



Mayo Local Authorities

Corporate Procurement Policy 2009-2014



1. Introduction

The aim of the Policy is to deliver effective, professional and well-managed procurement. It provides clear and challenging aims for procurement and defines the future direction and vision for the procurement function within the local authorities in Mayo.

Over the last few years the profile of public sector procurement has been raised with a greater understanding of the role it can have in delivering excellent quality services, whilst consistently demonstrating value for money and increasingly driving the modernisation and efficiency agenda. The Directors of Services shall play a lead role in the implementation of this policy and promote a culture of efficiency, effectiveness and economy within their areas of delegated responsibility.

The Department of Finance established the National Public Procurement Policy Unit (NPPPU) in June 2002 to (i) formulate policy, (ii) disseminate advice and best practice experience on procurement to the Irish public sector in order to improve its procurement capacity and (iii) deliver the Government's e-Procurement strategy.

In July 2005, the Department of Finance issued the National Public Procurement Policy Framework requiring all Public Bodies, including all City and County Councils, to produce annual Corporate Procurement Plans in their organisations, as part of a wider programme of Public Procurement reform. It is recognised that there is enormous potential for savings in all areas of spend if the four Mayo local authorities aggregate purchasing strategies. An analysis of existing procurement procedures will outline areas where we as an organisation can implement effective change. A procurement function and a dedicated Procurement Implementation Committee have been established to support these activities and to ensure that the purchasing practices in Mayo local authorities are continuously evaluated and improved.

This Corporate Procurement Policy (hereinafter called the Policy) has been prepared following full consultation with all stakeholders and has been approved by Mayo County Manager. The Policy seeks to meet our authorities' obligations under the national policy framework and, in so doing, strengthen senior management's commitment to effective and efficient allocation of resources and service provision as prescribed by the Public

Service Management Act 1997. The Policy will be subject to regular monitoring and review. In order to prepare this Policy it was necessary to:

- Analyse the goods and services purchased by Mayo local authorities;
- Analyse the way in which the purchasing/procurement function currently operates

This is a challenging agenda which will seek the cooperation and support of all areas and departments in order to be successful. In practical terms it requires a stronger focus on procurement planning, information sharing and collaboration between the different purchasing units throughout the local authorities in Mayo. **It is the role and responsibility of all Council employees to embrace the principles of efficiency, effectiveness and economy in the workplace.**

2. Corporate Procurement – Strategic Goal

Our strategic procurement goal is to contribute to securing the implementation of our mission statement as set out in our Corporate Plan by providing the best possible level of customer services within available resources on a value for money basis. This goal is cascaded down to various areas and sections through our various strategies and plans and encapsulates our strategy for procurement which is summarised as follows: to maximise the available financial resources of Mayo local authorities and to ensure optimum efficiencies and best value for money are obtained through their efficient and effective use in implementation of our mission statement.

Value for money (VFM) is defined as providing a service in a way which is economical, efficient and effective.

- (a) Economy means doing things cheaply
- (b) Efficiency means doing things well
- (c) Effectiveness means doing the right things

3. Procurement Overview

A comprehensive review identified opportunities for procurement management reform as required by the National Public Procurement Policy Unit.

This review looked at two key elements:

1. An analysis of the authorities' annual expenditure
2. An examination of the authorities' existing procurement processes

The spend analysis provided a profile of expenditure by product category, supplier and department. It also identified the volumes and values of invoices which, in turn, provided a picture of the transactional activity and indicated where process efficiencies may be achieved either as individual units or through aggregation with other purchasing departments. A separate review looked at the actions of staff involved in procurement and purchasing activities.

Procurement is defined here as work completed before an order is created on the Agresso financial management system. Procurement refers to the process of acquiring goods, works and services. It includes acquisition from third parties and also from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a service contract, to the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision - whether to provide services in-house or to procure services in other ways. Procurement in Mayo local authorities is governed by National and EU legislation. The expenditure value or threshold determines the number of quotations to be sought, whether and where the requests for tenders should be advertised, the time line to the receipt of quotations and so on. The goal of this legislation is to ensure that all procurement is accountable, competitive, non-discriminatory, fair and transparent.

Purchasing is defined as the actual process of buying i.e. raising a purchase order on the Agresso system (the commitment), receiving the goods and services (the accrual) and receipt of invoice (the payment stage)

The findings of both exercises informed the development of this Policy and the key findings are summarised below.

4. Procurement Principles and High Level objectives

This Policy is underpinned by four core procurement principles:

1. Achieve optimum value for money
2. Carry out procurement and purchasing activities in a manner consistent with EU and National procurement law
3. 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
4. Promote an increasingly sustainable approach to Mayo local authorities procurement activities in terms of environmental, social and financial considerations within applicable legislative constraints

High Level Procurement Objectives

The following seven high level procurement objectives have been identified:

(1) Planning Framework

To develop a framework that will deliver a coherent and consistent approach to procurement throughout our authorities that will support the introduction and adoption of best procurement practice.

(2) Infrastructure

Appropriate purchasing structures and capabilities to support the planning framework and to provide strategic direction and capabilities that deliver effective purchasing performance will be designed and implemented.

(3) Governance

Policies and procedures will be implemented to ensure our procurement activities are managed in an open, transparent and non-discriminatory manner with the highest levels of compliance, probity and risk awareness.

(4) Management Information / Technology

Ensure our authorities information technology systems; in particular our financial management and purchase-to-pay systems, support information based managed procurement strategy and its day-to-day purchasing in a robust and streamlined manner.

(5) Category Management

Ensure that products/purchases are coded correctly in our Agresso system.

(6) Collaboration and Proactive Participation

Collaborate with other public sector bodies, both national and local, where it makes good economic sense, and participate in public sector procurement initiatives as they arise and are deemed appropriate to our needs.

(7) Measuring and Monitoring

Develop, monitor and measure procurement-related activity to ensure that the adopted procurement policies and strategies are working efficiently and effectively.

5 Actions for procurement

Each of the seven High Level Objectives listed above are now outlined in more detail.

(1) Planning Framework

To develop a framework that will deliver a coherent and consistent approach to procurement throughout our authorities 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 wellbeing. 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. This shortcoming has now been recognised and will be addressed. The development of practical, realistic, procurement strategies must be planned for and the following actions have been identified:

1. Ensure procurement reform is visibly supported at the most senior level within the four local authorities

2. Establish a Procurement Implementation Committee made up of representatives from all sections of Mayo local authorities. This committee will prepare and present an annual report on procurement for the County Manager that will subsequently be forwarded to the audit committee. [See Annex 1]
3. Ensure that this Policy is recognised within our 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 suggests that there is a requirement for the Procurement Officer to provide practical, professional procurement advice and guidance. This Procurement Officer will lead on the adoption of best practice procurement, working with staff throughout the local authorities in their day-to-day procurement activities.

This objective will be progressed through the following actions:

- 2.1 Give the Procurement Officer a remit to support and monitor procurement throughout Mayo local authorities.
- 2.2 Establish a network of lead buyers throughout Mayo local authorities who will liaise between the Procurement Officer and their departments.
- 2.3 Establish procurement policies and procedures that support the achievement of optimum value for money, greater efficiencies and compliance with national and European legislation and minimise procurement-related risk.
- 2.4 Develop a training strategy to promote best practice procurement activity throughout Mayo local authorities.
- 2.5 Design and implement the training strategy review its impact and update where appropriate.
- 2.6 Review the effectiveness of the newly implemented procurement infrastructure.
- 2.7 Standard procurement documentation, operational plans and guidelines appropriate to Mayo local authorities should be formulated and made available to personnel involved in the procurement process.
- 2.8 Procurement practice and staff expenditure thresholds should be established and complied with.

(3) Governance

Policies and procedures will be implemented to ensure our procurement activities are managed 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 Mayo local authorities and their staff from governance-related challenge.
- 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 segregation of duties in all our purchase to pay activities. The person who raises a purchase order is not entitled to approve that order.

(4) Management Information Technology

Ensure that our local authorities' information technology systems support an information-based managed procurement strategy and its day-to-day purchasing in a robust and streamlined manner.

Mayo local authorities have invested time and effort in the design and roll out of the 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 provides a platform upon which local authorities can develop future procurement strategies.

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 Training documentation will be developed and provided on the intranet, providing 'on-demand' information to staff

- 4.5 Develop and implement an on-line reporting facility through which staff can provide feedback on suppliers' performance and on our internal procurement and purchasing procedures
- 4.6 Review the Agresso financial system training from a procurement/purchasing viewpoint.

(5) Supply Category Management

To ensure that products/purchases are coded correctly in our Agresso system.

The use of supply classification will enable our local authorities to profile expenditure on a category basis. This analysis is used to gain an understanding of the relationship that the organisation has with its suppliers. Specifically, it concentrates on identifying:

- the number of suppliers in each supply category
- the value of business within each supply category
- the top 10 suppliers by value
- the number of transactions conducted within each supply category

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 analysis.
- 5.2 Develop and implement detailed procurement strategies for the selected categories identified using the Agresso system.
- 5.3 Maintain a sound understanding of changing legislation where it applies to our 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, and to participate in public sector procurement initiatives as they arise and are deemed appropriate to our needs.

Aggregating our 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.

This objective will be progressed through the following operational elements:

- 6.1 Identify and where beneficial, use national, regional and other procurement arrangements e.g. existing ICT Procurement Framework agreements and Government Supplies Contracts.
- 6.2 Identify opportunities to streamline the purchase-to-pay process through the adoption of e-procurement techniques and functionalities.

7) Measuring and Monitoring

To develop, monitor and measure procurement-related activity to ensure that the adopted procurement policies and strategies are working efficiently and effectively. This Policy will be reviewed on a regular basis to ensure that it continues to provide an appropriate framework within which we will manage our procurement activities.

The development and implementation of this Policy will be assessed continuously in terms of the benefits to our local authorities. An expenditure analysis provided a snapshot of the local authorities' procurement activity in transactional terms and this data will now form an objective baseline against which the implementation of the Policy can be measured and monitored. Our training and development Plan will prioritise procurement training and associated upskilling of relevant staff and will allocate funding to same from available budget.

We will measure and assess our identified procurement Policy successes and where our strategies do not appear to be effective they will be reviewed and amended as necessary.

This objective will be progressed through the following operational elements:

- 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 our procurement and purchasing activity on an annual basis.
- 7.3 Use annual expenditure and Agresso analysis to measure past performance and inform our future procurement Policy

In support of this plan, operational plans will be prepared setting down the key milestones and timelines for the attainment of the Policy's goals and objectives.

Conclusion

The goal of this policy is to deliver value for money. This means that we must continuously examine revenue spend in all non pay related activity. The spend analysis conducted has highlighted the need to make difficult but necessary decisions that will ultimately impact positively on our local authorities ability to continue to deliver a quality service. I am confident if all employees, elected members and other stakeholders work together with commitment and dedication in pursuit of the goals of this Policy they will make a significant and valuable contribution to delivering the objectives of our mission statement to the people of Mayo by providing the best possible level of service within available resources.

Mr. John Maughan
Procurement Officer

Date: July 10, 2009

Approved:

Mr. Des Mahon
Mayo County Manager

Date: July 10, 2009

Annex 1

Procurement Implementation Committee

Member Name	Section/Area Represented
Pat Carroll	Committee Chairperson
John Maughan	Procurement Officer
Ramona Lavelle	Procurement
Ann Moore	Town Councils
Barbara Horkan	Internal Audit
Bernie Commons	Finance
Geeta Keena	Architects
Gilbert Groarke	Roads and Capital
Jude Walsh	Corporate Affairs
Kieran Lynn	Westport Area
Kieran Shally	Water Services
Mary Gordon	Ballina Area Office
Patricia Donnelly	Environment
Paul Dolan	Ballina/Swinford Area
Tracy McGee	Finance

This committee has been appointed by the County Manager and is representative of all areas/sections of Mayo local authorities. The primary function of the committee is to contribute to the development of the procurement function. This committee, under the chairmanship of Pat Carroll, will submit an annual report on procurement to the County Manager that will subsequently be presented to the audit committee.