Functions

- To have in place current Corporate Procurement Plans and Public Procurement Procedures for the Council and to comply with best procurement practice
- To ensure that an appropriate and competitive procurement process is used for relevant procurement spends and that the Council achieves good value for money (savings/efficiencies) on its procurement activities
- To manage risks related to procurement activities by providing or arranging for the provision of sound procurement and legal advices to all Service Areas
- To support service delivery to the Council service areas
- To promote sustainable Green Procurement and the use of Social Clauses in appropriate competitions
- To support the Local Enterprise Office (LEO) in its promotion of local businesses and enterprises and SME's

Operational Procurement Functions

- To establish a dedicated in-house resource for the Council so that all Service Areas are assisted when undertaking the complex task of public sector procurement
- To ensure that all draft tender documents submitted by Service Areas are examined prior to the tender competitions being advertised on eTenders/OJEC and that all contracts are awarded in compliance with the Council's Procurement Procedures
- To ensure the maximum usage of OGP and LGOPC Framework Agreements
- To provide or arrange for procurement training for Service Areas or individual staff
- To facilitate or hold supplier Meet the Buyer events, SME procurement seminars or individual supplier meetings in co-operation with the Local Enterprise Office

1.7 Review of interventions since 2009 Plan

An analysis of organisational capacity and competence within Kilkenny County Council and Kilkenny Borough Council was undertaken by Price Waterhouse Coopers Consultants in 2009 as part of the analysis for the Council's 2009 Corporate Procurement Plan.

This analysis showed that procurement was not regarded as a strategic corporate function. The main focus of procurement activity was based on EU compliance and daily operational purchasing, rather than strategic sourcing and planning.

The expenditure analysis undertaken also revealed a diversified supplier base which is typical for a rural local authority but which presented several opportunities for supplier negotiations and aggregation of purchasing spend so as to achieve better value for money (VFM) and improved operational efficiencies.

The 2009 Corporate Procurement Plan outlined the principles under which the Council conducts its procurement and contracting arrangements. The Council's Procurement Unit was established in response to this analysis and to other initiatives in public procurement in Ireland at that time.

- The Unit has advised Council Service Areas on 80 tender competitions of various types of scale and complexity valued at €50m during the 5 year period 2011 -2015
- The Unit has also achieved estimated operational and capital savings (both direct savings from tenders and significant negotiated discounts from existing suppliers) of over €2m during this period 2011-2015

It is important to recognise the achievements that have taken place, in part or in full, since the establishment of the Procurement Unit in the Council in 2010. These include:

- Establishment of important local Frameworks such as Legal Services, Water Services Maintenance, Water Services Consultancy in 2011, 2012 and 2013
- Re- establishment of pre- qualified Small Works Builders Panel for Housing in 2013
- Negotiation of savings from Water Services, Environment and Corporate sections suppliers in 2011, 2012 and 2013
- Use of South East Regional Framework for Public Lighting Maintenance services
- Draw down from OGP National Frameworks for a wide range of goods and services
- Initiated a 'contract coordinator' role where Service Areas tender directly and/or coordinate the roll- out of central contracts across sections e.g. Machinery Yard for all plant purchases.
- Draw down from LGOPC frameworks on SupplyGov.ie
- Council Procurement Guidelines revised in 2013 and will be updated in 2016
- Currently seeking to appoint a suitable trainer to deliver specialised CWMF works procurement training for technical staff

1.8 Expenditure profile and procurement spend

Note - Kilkenny Borough Council was abolished in June 2014 and its expenditure is now incorporated into the figures below for Kilkenny County Council.

The Council's Revenue Expenditure for 2014 was €69.8m

The Council's Revenue procurable Expenditure for 2014 was €24.3m – This figure includes Purchases of equipment, repairs and Maintenance, Contract payments, Plant hire and materials purchases, professional/consultancy fees and Energy costs.

It excludes such items as payroll, payments of grants to other bodies, agency services, travel costs and other Administration and Establishment expenses.

The Council's Capital Expenditure for 2014 was €20.6m

The Council's Capital procurable Expenditure for 2014 was €14.2m - this figure includes payments to contractors, purchase of assets/equipment and professional/consultancy fees. It excludes such items as purchase of lands.

A full analysis of the Council's 2015 expenditure outcome will be undertaken as soon as possible.

1.9 Corporate Plan - Analysis undertaken

An analysis of the following items was undertaken in preparation for this plan

- a) Organisational Procurement Objectives
- b) Organisational Structures
- c) Process and Systems
- d) Expenditure Optimisation and Risk Management

The Corporate Procurement Plan Objectives set out in Chapter 2 derive from the detailed analysis which is undertaken in Chapters 3 and 4.

This leads directly to the Action Plan Table in Section 5.0 which sets out the goals and targets to be achieved over the lifetime of this Corporate Procurement Plan.

Chapter 2 – Procurement objectives and strategies

2.0 Procurement Objectives and supporting strategies

The Council's adopted Corporate Plan 2014-2019 contains the following core procurement objective;

"Procurement - Core Objective

To further advance the purchasing and procurement of goods and services in a more cost effective manner and to pursue a policy of environmentally friendly procurement throughout the organization

Supporting Strategies

- To continue to seek savings in the procurement of goods and services both locally & through any collaborative approaches in the Local Government & wider Government Sectors.
- To include in contracts and supporting documentation specifications regarding lowering carbon emissions
- To continue to examine current and future procurement policies."

2.1 Corporate Procurement Plan – Objectives

The strategic objectives of this Corporate Procurement Plan can be broadly stated as follows;

1. To ensure the local authority **complies** with procurement Directives, Legislation, Circulars and other legal requirements and that staff engaged in procurement also adhere to the organisation's procurement policies and procedures
2. To support **service delivery** by the local authority and fulfil the **strategic objectives** in the local authority's Corporate Plan.
3. To achieve greater **value for money** by:
 - ensuring that purchasing is carried out in a co-ordinated and strategic manner;
 - reviewing and, where possible, streamlining existing procurement processes;
 - identifying opportunities for savings, for example by utilising national and regional aggregated contracts or other means.
4. To facilitate **economic, social or environmental objectives** through procurement, for example by:
 - identifying opportunities for social or green procurement

- engaging with Kilkenny Local Enterprise Office and local businesses and suppliers

2.2 Specific Goals/Targets

This section outlines the Council's specific goals/targets for procurement which align with the Corporate procurement objectives identified above for the local authority.

Procurement Unit Goals:

1. Continually improve Policy & Governance to implement procurement reform and support service delivery
2. to ensure that each director sets out the procurement roles, responsibilities and procedures for authorised staff and other relevant staff within their sections
3. Increase the use of IT and other technologies to streamline procurement processes, create efficiencies, provide data for procurement management and provide mechanisms to ensure compliance
4. Participate in LGSPC procurement initiatives
5. Participate in public sector procurement initiatives where they add value and enhance compliance
6. Facilitate economic, social and environmental objectives
7. Develop Procurement Communication Plan

Please refer to Section 5 **Action Plan** for further details on these goals.

2.3 Organisational Procurement Goals/Targets

It is considered that the continuation of the Council's Procurement Unit using the hybrid procurement model to carry out all of the strategic functions and the core operational functions best suits the needs of a medium sized rural local authority. The current staffing levels are considered to be adequate.

In particular, the Procurement Unit ensures that a dedicated resource is applied to achieve the Council's stated objectives on a consistent basis.

The interface between the procurement function at local level and national structures such as the OGP, LGOPC and the LGSPC is also more easily facilitated by a centralised Procurement Unit.

The Procurement Unit and representatives from Service Areas have facilitated collaborative procurement by assisting on LGOPC Working Groups in drafting tender documents and specifications for important Framework competitions such as bitumen supplies to the Local Government sector. The Unit also actively engages with the Munster & South Leinster Regional Procurement network of Procurement Officers.

The Procurement Unit sits within the Finance Directorate for the purposes of reporting to the Council's Chief Executive and Management Team.

To ensure that general communications to staff are improved, a half yearly update of procurement activities undertaken by the Procurement Unit and including items of interest will be forwarded to the Council's Management Team for noting and will be posted on the Council's share point system.

Chapter 3 – Analysis of current processes

3.1 Processes and Systems targets

3.2 Posting of information on share point

The Council's Procurement Unit ensures that EU Directives, national legislation and DPER Circulars are posted on the Council's Internal Share point system.

The latest OGP/LGOPC lists of current Frameworks and tender pipelines are also posted.

Details of all new OGP or LGOPC Frameworks are sent by the Procurement Unit to the relevant Service Areas for their attention. The Procurement Unit engages with Service Areas to facilitate the drawdown of the relevant Framework Agreements by the Council. Contract coordination for draw down of goods and services is identified as required.

It is the Council's policy that National Frameworks should be utilised to the maximum extent possible. To facilitate this, there will need to be an increased use of IT and other technologies to streamline procurement processes, create efficiencies, and provide overview mechanisms to ensure compliance.

3.3 Financial Information gathering and reporting arrangements

All government agencies are now required to provide procurement and spend data to the OGP, NOAC and other bodies. The Agresso Financial Management System is not currently configured to record or report in the formats required. Significant work needs to be done to enable Local Authorities record the data in a usable format. The pending upgrade to Agresso will be used to advantage. An important review of coding and current data entry systems and procedures is underway.

The CCMA and LGMA have provided resources nationally through the LGSPC to assist local authorities implement the procurement reform requirements. The Council will work through CCMA/LGMA to the OGP to identify and implement procurement requirements in a way that enhances the delivery of local services and delivers best value for money. The Council will also work with the LGSPC as required.

In the short term, the focus will be on developing and implementing of interim data gathering and tender management initiatives. In the longer term, more comprehensive management systems will be developed.

3.4 Introducing improved structures, systems and processes to realise procurement savings

In the 2009 Corporate Procurement plan, supply positioning matrices - where relative expenditure is mapped against difficulty of securing supply - were prepared in order to determine the most appropriate procurement strategy to use when approaching the market. To a large extent, this strategic planning role has been taken over by the OGP, who approach the market on behalf of the whole government and public sector.

As the OGP projects that it will procure much of the high expenditure goods and services, Kilkenny County Council will utilise the resulting national contracts as appropriate. For lower spend items not covered by the OGP, the procurement approach will need to be determined.

The scope for reducing the processing effort involved in purchasing goods and services, and removing duplication of effort or other inefficiencies in the purchasing process has been examined. The main supplier management strategy implemented has been the introduction of the low value purchase card system in 2004 in all sections of the Council. Other supplier management initiatives will be identified and implemented over time.

3.5 Utilising IT systems to streamline workflow processes for Service Areas and for suppliers

It is the Council's policy that it utilises to the maximum extent all available electronic portals such as eTenders and Supply.Gov.ie (previously LA quotes) for Framework draw downs. This reduces the administrative burden on existing and new suppliers and facilitates SMEs in tendering.

3.6 Use of Electronic Tender portals

It is the Council's intention in the short term to extend the number of quotation categories used in Supply.Gov.ie so as to increase the use of fully electronic quotations.

It is also the Council's intention to proceed to full electronic tendering before October 2018 as required by the EU PS Procurement Directive 2014 as transposed by the 2016 Procurement Regulations.

3.7 Contract registers, tender logs etc

The Procurement Unit utilises contract registers and tender logs to monitor expiry dates on existing Frameworks and panels so as to ensure that they are renewed in a timely manner. Regional tenders involving the Council as a participant are similarly monitored.

3.8 Managing contracts and supplier performance.

Managing the performance of suppliers when a contract is in place is a necessary function of the Procurement Unit and Service Areas alike. The Procurement Officer assists service areas in this important task as required. Specific advices in relation to penalty and termination clauses and options are given if necessary.

The use of the OGP standard Request for Tender template for Goods & Services in tender competitions facilitates the use of such clauses if they are required.

3.9 Impacts of centralised tendering on SMEs

Kilkenny County Council recognises the impact that centralising procurement may have on SMEs. The Council will undertake all steps possible within the parameters of the EU Directives, including the positive measures set out in *Circular 10/14: Initiatives to assist SMEs in Public Procurement* to promote SME involvement in public sector procurement.

These measures include:

- Using appropriately sized lots;
- Using regional or other geographically based lots;
- Ensuring that qualification criteria are proportionate to the size of the contract;
- Using open panel systems and dynamic purchasing systems in preference to longer term frameworks where possible;
- Reducing the administrative burden on applicants by initially seeking SAQ and other declarations - the successful tenderer only to submit the necessary evidences; and
- Using electronic procurement portals etc for draw down of goods and services

The Council and Local Government sector generally will also encourage the central purchasing bodies such as the OGP and LGOPC to use SME friendly procurement when designing its tender competitions.

3.10 Measurement of procurement objectives

There is currently no measurement of how economic, social and environmental objectives are incorporated in procurement throughout the organisation. Where feasible and appropriate, the Council will facilitate and record the Economic, Social and Environmental objectives used when procuring goods, services and works.

However, the Council will have regard to all future guidelines and initiatives from the Government and the OGP such as the National Action Plan for Jobs and its implementation on a Regional basis and relevant Green Public Procurement initiatives contained in the recent White Paper Ireland's Transition to a Low Carbon Energy Future 2015-2013.

Chapter 4 – Expenditure analysis and risk management

4.0 Expenditure Optimisation and Risk Management

4.1 Expenditure Analysis

The Procurement Unit conducted an expenditure analysis of the Council's financial spend data for 2014 extracted from the Agresso Financial Management system. It excluded all capital expenditure and spend conducted through Low Value Purchase Cards.

A review of 2014 Revenue expenditure data identified a procurable spend of €24.3m by Kilkenny County Council.

2014 Financial Year data	Kilkenny County Council
Total Revenue procurable expenditure	€24.3m
Total number of transactions	15,965
Total number of suppliers	1,675

Within Kilkenny County Council, the following key metrics were noted:

- Taking into account the establishment of Irish Water in 2014, spend incurred by Road Transportation & Safety now accounts for 55% of total spend;
- 85% of spend was incurred within four cost centres, namely Housing, Support Services, Environmental Protection and Road Transportation and Safety;
- 30% of spend is with 10 suppliers out of a total of 1,675 suppliers.
- These suppliers are:
 - Irish Public Bodies Mutual Insurances Ltd
 - Kilkenny Tarmac Ltd

- Energia
 - Lagan Macadam Ltd
 - Starrus Eco Holdings Ltd T/A Greenstar
 - Roadstone Ltd
 - Mallwood Ltd
 - LGMA
 - Suir Plant Ltd
 - Airtricity Utility Solutions Ltd
-
- Top 10 products account for 35% of spend. The top 10 products are:
 - Insurances
 - Base course macadam
 - Road Contract Payments
 - Polymer
 - Contracts other -Revenue
 - ESB Public Lighting - Unmetered
 - ESB Charges
 - Wearing Course Macadam
 - Maintenance Contract Payments
 - Recycling - Other

Across the Council, a substantial amount of small value, high volume transactional activities continue to prevail, which is typical for a medium sized rural authority despite the extensive use of low value purchasing cards since their introduction in 2004. Arising observations include:

- A large number of suppliers - 370 - were traded with once only by various service areas – many of these are unavoidable
- Kilkenny County Council had 265 suppliers with whom they spent less than €500 individually in the year
- This fragmentation of expenditure generates a significant administrative burden despite the extensive use of low value purchasing cards
- Previous studies have estimated that the transaction costs associated with the process of a single purchase order through to payment, irrespective of the total value or number of items, to be in the region of €50 - €90. The estimated costs are inclusive of the salaries of professional staff, salaries of operational staff, and overheads
- In order to reduce transaction costs, it is standard Council policy for all new contracts that invoices are submitted on a monthly basis in arrears

- For capital projects, invoices certified by the appointed Consulting Engineer or Architect are paid on a monthly basis in arrears

4.2 Collaborative opportunities

The potential for collaborative opportunities is continually assessed as a source of achieving better value for money for the Council, and as an opportunity to reduce processing effort and risk in line with the objectives of the national procurement reform programme.

The expenditure data submitted to the LGMA/OGP will be used to assess opportunities at a national level. The rollout of standardised Product Codes and a Procurement Management System for the local government sector will support the generation of this information. Pipelines will be generated at an organisational level and consideration will be given to putting frameworks or dynamic purchasing systems in place for anticipated capital budget allocations.

4.3 Procurement interventions

The Council's Procurement Unit has estimated financial savings from procurement competitions and other interventions since 2010. The Council's Head of Finance and Procurement Officer have recently assisted the OGP and LGSPC Working Groups to produce guidelines on calculating benefits and savings from procurement for the local authority sector.

The Council's policy since 2010 has been to address the strategic or high spend areas which required to be addressed by way of formal tendering or negotiated savings with existing suppliers as appropriate. Considerable progress has been made in recent years by way of collaborative tendering at regional level, the establishment of local Frameworks and panels and negotiations with individual suppliers to reduce the procurement risks involved.

At this stage, there are relatively few areas of operational spend that have yet to be examined in detail by the Council. Furthermore, it is expected that many of the operational spend areas that remain to be tendered will either be addressed by the introduction of new Framework Agreements in 2016 and 2017 as identified by the OGP and LGOPC in their medium term tender pipelines or alternatively will be tendered by the Council.

4.4 Risk Analysis

In the 2009 Corporate Procurement plan, supply positioning matrices - where relative expenditure is mapped against difficulty of securing supply, were prepared by the Council in order to determine the most appropriate procurement strategy to use when approach to the market. To a large extent, this strategic planning role has been taken over by the OGP, who approach the market on behalf of the whole government sector.

4.5 Risk Register

Risk Management is an effective management tool to support good governance. It refers to the systematic application of principles, approach and processes to the task of identifying and assessing risks, and then planning and implementing risk responses.

A risk register for the procurement function is maintained by the Council.

The risk categories identified in the Council's risk register include;

Legal/Regulatory – such as non – compliance with EU/National Procurement legislation and guidelines and core procurement principles derived from EU Treaties such as Transparency, Equal Treatment, Proportionality and Mutual Recognition

Legal – such as seeking specialised procurement legal advices and supports from the Council's legal services provider prior to tendering to ensure that the tender documents comply with the core procurement principles and after the tender process as required when responding to tenderer's requests for further information and debriefing

Economic - such as properly investigating non – sustainable (below cost) tenders during the tender process, pursuing sole suppliers and monopolies and being vigilant in respect of anti – competitive tender strategies and possible collusion amongst tendering parties

Contractual - such as ensuring that all required contract related matters (e.g. obtaining authorised performance bonds for works contracts, ensuring that all contract documents are signed etc) are correctly completed prior to the award of contract

Environmental – such as non – implementation of Green Procurement standards and Guidelines in tender competitions

Competitive – such as using inappropriate price /quality ratios in tender competitions and not obtaining either Value for Money or appropriate quality from tenderers

The Council's Procurement Unit maintains controls and operates actions to continually review all of the identified risk categories.

4.6 Business Engagement

The Council has assessed the processes and systems in place to support engagement by businesses and SMEs in public procurement.

The Council is cognisant of the various measures in DPER Circular 10/14 to assist SMEs, including dividing tenders into lots, consortium bidding, greater use of open tendering, including appropriate capacity and turnover requirements for tenders, publication of tender award notices and so forth.

The Council is aware of various official reports published in this area such as the OGP High Level Group on SME Access to Public Procurement Progress Report 2015 and the recommendations contained in the report to further assist SMEs.

The Council's Procurement Unit also engages with Local Enterprise Offices, Enterprise Ireland, InterTrade Ireland, the OGP/LGOPC and the LGSPC in identifying opportunities to support businesses to participate in public procurement. The Council is aware that mechanisms pursued need to be compliant with Directives, Legislation, Regulations and procurement policy.

The Council's Procurement Unit refers all supplier information requests received to the relevant Service Areas who are asked to consider any suitable suppliers for future quotation opportunities and/or to meet the particular supplier in respect of specialised or innovative goods and services.

In particular, specific "Meet the Buyer" events will be organised by the Council in conjunction with appropriate procurement competitions to assist contractors who are not familiar with the eTenders procurement portal and other tendering requirements. Appropriate Council Professional and Technical staff will also attend these events.

4.7 Communications Plan

Communication on procurement change, systems and issues is addressed in the plan goals and targets. With the abolition of Kilkenny Borough Council and the introduction of new Municipal Areas in 2014 there has been significant change in the organisation's structure; new procurement systems are being implemented locally ; and there are ongoing changes in procurement requirements at national level.

All of this needs clear and direct communication with staff. The challenge is communicating with large numbers of staff engaged in procurement and purchasing at different levels, such as Council budget holders, the Head of Finance and the Chief Executive, and others stakeholders as appropriate.

To ensure that general communications to staff are improved, a half yearly update of procurement activities undertaken by the Procurement Unit and including items of interest will be forwarded to the Council's Management Team for noting and will be posted on the Council's share point system.

These communications will include items of interest from the Council's adopted Procurement Procedures as they evolve over time.

The relevant Corporate Procurement Plan objectives will be included into appropriate Team Development Plans and Personal Development Plans.

4.8 Approval of Corporate Procurement Plan and implementation

The Corporate Procurement Plan has stated in its key objectives the prioritisation of procurement within the Council and has been approved by both the Council's Management Team and Chief Executive.

The plan clearly identifies that the Council's Chief Executive holds overall responsibility for the delivery of the plan and that the Head of Finance and Procurement Unit hold specific responsibility in conjunction with budget holders and others for the specific goals/targets identified.

In order to facilitate the implementation of the Corporate Procurement Plan the goals/targets are identified and included under various headings in the Corporate Plan, and flow into the appropriate Team and Personal Development Plans.

5.0 Action Plan

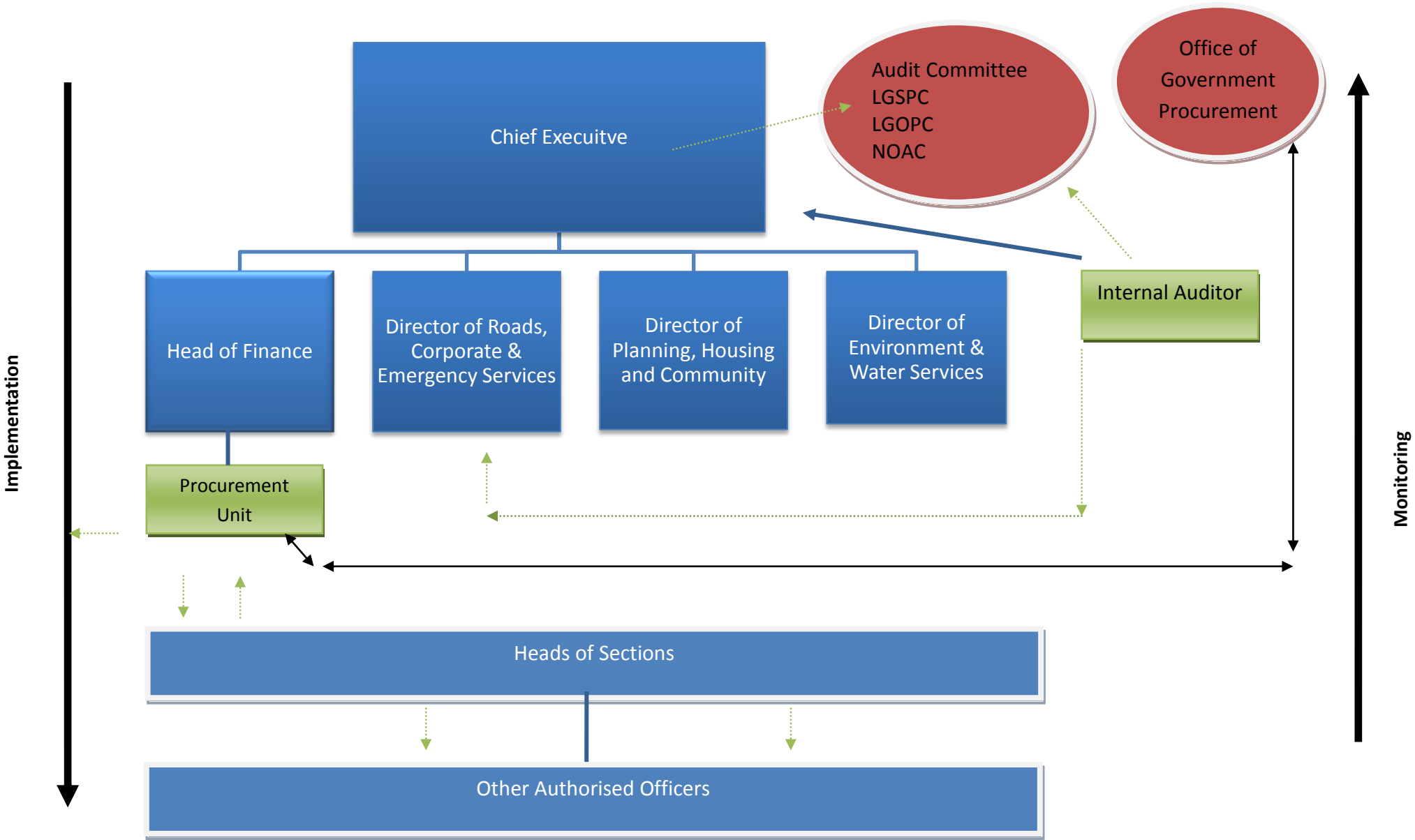
Goal ID	Goal	Actions to Achieve	Target Date	KPI	Responsibility	Status
1	Continually improve Policy & Governance to implement procurement reform and support service delivery	<ol style="list-style-type: none"> 1. Corporate Procurement Plan approved by Management Team with commitment to resourcing actions 2. Progress reports on implementation of procurement reform on Management Team agenda twice a year 3. Procurement to be an agenda item on Directorate/ Team /Section meetings each quarter 	<ol style="list-style-type: none"> 1. Q4 2016 2. Ongoing 3. Ongoing 	<ol style="list-style-type: none"> 1. Plan approved and resources committed annually 2. On MT agenda twice a year 3. Record of procurement on agendas 	<ol style="list-style-type: none"> 1. MT, HoF, each DoS, 2. MT, HoF, Procurement Unit 3. Each DoS 	
2.	To ensure that each director sets out the procurement roles, responsibilities and procedures for authorised staff and other relevant staff within their sections	<ol style="list-style-type: none"> 1. Ensure procurement functions and targets are integrated with PMDS and included in Team Plans 2. Carry out CWMF works procurement training for Council technical staff 	<ol style="list-style-type: none"> 1. Q4 2016 2. Q4 2016 	<ol style="list-style-type: none"> 1. Number of Team plans updated with specific procurement targets and responsibilities 2. Works Trainer appointed to undertake CWMF works training for technical staff. 	<ol style="list-style-type: none"> 1. Each DoS 2. Each DoS 	

Goal ID	Goal	Actions to Achieve	Target Date	KPI	Responsibility	Status
		3. Undertake other selected procurement training as required in 2017.	3. Q4 2017	3. Analyse training need for <ul style="list-style-type: none"> • Council procedures • procurement rules • Goods/Services • Use of SupplyGov.ie • electronic tenders/DPS 	3. Each DoS, Training Officer	
3	Increase the use of IT and other technologies to streamline procurement processes, create efficiencies, provide data for procurement management and provide mechanisms to ensure compliance	1. Use eTenders for tender advertisements over local thresholds 2. Increase use of SupplyGov for relevant framework mini-tenders 3. Increase the use of SupplyGov for below threshold quotations 4. Prepare procedures to initiate full electronic tendering processes in October 2018	1. Ongoing 2. Ongoing 3. Q3 2017 4. Q4 2017	1. Number of eTender advertisements 2. Number of SupplyGov mini-tenders 3. Number of new 'quotes' categories used on SupplyGov 4. Electronic tendering Procedures to be fully adopted by October 2018	1. Each DoS/Procurement Unit 2. Each DoS/Procurement Unit 3. Each DoS PU, ICT, HoF 4. MT, PU, ICT, HoF Corporate Affairs	
4.	Participate in LGSPC	1. Implement the new	1. Q4 2016	1. Effective spend analysis by	1. Head of Finance/	

Goal ID	Goal	Actions to Achieve	Target Date	KPI	Responsibility	Status
	procurement initiatives	<p>Agresso Coding system being developed</p> <p>2. Work with LGSPC to develop a local authority contract management system</p> <p>3. Monitor current & future regional initiatives and determine if they will continue</p>	<p>2. Q4 2017</p> <p>3. Q4 2017</p>	<p>product code available</p> <p>2. Tender management system developed to provide consistent information on spend and compliance</p> <p>3. Coordinator identified and progression plan in place for each regional initiative</p>	<p>Agresso Team</p> <p>2. LGMA, CE</p> <p>3. Each DoS, PU</p>	
5	Participate in public sector procurement initiatives where they add value and enhance compliance	1. For new OGP and LGOPC contracts, appoint a contract coordinator to manage each contract.	1. Q4 2016	1. Number of Coordinators with contract management system in place	1. Each DoS, PU	

Goal ID	Goal	Actions to Achieve	Target Date	KPI	Responsibility	Status
6	Facilitate economic, social and environmental objectives	1. Encourage SMEs to tender for public contracts by a) holding Meet The Buyer and awareness events for new frameworks prior to advertising b) dividing local authority tenders into lots where feasible 2. Encourage green procurement through the use of 'lifetime costs' in MEAT tender award 3. Include social clauses in tendering as appropriate	1. Ongoing 2. Ongoing 3. Ongoing	1. a) number of SME events held 1. b) number of tenders run with lots 2. Number of tenders using 'lifetime costs' criteria 3. Number of tenders with social clauses	a) Director LEO/C&E/ Procurement Officer b) Directors of Services 2. Each DoS 3. Each DoS	
7	Develop Procurement Communication Plan	1. Activate communication plan to inform all stakeholders of procurement developments 2. Maintain accessible up-to date procurement document library on SharePoint and LGMA extranet	1. Q4 2016 2. Ongoing	1. Communication Plan activated by publication of Plan and by bi-annual procurement bulletins 2. Latest directives, legislation, circulars and guidelines available on SharePoint and links to LGMA extranet	1. Procurement Unit, MT 2. Procurement Unit	

Figure 1.1: Organisational Structure: Procurement



6.0 Implementation Plan

The Action Plan set out in Section 5 will be monitored on an annual basis and a progress report in the format below will be prepared by the Procurement Unit for the Council's Chief Executive and Management Team.

Goal ID	Target	Actions to Achieve	Target Date	Measure of Delivery	Progress Review Year 1	Progress Review Year 2	Progress Review Year 2

3.0 Conclusion – Plan approved

This Corporate Procurement Plan was approved by the Chief Executive and Management Team of Kilkenny County Council on xx/xx/xxxx.

Appendix 1 – OGP Purchase Categories 2014

Sixteen Categories of Spend

OGP Led Categories	Sector Led Categories
<ul style="list-style-type: none">• Professional Services• Facilities Management and Maintenance• Utilities• ICT and Office Equipment• Marketing, Print and Stationary• Travel and HR Services• Fleet and Plant• Managed Services	<ul style="list-style-type: none">• Local Government<ul style="list-style-type: none">– Minor Building Works and Civils– Plant Hire• Health<ul style="list-style-type: none">– Medical Professional Services– Medical and Diagnostic Equipment and Supplies– Medical, Surgical and Pharmaceutical Supplies• Defence<ul style="list-style-type: none">– Defence and Security• Education<ul style="list-style-type: none">– Veterinary and Agriculture– Laboratory, Diagnostics and Equipment

Appendix 2:

Kilkenny County Council - Authorized Officers

Purchase Order Approval Limits 2016

Set out below are approval limit guidelines as per the 2016 Agresso Milestone Project.

It is proposed to adopt the guidelines below subject to the following amendments:

Municipal District Clerical Officer €1,000; Municipal District Staff Officer €5,000

Fire Station Clerical Officers €1,270

Machinery Yard personnel: Engineer €12,700, TSS €2,500 and Store man €650.

	Purchase Order Approval Limit €
Chief Executive	Over 1,000,000
Head of Finance, Director of Services	100,000 to 1,000,000
Senior Engineer, Chief Fire Officer, Financial \ Management Accountant, Senior Executive Officer, Head of IT, County Librarian, Senior Planner, Resident Engineer	25,000 to 100,000
Administrative Officer, Senior Executive Engineer, Senior Executive Planner, Assistant Chief Fire Officer, Assistant Resident Engineer	10,000 to 25,000
Executive Engineer, Executive Planner, Senior Staff Officer, County Veterinary Inspector, Arts Officer, Assistant Librarian, Senior Executive Technician, Civil Defence Officer, Clerk of Works	Up to 10,000
Assistant Engineer, Staff Officer, Executive Technician, Heritage Officer	Up to 5,000