

Corporate Procurement Plan 2008- 2009



Galway City Council
Comhairle Cathrach na Gaillimhe

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TABLE OF CONTENTS

1. INTRODUCTION	3
1.2 CORPORATE PROCUREMENT MISSION STATEMENT.....	3
1.3 BACKGROUND	3
1.4 OBJECTIVE OF CORPORATE PROCUREMENT PLAN.....	4
1.5 FINDINGS AND RECOMMENDATIONS	4
1.6 GENERAL APPROACH TO PROCUREMENT.....	4
2. EXPENDITURE ANALYSIS	5
2.1 PROCUREMENT EXPENDITURE.....	6
2.2 SUPPLY POSITIONING.....	7
2.3 ANALYSIS & SUPPLY POSITIONING RECOMMENDATIONS	10
3. PROCUREMENT ANALYSIS	15
3.1 INVOICE ANALYSIS	15
3.2 TRANSACTION ANALYSIS	16
3.3 SUPPLIER ANALYSIS	17
4. PROCUREMENT PRINCIPLES AND HIGH LEVEL GOALS	21
5. PROCUREMENT SKILLS & TRAINING	24
6. TECHNOLOGY AND E-PROCUREMENT	26
6.1 WHAT IS E-PROCUREMENT?.....	26
6.2 E-TENDERS WEBSITE.....	26
6.3 AGRESSO FINANCIAL MANAGEMENT SYSTEM.....	26
6.4 ONLINE ANNUAL QUOTATIONS	27
6.5 ELECTRONIC FUNDS TRANSFER (EFT)	28
6.6 LOW VALUE PURCHASE (LVP) CARDS.....	29
7. SUSTAINABLE / GREEN PROCUREMENT	31
8. FREEDOM OF INFORMATION AND PUBLIC PROCUREMENT	33
9. ACCESSIBILITY AND PROCUREMENT	34
10. CODE OF ETHICS.....	35

1. INTRODUCTION

“Public procurement can be defined as the acquisition, whether under formal contract or not, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies and services to formal tendering and placing of contracts for large infrastructural projects by a wide and diverse range of contracting authorities”¹ It is concerned with obtaining the best goods and services, supplies and works to meet the demands of service users with a commitment to achieve value for money.

1.2 Corporate Procurement Mission Statement

“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”.

1.3 Background

In July 2005, the National Public Procurement Policy Unit (NPPPU) produced the National Public Procurement Policy Framework requiring all public bodies to produce Corporate Procurement Plans. The Corporate Procurement Plan is intended to be an effective tool to identify and review current procurement profiles and practices and to ensure that the Council’s procurement function operates in accordance with best practice and that it supports effective Value for Money.

Galway City Council appointed a Procurement Officer in July 2008 to progress the preparation of the Corporate Procurement Plan within the organisation and implement targets for value for money and improvements in the purchase of goods and services. While the plan focuses that has been identified on areas that it is felt improvements can be made, it also outlines the procedures and practices which are currently in place in Galway City Council. The plan seeks not only to satisfy the obligations placed on Galway City Council by the National Public Procurement Policy Framework, but also to reinforce the Council’s commitment to effectively and efficiently conducting its procurement processes.

Galway City Council acknowledges the benefits of procurement planning and this plan sets out the specific goals and objectives of Galway City Council in terms of the development of the procurement function within the Organisation and will take the following approach:

1. **Expenditure and Risk Analysis** – In line with NPPPU guidance the expenditure to be included in the analysis is to exclude non procurement expenditure such as direct staffing costs, grant payments, statutory and other contributions etc. The analysis of this expenditure was aided by a supply positioning and risk evaluation matrix – SUPREM a basic analytical tool developed to assist corporate procurement planning. The tool was provided to Galway City Council by the Department of Finance’s National Public Procurement Policy Unit, the process will be explained in Chapter 3.
2. **Specific Goals** – this chapter brings together the findings of the expenditure risk analysis and organisational analysis and indicates specific areas for improvement. The goals set out in this chapter consist of specific measurable targets.
3. **Organisational Analysis** – involved an analysis of the current position of procurement within the organisation and identifies potential areas for improving and reducing the processing effort involved in purchasing goods and services including the increased use of e-procurement tools.

¹ Public Procurement Guidelines – Competitive Process

1.4 Objective of Corporate Procurement Plan

The objective of the Corporate Procurement Plan is to achieve greater Value for Money by:

- Assessing and determining Galway City Council's future purchasing needs and to ensure that they are carried out in a coordinated and strategic manner.
- Review and where possible streamline the administration of the existing purchasing processes and where possible using e-Procurement initiatives to achieve financial and resources savings.
- Utilising the combined purchasing power of the Local Authority to achieve greater value for money when purchasing goods and services in the market place, through the use of aggregated purchasing arrangements and increased use of contract tendering.

1.5 Findings and Recommendations

A number of opportunities for improvement were highlighted during the review of Procurement processing within Galway City Council, the findings and recommendations are highlighted throughout the plan and in the Executive Summary attached. However each recommendation will require additional analysis and investigation.

The recommendations outlined in the study will result in savings for the City Council, it is anticipated that savings will be achieved both in real money terms and improved employee and process efficiencies. Support and Co-operation from the various sections within the City Council will be essential to achieve these savings.

1.6 General Approach to Procurement

The procurement process in Galway City Council is mainly decentralised with procurement generally being managed by individual departments. Exceptions amongst others include:

- Central stores in Sandy Road coordinates purchase and hire of various Materials. Some materials are also purchased through Low Value Purchasing cards from suppliers throughout the city.
- Purchase of Protective Clothing, is handled and issued by the Stores Department to ensure consistency of standards, compliance with health and safety requirements.
- The Machinery Yard in Sandy road handles hire and maintenance of plant and machinery, some sections purchase their own plant and machinery, e.g. Environment Sections Refuse Trucks.
- Diesel is purchased by Machinery Yard for Galway City Council's Plant and is also purchased using fuel cards in designated depots through the City.
- The purchase of Fuels and Oils is tendered annually through the Transportation and Infrastructure Department.
- Acquisition of IT equipment e.g. Phones, PCs, laptops, printers and photocopiers are co-ordinated through the ICT Department.
- Acquisition of communication equipment e.g. Mobile Voice and Data Services, network access and associated voice and data calls, Mobile Handsets and associated Products such as carrier cases, hands-free kits, car-kits, etc. is co-ordinated through the Human Resources Department.
- A panel is in place for provision of professional property services.
- Certain stationary items such as branded paper and Office Furniture is purchased through Corporate Services Department.
- The processing and delivery of post is managed through the Corporate Services Department.

2. EXPENDITURE ANALYSIS

In the context of the Corporate Procurement Plan it was necessary to conduct a review of Galway City Council's expenditure on goods and services. The analysis and recommendations contained within this plan are obtained from interviews with employees, liaising with different departments, extracting data from Agresso Financial Management System and from analysis of documentation and reports relating to procurement activities.

The review of procurement expenditure in Galway City Council involved extracting expenditure data on procurement expenditure only from the overall budget, this included both revenue and capital expenditure, however in line with NPPPU guidance expenditure categories such as, wages and salaries, travel and subsistence, grants, expenses etc. were excluded. Statistical data is applicable from the 1st January 2007 to the 31st of December 2007.

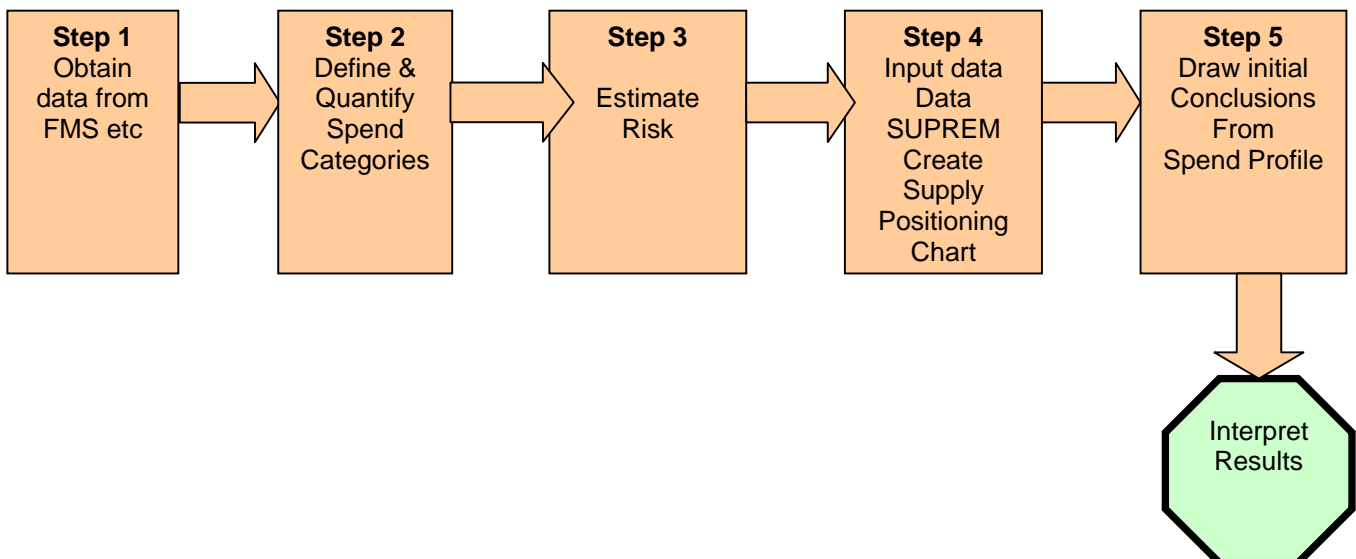
The extraction of these expenditure categories from the total expenditure of Galway City Council in 2007 left expenditure categories which was to form the basis of the analysis of Galway City Council's spend profile, details are available in Appendix A.

In order to obtain a more comprehensive understanding of procurement expenditure within Galway City Council and identify areas for improvements, reports were extracted from Agresso containing data such as Suppliers, Products, Invoices and Transactions.

The Expenditure analysis undertaken by Galway City Council involved the following approach:

1. Generating an expenditure report from Agresso FMS for 2007 expenditure relevant to the procurement of goods and services,
2. Defining and Quantifying Spend Categories from relevant Account Elements.
3. Estimating Risk of Spend Categories according specified Risk Factors.
4. Inputting 2007 expenditure data and analysis of risk assessment into the Supply Positioning Model (SUPREM),
5. Extracting the results for review and consideration of the potential buying strategies suggested by the model.

Figure 1 – Steps in conducting expenditure analysis and spend profile.



2.1 Procurement Expenditure

The table below outlines the expenditure categories, which were examined as part of the process of preparing the Corporate Procurement Plan. The report extracted expenditure data on the basis of Account Element and excluded expenditure such as staff costs and non-procured items in accordance with National Public Procurement Policy Framework guidance, further details of expenditure analysis is contained in the appendices.

Table 1 - Expenditure Categories

Acc element	Expenditure Categories
69300	Capital Contracts Expenditure
65500	Minor Contracts- Trade Services & other works
79900	Consultancy/Professional Fees and Expenses
86000	Energy
70000	Materials
69000	Hire (Ext) - Plant/Transport/Machinery & Equipment
79000	Legal Fees and Expenses
67000	Non-Capital Equip Purchase - Machinery Yard
80000	Advertising
81000	Printing & Office Consumables
85200	Cleaning
76000	Communication Expenses
78000	Training
68500	Non-Capital Equip Purchase - Other
75000	Computer Software & Maintenance Fees
77200	Security - Property
69200	Repairs & Maintenance - Plant
69150	Repairs & Maintenance - Buildings (excl. LA Housing)
67500	Non-Capital Equip Purchase - Computers
76100	Postage
69250	Repairs & Maintenance -Computer Equip
77250	Security - Cash Delivery
69360	Agency Services - Non Local authorities
85300	Canteen
81050	Scanning
69600	Other Vehicle Expenses
77100	Courier
68000	Non-Capital Equip Purchase - Office Equip/Furniture
69260	Repairs & Maintenance - Other Equip

2.2 Supply Positioning

The purpose of the Supply Positioning Matrix is to assist organisations to profile their procurement activity in the context of the relative size of expenditure the various categories of goods and services, and the difficulty in securing supply for these categories. Through Supply Positioning, critical areas of expenditure and significant purchases can be identified. This is the starting point for further demand and supply market analysis, through which organisations can develop strategies to support their business objectives.

Details of the values and risk factors for all expenditure categories identified were assessed in terms of their relative value and the risk associated with their procurement, they were then inputted into the SUPREM model and the results are outlined overleaf.

SUPREM Analysis

In order to understand the logic behind SUPREM analysis the following paragraphs provide some additional information in relation to the theory behind this model.

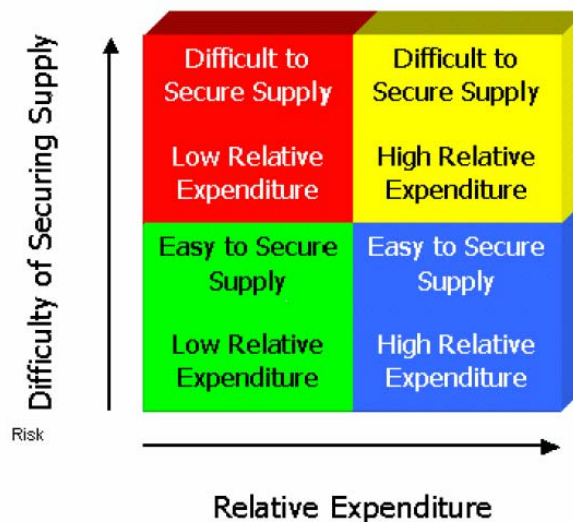
Factors influencing procurement

The two main factors that influence the nature of procurement in any Organisation are:

1. The 'difficulty in securing supply', which means:
 - The degree to which the goods or services present risks, or are critical to the operation of the Organisation, as well as
 - The extent to which a competitive supply market exists for those goods and services, and
2. The relative expenditure for the goods and services, as against the total procurement expenditure of the Organisation.

The SUPREM matrix provides a profile of an Organisation's procurement activity, by mapping the various categories of expenditure on goods and services in a four-quadrant, colour-coded matrix, whose axes relate to the level of expenditure and the relative difficulty of ensuring supply (that is, the level of risk involved) of the categories in question. It then recommends generic procurement strategies that could be adopted for expenditure in each of the four quadrants, based on international experience.

Fig 2 – SUPREM Matrix





Weighting of Risk Factors

SUPREM requires that a weighting be given to five risk factors for each category of expenditure, in order that an appropriate overall risk weighting can be applied to each category as part of the mapping process. The risk factors and weightings to be considered for each category of expenditure are:

Figure 3 – SUPREM Risk Factors and Weightings

FACTOR	WEIGHTING					
	Easily Substituted	Not Important	Low Importance	Moderate Importance	Important	Critical
Strategic Importance	Easily Substituted	Not Important	Low Importance	Moderate Importance	Important	Critical
Supply Failure Impact	Very Low	Low	Moderate	High	Very High	Critical
Procurement Relationship Complexity	Very Easy	Easy	Slightly Complex	Moderately Complex	Complex	Highly Complex
Supply Failure Probability	Very Low	Low	Moderate	High	Very High	Certain
Nature of Supply Market	Highly favours buyer	Moderately favours buyer	Slightly Favours Buyer	Slightly Favours Supplier	Moderately Favours Supplier	Highly Favours Supplier

LOWER  RISK  HIGHER

Typically, issues to be addressed when determining the weighting for each risk factor would include:

Strategic Importance: How important is the good or service to the business objectives of the Organisation? For example, in the context of a Local Authority energy will be important while office furniture will be relatively unimportant.

Impact of Supply Failure: If the existing supply of the good or service is interrupted what will be the impact on day-to-day business operations? Can an alternative supply option be quickly identified and accessed?

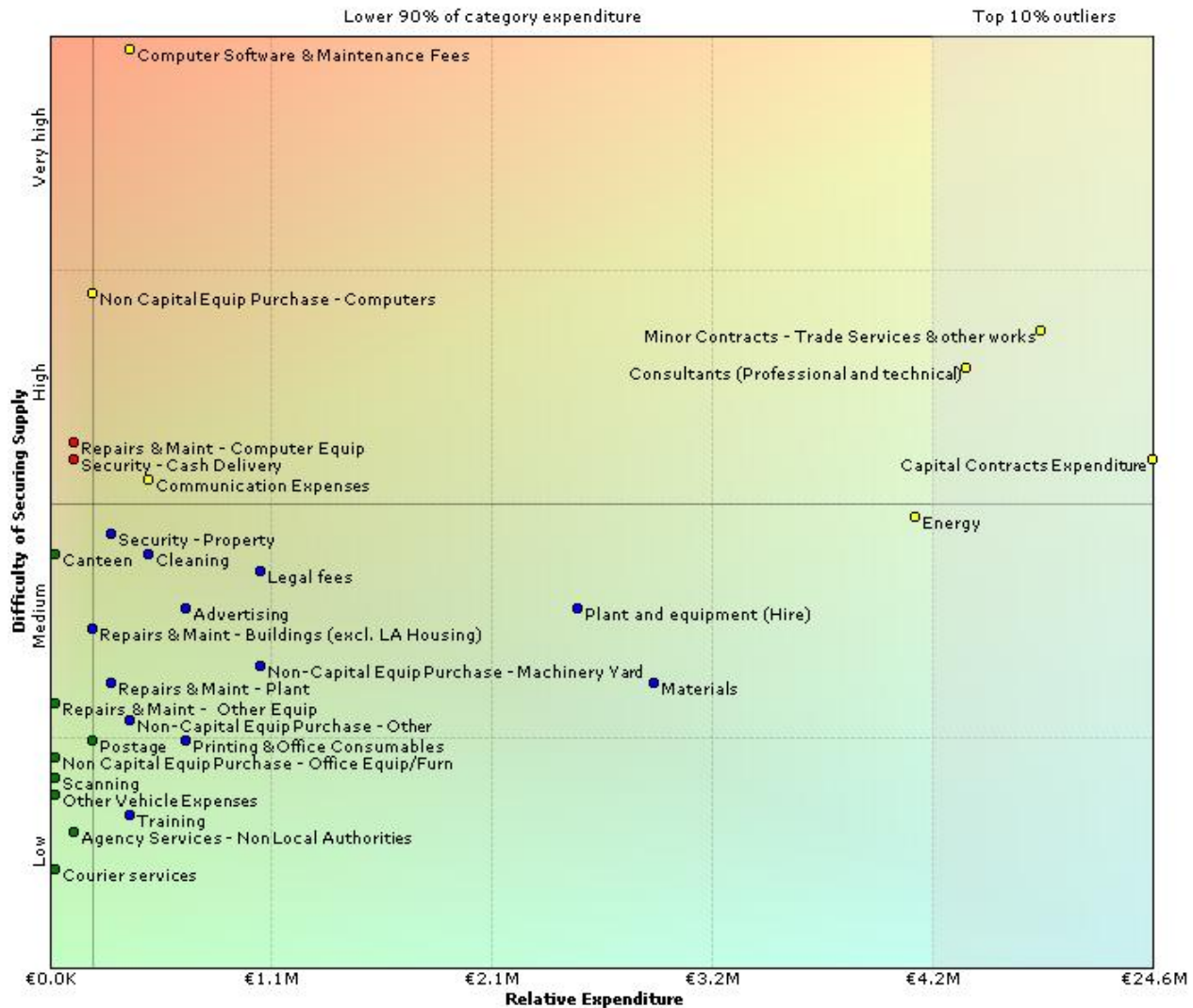
Probability of Supply Failure: Although the impact of supply failure may be great, how likely is it that supply will fail? For example, in the context of a Local Authority, an electricity supply failure would have a significant impact but anything other than a short period of supply failure is unlikely and generators maybe in place for such occasions.

Nature of Supply Market: Does the balance of power lie with the purchasers or with supply market? Is it a highly competitive market place? Is the Organisation a significant purchaser relative to the market size?

Complexity of Procurement Relationship: How difficult is the purchasing process for this good or service? For example, procuring the building of a new road compared to procuring office furniture.

The supply-positioning matrix generated from the application of SUPREM is dependent on the answers supplied during the process of assessing the risk criteria. In order to assess the Risk Criteria, it was necessary to obtain input from various technical and administrative staff that deal with the various categories of goods and services on an ongoing basis throughout the Organisation, this was conducted on a one to one basis with various personnel throughout the Organisation. Statistical data was obtained from Agresso FMS and contained in Table A1 in Appendix A.

Figure 4 - Overall Supply positioning matrix for Galway City Council

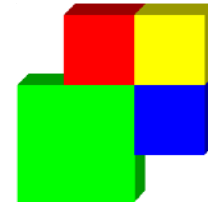


Distribution by quadrant				
	Expenditure		Categories	
Box 1	€452,147.67	0.72%	8	27.59%
Box 2	€11,011,179.95	17.61%	12	41.38%
Box 3	€298,302.20	0.48%	2	6.90%
Box 4	€50,756,486.70	81.19%	7	24.14%
Total	€62,518,116.52		29	

Expenditure statistics	
Maximum value	€24,548,954.93
Minimum value	€7,872.00
Average	€2,155,797.12
90th percentile	€4,143,318.49
1% of spend	€200,000.00
(excluding outliers)	

2.3 Analysis & Supply Positioning Recommendations

QUADRANT 1 (GREEN) – EASY TO SECURE SUPPLY – LOW RELATIVE EXPENDITURE



Categories	8
% of total	27.59%
Expenditure	€452,147.67
% of total	0.72%

The City Council's spend in this quadrant is €452,147.67 and represent 0.72% of the total spend. There are 8 categories of goods and services and these represent 27.59% of the categories of spend.

This quadrant represents low value but high volume levels of expenditure. Typically, there are a large number of transactions each with a low monetary value and associated costs of managing such activity are high. The main aim with this category of spend is to minimise the time spent on processing transactions therefore reducing the cost of each transaction. Goods and Services in this quadrant include ad hoc purchases such as courier services, repair and maintenance, vehicle expenses, scanning, non-capital equipment purchase. Total expenditure on categories in this quadrant is generally a small proportion of the total expenditure on purchased items generally less than 10%. Individual transactions are of low value and the goods and services are readily available.

Best Practice Objectives and Strategies

Procurement Planning:

The procurement management goal for low value purchasing is *transaction cost reduction* through efficient transaction management. This, in effect, means reducing as far as possible the administration surrounding these purchases. Typically, there are a number of transactions each with a low monetary value, and the associated cost of managing these is high.

Procurement Management and Operational Structure:

A primary aim here should be to minimise the time spent in processing transactions and also to reduce the volume of paper used in producing orders, invoices, confirmations, etc. an initial step could be to ask suppliers of low value items to submit a smaller number of invoices for larger amounts over longer time periods where appropriate. This would reduce transaction administration costs, which in some cases may be costing more than the items procured.

Systems:

Reduce the number of administrative steps in the procurement process by using e-procurement tools development. As the goods and services in this quadrant are readily available, tendering and then buying from competitive local suppliers is often an effective strategy for minimizing transaction costs. Reducing the time and effort in processing low value transactions will allow staff to focus better on the areas of higher spending and higher risk.

QUADRANT 2 (BLUE) – EASY TO SECURE SUPPLY – HIGH RELATIVE VALUE.



Categories	12
% of total	41.38%
Expenditure	€11,011,179.95
% of total	17.61%

This quadrant is where the City Council can leverage its buying power in relation to suppliers. It has high relative expenditure and ease of securing supply. It includes purchases such as printing and office consumables, advertising and cleaning costs and other purchases that are easy to secure but are a low to medium risk. Purchasing of items in this quadrant is most efficient where a purchasing strategy for the good or service has been developed. The purchasing strategy here is to aggregate demand and have processes to efficiently manage transactions.

Galway City Council's expenditure in this quadrant is €11,011,179.95 and 17.61% of expenditure. The level of purchasing activity is also high with 41.38% of expenditure categories falling into this quadrant. The most common type of purchasing in this quadrant is of low value goods and services.

Goods and services in this category are generally commodity type items available from stable supply markets. They are items that are commonly used across the organisation, often in high volumes and with the individual transactions being of low value. Supply strategies often focus on aggregating demand with a few suppliers to gain volume discounts. As there are often many low value purchases made against the arrangements, having simple buying practices that reduce transaction costs is important.

Best Practice Objective and Strategy

Procurement Planning:

The procurement management goal for goods and services in this quadrant should be efficient transaction management and unit cost reduction through aggregation where appropriate. Establishment of new aggregated arrangements for common goods and services as well as streamlining the administration surrounding these purchases.

Procurement Management and Operational Structure:

Allowing purchasing decisions for high value common goods and services to be made and purchasing to be carried out by personnel with procurement knowledge and skills. Also, develop and maintain a central skills resource as appropriate for the type of purchasing carried out, e.g. supplier performance management, contract management, demand management, market analysis and negotiation skills.

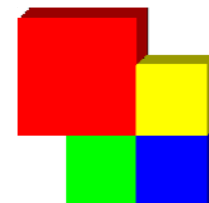
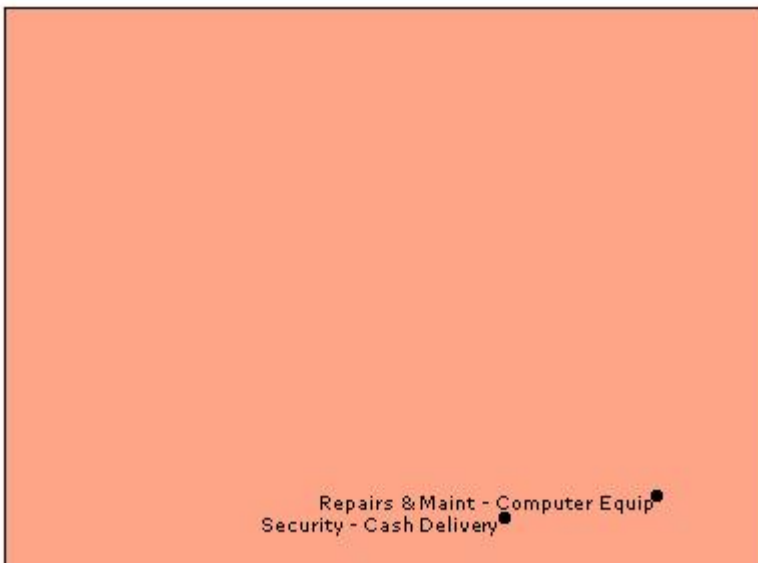
Procurement Procedures:

Procedural guidelines to support the development of purchasing strategies and ongoing procurement decisions, including control on specifications. Facilitate directorates to buy from aggregated arrangements using e-procurement solutions as appropriate, drawing on experience as required.

Systems:

Support use of e-procurement solutions.

QUADRANT 3 (RED) - LOW RELATIVE EXPENDITURE HIGH DIFFICULTY OF SECURING SUPPLY



Categories	2
% of total	6.90%
Expenditure	€298,302.20
% of total	0.48%

This quadrant makes up a relatively small proportion of the total expenditure on purchased items. Goods and services in this category are usually highly specialised and there are often very few potential suppliers. Purchasing strategies for securing supply in this category generally focus on reducing the organisations' vulnerability in the market. Strategies for doing this include actively identifying alternative sources of supply, changing the demand requirements or developing stronger relationships with key suppliers.

Expenditure in this quadrant is considered to be critical to the Organisation in achieving its goals and strategies. This quadrant includes purchases in Security – Cash Delivery and Repairs and maintenance to Computer Equipment, expenditure in this quadrant is €298,302.20 and 0.48% of

expenditure. International experience suggests that total expenditure on categories in this quadrant is generally between 1 -5%. The level of purchasing activity is also low with 0.48% of expenditure categories falling into this quadrant. The most common type of purchasing in this quadrant is of high value of goods and services.

Best Practice Objective and Strategy

Procurement Planning:

The objective in this category is to reduce the level of the organisations vulnerability in the market by improving the continuity and quality of supply. Strategies need to focus on identifying alternative sources of supply, alternative or substitute goods or services; developing supplier capability and changing the demand requirements of the organisation.

Procurement Management and Operational Structure:

The procurement management goal for goods and services in this quadrant should be Risk Reduction, strategies for doing this include actively identifying alternative sources of supply, changing the demand requirements or developing stronger relationships with key suppliers. A mixture of high level of technical expertise and purchasing skills is required to manage the purchase of goods and services in this category. Contingency planning, market analysis, risk management, supplier development, problem solving and supplier performance management skills are required.

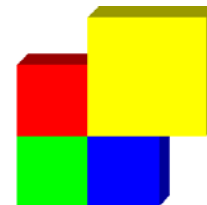
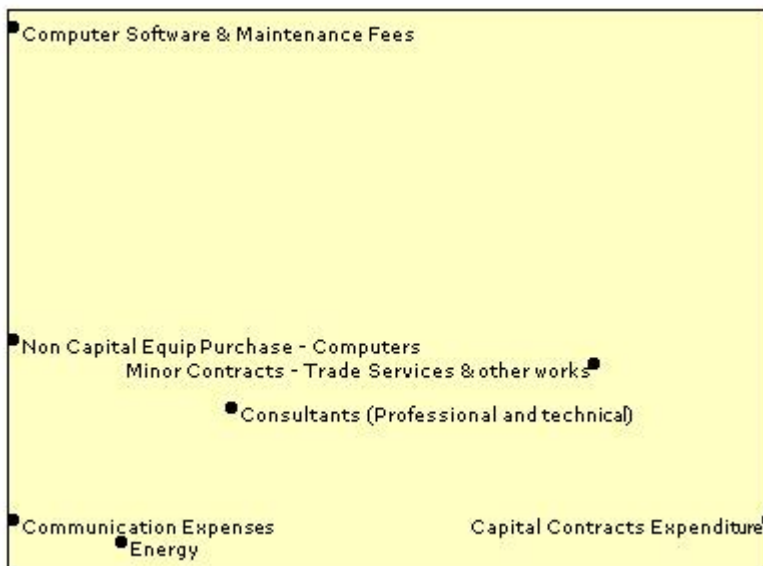
Procurement Procedures:

Entering into longer-term contracts may secure supply with suppliers. Contingency plans for dealing with potential disruptions to supply and support the development of appropriate and detailed procurement and risk management strategies with technical experts.

Systems:

Use supplier performance monitoring and management to ensure achievement of optimal outcomes.

QUADRANT 4 (YELLOW) - HIGH RELATIVE EXPENDITURE - HIGH DIFFICULTY OF SECURING SUPPLY



Categories	7
% of total	24.14%
Expenditure	€50,756,486.70
% of total	81.19%

Goods and services in this category are often a complex 'bundle' or 'package' of services and associated goods that are critical to the Organisation's service delivery. Long-term relationships with suppliers are common and therefore effective contract management practices are essential for obtaining full value from the arrangement. This quadrant includes purchases such as Computer Software and maintenance fees, Non Capital Equip Purchase – Computers, Minor Contracts – Trade

Services and other works, Communications Expenses and Energy, Consultants Professional and technical and Large Capital Contracts. Expenditure in this quadrant is €50,756,486.70 and 81.19% of expenditure. The level of purchasing activity is 24.14% of expenditure categories falling into this quadrant. The most common type of purchasing in this quadrant is of high value of goods and services.

Best Practice Objective and Strategy

Procurement Planning:

The procurement management goal for goods and services in this quadrant should be Risk Reduction, strategies for doing this include actively identifying alternative sources of supply, changing the demand requirements or developing stronger relationships with key suppliers.

Procurement Management and Operational Structure:

The objective in this category is to reduce the level of the organisations vulnerability in the market by improving the continuity and quality of supply. Strategies need to focus on identifying alternative sources of supply, alternative or substitute goods or services; developing supplier capability and changing the demand requirements of the organisation.

Procurement Procedures:

Entering into longer-term contracts may secure supply with suppliers. Contingency plans for dealing with potential disruptions to supply.

Systems:

None in particular.

3. PROCUREMENT ANALYSIS

Using the Agresso Financial Management System a number of analysis tables were run.

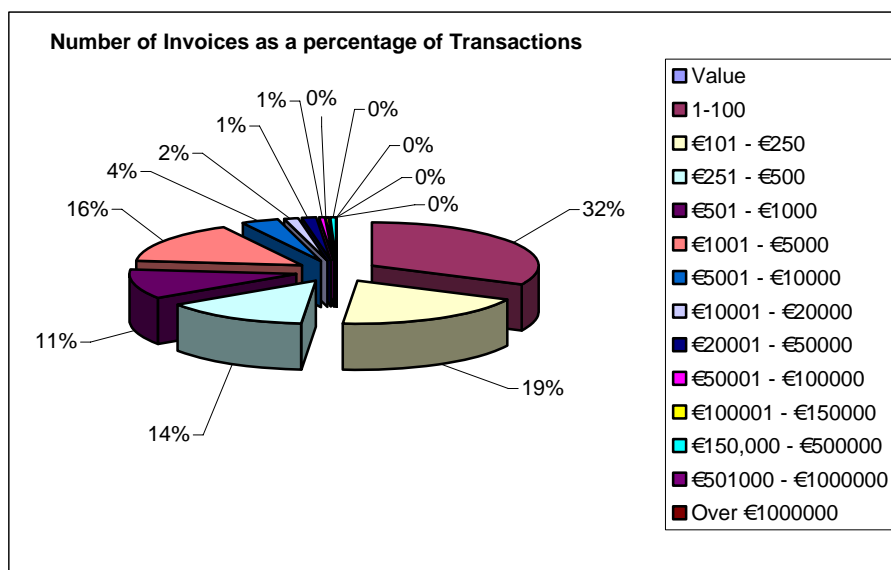
3.1 Invoice Analysis

Invoice analysis was carried out to determine the number of invoices paid during 2007 on the expenditure Categories outlined, a total of 18,219 invoices were processed during 2007 as a result of expenditure on the above categories. 32.21% of invoices paid were for €100 or less; the following table illustrates the number of invoices paid between several value ranges.

Table 2 – Invoice Analysis

Value Band	Invoices		% of Total	
	Number	Transaction		Spend
€1-100	5869	32.21	0.44	
€101 - €250	3463	19.01	0.93	
€251 - €500	2616	14.36	1.5	
€501 - €1000	2007	11.02	2.33	
€1001 - €5000	2839	15.58	9.89	
€5001 - €10000	666	3.66	8	
€10001 - €20000	277	1.52	6.1	
€20001 - €50000	248	1.36	12.56	
€50001 - €100000	107	0.59	11.03	
€100001 - €150000	32	0.18	6.41	
€150,000 - €500000	86	0.47	34.83	
€501,000 - €1000000	7	0.04	2.44	
Over €1,000,000	2	0.01	3.98	
	18219	100.00	100	

Chart 1 – No. of Invoices as % of Transactions.



The table demonstrates that a significant amount of invoices received in 2007 were for small sums and that 76.60% of Invoices equated 5.20% of Spend and 65.57 % of invoices were for less than €500.

There also may be an opportunity for consolidation of invoices; it will be identified if there is any opportunity for invoice consolidation where a number of suppliers generate more than one invoice a week with a single line.

Recommendations:

- The number of invoices should be reduced through more effective electronic payment systems. This will assist in reducing the number of transactions per expenditure category. The value of each invoice should be higher through agreed billing mechanisms with suppliers.

3.2 Transaction Analysis

Transaction analysis is used in order to gain a better understanding of the Organisation’s interaction with its suppliers, and in particular, its ordering and payment processes. It involves identifying the overall number of transactions, the number of transactions per supplier, the number of transactions per expenditure category and the value and frequency of such transactions. This type of data is used to identify possible opportunities for achieving cost savings by streamlining administrative processes. The analysis contained herein looks at the number of transactions on some expenditure categories for 2007.

Understanding how much the Organisation spends, with whom it is spent and on what it is spent is the first step to improving the effectiveness of the procurement process. In some organisations a significant effort is spent managing a very small portion of the organisations spend. It is generally considered that €80 is the minimum estimate of the cost of a manual transaction. The figure reflects both direct costs (postage, cheque printing, etc.) and indirect costs (staff time, overheads etc.), the figure may be higher where the purchase to pay cycle is not carried out in sequence e.g. where incorrect amount on invoice is received, credit notes etc. Expenditure Values are contained in Table A2 in Appendix A.

Table 3 - No of Transactions per Account Element

Expenditure Category	No of Transactions
Advertising	622
Agency Services - Non Local authorities	54
Canteen	160
Capital Contracts Expenditure	220
Cleaning	331
Communication Expenses	1815
Computer Software & Maintenance Fees	66
Consultancy/Professional Fees and Expenses	1036
Courier	216
Energy	2029
Hire (Ext) - Plant/Transport/Machinery & Equipment	2040
Legal Fees and Expenses	86
Materials	3829
Minor Contracts- Trade Services & other works	1777
Non-Capital Equip Purchase - Computers	83
Non-Capital Equip Purchase - Machinery Yard	1857
Non-Capital Equip Purchase - Office Equip/Furniture	15
Non-Capital Equip Purchase - Other	333
Other Vehicle Expenses	135
Postage	34
Printing & Office Consumables	1170
Repairs & Maint - Buildings (excl. LA Housing)	294

Repairs & Maint - Other Equip	20
Repairs & Maint - Plant	47
Repairs & Maint - Computer Equip	34
Scanning	7
Security - Cash Delivery	71
Security - Property	121
Training	374
Grand Total	18876

A total of 1121 companies were supplied with goods or services during 2007 for the expenditure categories examined. The following table illustrates that we had only one transaction with 33% of our suppliers:

Table 4 - Transaction Analysis

Number of Transactions	Number of Companies	% of Transactions
1	372	33%
2	172	15%
3	107	10%
4	71	6%
5	43	4%
6	40	4%
7 to 12	114	10%
13 to 50	134	12%
51 to 100	39	3%
100+	29	3%
Total Transactions	1121	100%

Recommendations:

- The use of EFT systems and Low Value Purchasing cards will assist in reducing the number of transactions, average cost per transaction.
- Ensure that all new suppliers have agreed to be paid by EFT.
- Investigate areas for aggregation of services to one contract, as this will reduce number of transactions and invoices.
- Consolidation of invoices and agreed billing mechanisms with suppliers will also prove useful.

3.3 Supplier Analysis

Supplier 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, the value of business with each supplier, the range of goods supplied by each supplier and the number of transactions that are conducted with each supplier. It is important to understand the nature of the supply market for particular goods and services from the perspective of Value for Money and security of supply. For example a supplier analysis can help to determine whether there are too many or too few suppliers. This analysis can be used, for example, to reduce or increase the number of suppliers where appropriate, to co-ordinate the purchasing of similar goods and services used in several areas or departments within the Organisation, to maximise purchasing power, and to examine supplier invoicing arrangements with a view to achieving process efficiencies and cost reductions.

Supplier management has not been a feature of procurement practices within Galway City Council to-date. The emphasis has been on satisfying the purchasing guidelines and obtaining quotations to get the best value for money for the Council. This approach leads to individual departments dealing

separately with a large number of suppliers. At the same time no department has the responsibility for managing the performance of any supplier on an ongoing basis except where contracts are in place for large infrastructure projects.

1,121 companies were registered as receiving payments during 2007 for the Expenditure Categories outlined.

The following table illustrates that 46% of suppliers received less than €500 in 2007.

Table 5 - No of Suppliers per Value of Invoices

Value Band	Suppliers	% of Suppliers
Less €100	337	13
€101 - €250	413	16
€251 - €500	428	17
€501 - €1000	396	16
€1001 - €5000	510	20
€5001 - €10000	175	7
€10001 - €20000	110	4
€20001 - €50000	77	3
€50001 - €100000	46	2
€100001 - €150000	19	1
€150,000 - €500000	32	1
€501000 - €1000000	7	0
€1,000,000	1	0
	2551	100

There is scope for increasing the amount of contracted procurement taking place. Non-contract procurement (once-off or ad hoc procurement) usually results in higher prices and less favourable terms and conditions.

Recommendations:

- There is a large amount of ad-hoc one-off payments with many suppliers, as new suppliers are generating more administration and transaction costs, effort should be made to reduce the use of once off payments to new suppliers.
- The number of suppliers should be reviewed with a view to reducing the numbers supplying the same goods and services. This will lead to an optimisation of the supplier base.

The following table outlines Galway City Council's top 50 suppliers in terms of transactions during 2007. The value of business with each supplier and the average cost per transaction are contained in Table A2 in Appendix A.

Table 6 – Top 50 Suppliers by No. of Transactions

Supplier	No. of Transactions
ESB Customer Supply	1095
Vodafone Corporate Accounts	904
Kph Pump And Plant Hire	891
Eircom	808
Bank Of Ireland Card Services	729
Roadstone Provinces Ltd	697
Galway Plant And Tool Hire	545
Lackagh Quarries Ltd	460
Airtricity	330
Car Parts Warehouse	298
Messrs Blake And Kenny	272
Clada Soft Drinks Ltd	267
Bohermore Tyre Centre	258
Holden Plant Rentals	227
Corporate Express	227
Galway Stationery Supplies Ltd	218
Galway Advertiser Ltd	213
D Leahy Engineering	188
Grate Gas & Electrical Services Ltd	186
C P H Plant Hire Ltd	181
Barna Waste Disposal	173
Kelly Office Supplies Ltd	168
Flo Gas Natural Gas	168
City Analysis	157
Rentokil Ltd	146
Fuel Card Services Ltd	146
Bank Of Ireland Low Value Purchasing Cards	142
Connacht Tribune Ltd	141
Road Maintenance Services Ltd	112
Rooney Auctioneers Ltd	96
Chemifloc Ltd	96
Michael Dolan Plant Hire	96
Albion Chemicals Distribution	95
Passax Computers	88
N2 Style Catering Company Ltd	84
Western Hygiene	83
West Of Ireland Plant	83
Bank Of Ireland	81
Mj Flood Ireland Ltd	81
Galway City Recovery Services Ltd	80
Egan Power Tools	80
Michael King	79
Mor Oil Ltd	77
Westmeath County Council	76

Galway Truck Centre Ltd	74
Motorpark	74
Dilleen Plant Services Ltd	73
Calor Kosangas	72
Chubb Ireland Group	69
Castle Print Ltd	66
Grand Total	12050

4. PROCUREMENT PRINCIPLES AND HIGH LEVEL GOALS

The City Council is committed to meeting its obligations under the National Public Procurement Policy Framework, which is the national policy underpinning public procurement reform. This involves ensuring that the procurement function formally supports the Councils key business activities and is focused on delivering value for money outcomes through analysis-based purchasing strategies that are consistent with EU and national Procurement Law. This will require an undertaking to improve procurement structures and expertise in the Council on an ongoing basis, ensuring that purchasing practices are professional and procurement and that staff have the necessary capabilities to operate in line with best practice.

Common Principles

1. Carry out procurement in a manner consistent with EU and National procurement law.
2. Comply with procurement reform policy objectives set out in National Public Procurement Policy Framework.

Goal One

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

Goal One will be progressed through the following objectives:

Enhance the Strategic Importance of Procurement to the Organisation.

- Provide for sign off of Corporate Procurement Plan at Senior Management Level.
- Review of Corporate Procurement Plan annually.
- Link Corporate Procurement Plan to Corporate Plan and to each Directorates Team Plan
- Provide regular reports to the Management Team on progress of recommendations.
- Set up departmental procurement teams for significant purchases to provide close cooperation between various functions involved and identify Staff to progress recommendations.

Goal Two

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

Goal Two will be progressed through the following objectives:

Improve internal communication to procurement:

- Produce a detailed set of policies and procedures for the procurement of goods and services, which should complement Agresso and enable new and existing users to confirm that they are complying with Council’s agreed policies and procedures.

Procurement information via internal intranet:

- Issue procurement information regarding legislation/procedures/Frequently asked questions, template documents on the internal intranet as a resource for those tendering.

Provide information to suppliers on ‘doing business with Galway City Council’:

- Provide a guide or document to suppliers that will give them the necessary information required for tendering or conducting business with the City Council and make it available on the City Council’s website.

Publicise commonly acquired goods & services & list of suppliers:

- Develop a list of suppliers from who goods or service are acquired and make available via intranet in order to avoid duplication of suppliers and limit time spent searching for suppliers of certain small goods or services.

Provide Support and advise on Procurement related issues:

- Provide consistent support to relevant Departments regarding Legislation/policy/procedures and assist departments in the preparation of tender documents/eTenders where required, this will also facilitate the build up of expertise in procurement where knowledge can be shared.

Reduce Risks associated with purchasing:

- Reduce risks from purchases through the use of properly constructed tender specifications. Draft standard templates used as guidelines for tender specifications for Open/Restricted Procedures, for below and over EU Thresholds, including instructions to Tenderers etc. Standard Terms and Conditions and Service Level Agreements also to be drafted.

Inform Organisation of wider procurement issues in the public sector.

- Develop contacts with wider procurement community to exchange information and co-ordinate purchasing.
- Collect information regarding any new aggregated arrangement/National Framework agreements.
- Disseminate such information to Organisation and target groups involved in purchasing.

Goal Three

“To participate in public sector procurement initiatives as they arise and are deemed appropriate to the Organisation, including e-procurement initiatives and aggregation”

Goal Three will be progressed through the following objectives:

Identify & examine areas of procurement where opportunities for improved efficiencies & value for money can be achieved through the use of aggregated arrangements:

- Investigate opportunities to liaise with other Organisations in the provision of Shared Services where appropriate, in order to aggregate requirements for purchases of goods and services and thereby leveraging buying power and maximizing value for money.
- A review of advertising procedures in newspapers highlighted that there is a need put in place centralised office, in order to amalgamate all adverts to be placed in local & national newspapers on a weekly basis.
- There is a need for aggregated arrangements for the purchase of office stationery, paper, computer consumables & office stationery.
- It is intended to produce a core list of products, which are required in order to invite suppliers to tender for the supply of all Galway City Council’s requirements.
- Other areas warranting examination is the purchase of bottled water, confidential waste.
- Set up Panel/Framework for Galway City Council’s printing and publishing requirements for a maximum of 3 years. Liaise with relevant departments in order to get approximate requirements over next 3 years.
- Issue appropriate instructions and procedures on the use of these arrangements.
- Ensure full participation and all such products are purchased from such arrangements.
- Set up appropriate information flow on Organisation use of existing aggregated arrangements, e.g. IT, Property Services, Architects Consultants etc.

Investigate e-procurement initiatives making use of innovate products in order to improve efficiency and gain value for money.

- Ensure the use of eTenders where appropriate.
- Online Annual Quotations – make full use of LA Quotations to streamline the procurement process for hire of Materials, plant & machinery. Investigate possible increase of the use of the system into other areas.
- Increase the use of EFT for existing suppliers & ensure use by new Suppliers.
- Review and investigate increase use of Low Value Purchasing cards for low value purchasing throughout the Organisation.
- Investigate online ordering capabilities in conjunction with aggregated arrangement for supply of office suppliers.
- Examine the use of pilots in various sections in the use of innovated products in etendering e.g. “xtender software”
- Develop contacts with wider procurement community to exchange information and co-ordinate purchasing regarding e-procurement innovation.

Goal Four

“Develop purchasing skills and Capabilities where necessary to provide the strategic direction, analysis, advice to deliver effective purchasing performance”

Goal Four will be progressed through the following objectives:

Develop & enhance Procurement Skills & Capabilities

- Identify the type of procurement/purchasing activities that are carried out.
- Identify staff involved in particular procurement activities.
- Match skills of the procurement/purchasing staff to the activities required.
- Provide Purchasing Training, Agresso Approver /Purchase Order Raiser Training on an ongoing basis.
- Provide in-house information sessions on Procurement - compliance with EU and National Procurement rules, value for money & efficiency measures.
- Hire Professional Training to provide a range of suitable procurement courses designed for the public sector, as the skills needs are required.
- Each section should have at least one person trained in the areas required, such as eTenders and procedures/legislation etc.

Enhance role of Procurement Officer:

Each section should have designated procurement personnel who have been trained in basic procurement practices and regulations. It is the responsibility of personnel involved in purchasing to ensure that there is a procurement dimension to all purchasing issues. The responsibility to oversee compliance and value for money initiatives remains with the Director of Service and Section Heads, the Procurement Officer's role is to support and provide advice to Directorates as outlined.

- Ensure Galway City Council's purchasing procedures & guidelines are adhered to.
- Ensure all tender documents/specifications are in compliance with EU and national rules, seek advice from Procurement Officer.
- Ensure the use of eTenders is used to its maximum, prepare eTenders guidance document to distribute to each section, and make available on intranet.
- Monitor the use of Quotations/Tender Advertising.

Goal Five

“Ensure that Council ICT systems, in particular the financial management system and purchase - to - pay system, support information-based procurement management and streamlined procurement processing”

Goal Three will be progressed through the following objectives:

To optimise the return on the potential reporting benefits of Agresso.

- Set out reporting requirement to support procurement planning.
- Ensure that Agresso FMS reports supports procurement information based management, and that accurate and timely information is available in order to monitor procurement expenditure at departmental and organizational level.
- Review the usage of products codes on annual basis in order to ensure the products, which are not used, are removed from the system.
- A short summary of the relevance of Account Elements (Expenditure Categories e.g. Advertising, Legal Fees etc.) and Product Codes to be prepared & circulated in order to ensure that the correct options are chosen as it reflects on the data required for Procurement Analysis. This should be relayed particularly to new staff that will be involved in the raising of Purchase Orders.
- Review and evaluate the potential increase in use of Low value purchase cards, area to evaluate are, benefits, control procedures, introduction to reduce or replace existing transactional costs and procedures.
- Reduce transaction costs by consolidating invoices where appropriate.
- Reduce transaction costs by reducing size of the supplier base.

5. PROCUREMENT SKILLS & TRAINING

With the introduction of Agresso, came a formal, standardised approach to the development of procurement skills in Galway City Council. However the continuing need to expand these key skills to implement effective procurement practices is an on-going challenge.

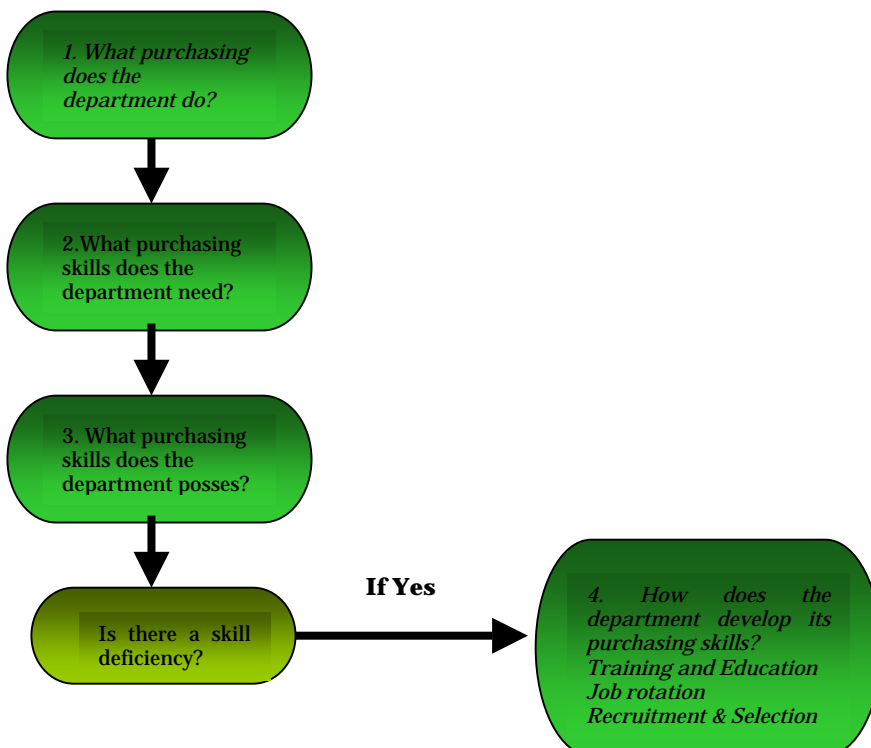
To-date Galway City Council uses three main methods of training to acquire the skills and expertise required to perform procurement activities.

- On the Job Training – this type of training is conducted informally. One of the major concerns of this type of training is that personnel may not receive all of the necessary information and may also pick up bad habits
- In-house Agresso training – the City Council have been proactive and have recognised the need for formal training in the proper use of the financial management system, however with the turnover of staff and new entrants to the organisation, it is necessary to continue to conduct this training in order to ensure sufficient purchasing skills both at Purchase Order Raiser and Approver levels.
- Professional training – leading training organisations are hired to provide a range of suitable procurement courses designed for the public sector. These courses can be quite expensive. Another drawback to these courses is that sections that procure goods/services infrequently, may find that time lapses between attending the course and actually using the information. However where expert knowledge of Procurement Law, contract Law or Purchasing Skills are required they may be necessary.

The initial step in identifying training needs is to identify the purchasing activity and match the skills to it as follows:

- Determine what types of purchasing activities that are carried out;
- Match the skills required to the types of activities;
- Match the skills of the purchasers to those required for each activity;

Figure 4 – Steps in identifying training needs.



Varying groups of procurement skills can be identified:

- Experienced Staff engaged in full-time, or substantially so, in procurement;
- New entrants who are expected to spend a lot or majority of their time on procurement;
- Staff engaged occasionally in procurement;
- Senior Staff with responsibility for procurement issues, even where this is not their only responsibility;
- Senior Staff with strategy responsibilities, even if the position is a non-procurement one.

Skills training may also be classified into a number of different areas:

- Basic procurement awareness: e.g. knowledge of purchase to pay cycle and purchasing procedures, operation and administration of efficient purchasing, efficient order and transaction processing.
- Standard procurement skills: e.g. supplier sourcing, specifications, contract management;
- Specialist Procurement Skills: e.g. demand and market analysis; supply strategies, management of supply arrangement and contracts, expert knowledge on the product, demand and risk management and supplier performance management.

The primary aim of procurement training is to develop existing staff to bring them to the skills level required to conduct efficiently the procurement function of their role, this might include training in particular subject matters or topics, using both formal and informal approaches from internal and external resources, it must be identified where appropriate the use of external expertise can be sourced.

Recommendations:

- There is a need to develop procurement expertise within Galway City Council and to share this expertise while continuing to manage procurement at directorate level.
- It will be necessary to identify areas where the expertise is required and or held.
- Identify staff that already holds this expertise or should be trained.
- Provide advice and support on these areas as required.
- Each section should have at least one person who is trained in these areas as required.
- Conduct Procurement Skills and Capabilities survey.
- Identify training requirements in relation to procurement & prepare training programme.

6. TECHNOLOGY AND E-PROCUREMENT

In April 2002 the Department of Finance got Government approval to implement the recommendations outlined in the document "A Strategy for the Implementation of eProcurement in the Irish Public Service". Modernisation of the public sector procurement processes has the potential to bring about greater value for money in all Public Service bodies.

It is hoped that the introduction of e-procurement technologies in all Public Service bodies will also serve as a key driver of e-business adoption across the economy as a whole. Government's own blueprint for implementation of e-procurement was formulated in 2001 and projects annual savings in the region of €175m. Other estimates suggest that the scope for savings on purchasing costs may even be greater.

Galway City Council along with all other Public Service Organisations is currently engaged in this new strategy in a bid to save money on all tendered goods and services thus improving value for money. Co-operation and co-ordination between Public Service Organisations in terms of aggregation of purchases is needed if the potential savings under the new process are to be realised.

6.1 What is E-Procurement?

E-Procurement is defined as the Electronic Linking of Public Sector buyers with their suppliers to conduct any or all aspects of the procurement cycle ie purchasing, payment, materials management and supplier management. All Public Bodies now place tenders for goods and services electronically on a central portal website <http://www.etenders.gov.ie> Suppliers can now visit this portal and view the Goods and Services that all Public Bodies are in need of at any given time.

6.2 e-Tenders Website

The first visible evidence of the Government's delivery on e-Procurement was the www.etenders.gov.ie website. This site places public sector tenders into one location, and facilitates both suppliers looking for opportunities and contracting authorities trying to manage tendering processes. The purpose of this website is to advertise tender notices, provide and track tender documents and display contract award notices. Public sector procurement opportunities being advertised currently in publications such as in the Official Journal of the European Union, trade journals, national and local papers are also published on a daily basis on the e-Tenders Website. During 2007 Galway City Council advertised 20 number of tenders on the e-Tenders Website. The current practice of advertising in local and national newspapers will be reviewed. The possibility of gradually moving to a process that uses www.etenders.gov.ie as Galway City Council's primary means of advertising tenders is considered. Adopting the e-tenders website as the main advertising method for tenders will result in reduced advertising costs and will deliver process efficiencies.

Recommendations:

- Continue to advertise all National and EU value Tenders via eTenders website.
- Produce a training manual or guidance document for staff within Galway City Council who may need to use the website.

6.3 Agresso Financial Management System

Agresso is the financial management system used in Galway City Council. Upon implementation, it meant that Galway City Council were moving for the first time from cash-based accounting to the more customary accrual accounting as used generally in business. The first phase of Agresso was the 'Expenditure module', which became operational in 2001. This module enabled improved budgetary management and provided greater financial analytical detail across the organisation. Phase 2 of Agresso – 'Debtor Billing Project' this led to an enhanced debt management system.

The Finance Section within Galway City Council run regular Agresso purchase order training for new and frequent users. A seminar was also arranged with Agresso approvers in order to stress the importance of their responsibilities in approving purchases.

Recommendations:

- Agresso is the foundation on which a fully complete eProcurement system will evolve. However most information contained within Agresso is geared towards financial and budgetary control. Extraction of procurement data requires users to have knowledge of the system. There is a challenge to the Council to obtain more detailed procurement information and conduct the necessary analysis.
- Set out reporting requirement to support procurement planning.
- Review the usage of products codes on annual basis in order to ensure the products, which are not used, are removed from the system.
- A short summary of the relevance of Account Elements (Expenditure Categories e.g. Advertising, Legal Fees etc.) and Product Codes to be prepared & circulated in order to ensure that the correct options are chosen as it reflects on the data required for Procurement Analysis. This should be relayed particularly to new staff that will be involved in the raising of Purchase Orders.

6.4 Online Annual Quotations

Galway City Council started using the LA Quotations System in 2006. It is an online annual quotation solution and is being used by 31 Local Authorities in Ireland. The system accepts online quotations from suppliers in the plant hire, tool hire and supplies and services sectors.

The system, the first of its kind in the EU, allows suppliers to quote for business online. Requesting and administering quotations received from suppliers was a major task for all Local Authorities prior to the introduction of this system. The process is still labour intensive in terms of checking documentation at the outset; however feedback from Transportation and Infrastructure is that the system is working well and is user friendly, it has also resulted in a generally speedier and more efficient system. For suppliers, it is an easier and speedier method of quoting compared to the traditional paper-based quotation process that had previously been in use.

Currently Kerry County Council, the hosts of the system are looking at centralising more information and further enhancing the system based on feedback from other Local Authorities using the system. The cost of the system is currently €5,000 annually, however with the introduction of new enhanced features it is anticipated that the cost will increase substantially.

The following categories have been identified as items that quotations will be accepted for:

- **Plant & Haulage Hire** – bulldozers and blade graders, CCTV pipe surveying equipment, cranes, crushing plants, drilling rigs, dumpers, edging machines, excavators, gritters/chip spreaders, loading shovels/teleporters/trencher cum loader (JCB type), lorries/trucks, low loaders, mobile welding plants, pavers, pipe jetting machines, pipe line cleaners, portable canteens/portaloos/site storage containers, pumps, road graders, road planers, rollers, semi-trailer (truck attachment), skips, sludge tankers/suction machines, sweepers, tar patching machines/units, tar sprayers/binder distributors, tractor & attachments, tree cutting & branch lopping, vans/jeeps/pickups, velocity patcher, water jetting units, water tanker, working platforms/hoists/elevations.
- **Tool Hire** – angle grinders, CCTV/walkie talkies, compressor/compactors/ rammers/jack hammers/vibrating pokers/wacker plates, concrete mixers, dehumidifiers, drain cleaners, drills, forklifts/load-alls, generators, hoses, kango hammers, kerb lifters, ladders, lifting equipment, metal detectors, power washers, safety barriers/temporary fencing, saws, scaffolding, small tools, surveying equipment, traffic control, trailers, transformers, welders.
- **Supplies & Services** – concrete products, drainage pipes/ducts and fittings, electrical goods and services, fencing products, first aid, housing materials, janitorial products, manhole/gully & waterworks covers, ready mix & concrete additives, road making materials, road markings, road planning, road safety, road signs, road studs, salt, testing of road materials, tools, water fittings, water mains, water meters, water treatment & chemicals, weedkiller & grass seed, well boring, well testing.

Recommendations:

- Examine the potential for extending the use of LA Quotes System to other areas, and examine on an ongoing basis the cost of hire versus buying of plant and tools/equipment taking into account, maintenance, replacement, security health and safety, storage.

6.5 Electronic Funds Transfer (EFT)

All invoices for goods, services, etc., are processed through the Accounts Payable Section, having been approved for payment through the Agresso Financial Management System. Taxes deducted from certain payments (Withholding Tax etc.) are furnished to the Revenue Commissioners and it is now a policy of Galway City Council to encourage new and existing suppliers to be paid by electronic fund transfer.

Galway City Council commenced the payment by Electronic Fund Transfer (EFT) in 2007. E.F.T. works by making payment directly into the suppliers' bank account, thus reducing the volume of Paying Orders going to trade suppliers which results in greater efficiency for Galway City Council. The following table gives the top 50 suppliers the City Council had in 2007 by the number of transactions, (the value of business with each supplier) is available in Table A3 in Appendix A. As outlined in the table the majority of the larger suppliers are currently paid via EFT particularly Utilities.

Recommendations:

- Include in Tender Documents/Specifications that the successful supplier/candidate must agree to be paid by Galway City Council through Electronic Funds Transfer.

Table 7 – Top 50 Suppliers by Transactions & Payment Method

SUPPLIER	TRANSACTION	PAYMENT METHOD
ESB CUSTOMER SUPPLY	1095	EFT
VODAFONE CORPORATE ACCOUNTS	904	EFT
KPH PUMP AND PLANT HIRE	891	EFT
EIRCOM	808	EFT
BANK OF IRELAND CARD SERVICES	729	EFT
ROADSTONE PROVINCES LTD	697	EFT
GALWAY PLANT AND TOOL HIRE	545	EFT
LACKAGH QUARRIES LTD	460	EFT
AIRTRICITY	330	EFT
CAR PARTS WAREHOUSE	298	EFT
MESSRS BLAKE AND KENNY	272	
CLADA SOFT DRINKS LTD	267	EFT
BOHERMORE TYRE CENTRE	258	EFT
HOLDEN PLANT RENTALS	227	EFT
CORPORATE EXPRESS	227	EFT
GALWAY STATIONERY SUPPLIES LTD	218	
GALWAY ADVERTISER LTD	213	EFT
D LEAHY ENGINEERING	188	EFT
GRATE GAS & ELECTRICAL SERVICES LTD	186	
C P H PLANT HIRE LTD	181	EFT
BARNA WASTE DISPOSAL	173	EFT
KELLY OFFICE SUPPLIES LTD	168	EFT

FLO GAS NATURAL GAS	168	EFT
CITY ANALYSIS	157	
RENTOKIL LTD	146	
FUEL CARD SERVICES LTD	146	EFT
BANK OF IRELAND LOW VALUE PURCHASING CARDS	142	EFT
CONNACHT TRIBUNE LTD	141	EFT
ROAD MAINTENANCE SERVICES LTD	112	EFT
ROONEY AUCTIONEERS LTD	96	EFT
CHEMIFLOC LTD	96	
MICHAEL DOLAN PLANT HIRE	96	
ALBION CHEMICALS DISTRIBUTION	95	EFT
PASSAX COMPUTERS	88	
N2 STYLE CATERING COMPANY LTD	84	
WESTERN HYGIENE	83	EFT
WEST OF IRELAND PLANT	83	
BANK OF IRELAND	81	EFT
MJ FLOOD IRELAND LTD	81	EFT
GALWAY CITY RECOVERY SERVICES LTD	80	EFT
EGAN POWER TOOLS	80	EFT
MICHAEL KING	79	
MOR OIL LTD	77	
WESTMEATH COUNTY COUNCIL	76	
GALWAY TRUCK CENTRE LTD	74	EFT
MOTORPARK	74	EFT
DILLEEN PLANT SERVICES LTD	73	
CALOR KOSANGAS	72	EFT
CHUBB IRELAND GROUP	69	EFT
CASTLE PRINT LTD	66	EFT
Grand Total	12050	

6.6 Low Value Purchase (LVP) Cards

A Low Value Purchase Card is a form of charge card specifically designed for the purchase of low value/high volume goods and services. Liability rests with the Organisation rather than with the individual cardholder. Low Value Purchase Cards are issued to selected employees, empowering them to purchase certain low-cost goods and services on behalf of the Council. No Purchase Order is required. Low Value Purchase Cards deliver the highest efficiency when they are used in connection with high volume/low value and once off transactions. The card while similar in operation to a credit card has inbuilt limits on individual transaction value, monthly combined transaction value and category of business in which it may be used. Stringent procedures are in place for the use of these cards.

Low Value Purchase Cards take invoices out of the system thus achieving efficiencies in terms of reduction in the number of purchase orders required, more efficient use of time for those engaging in purchasing (elimination of requisition books and work involved therein), reduction in amount of invoices to be processed in accounts payable, reduction in potential for incurring prompt payments interest and more efficient payment to suppliers.

Galway City Council commenced using Low Value Purchase Cards in November 2001 on a pilot basis for low value high volume goods and services. The cards were issued to nominated individual in each section, in particular to persons where were authorised to purchase goods and services on behalf of Galway City Council. Each Cardholders credit/spending limits are predetermined at €650 a single transaction with an overall limit of €5,000 per month.

Recommendations:

Examine the degree to which Low Value Purchase Cards are used and consider their appropriateness to other purchases of a low value repetitive nature.

6.7 ICT:

Galway City Council ICT Section Expenditure is analysed under Computer Software & Maintenance and Non- Capital Equipment Purchase – computers.

The following is the approach taken in relation to procurement of information technology:

- Microsoft Licences are purchased through a National Framework.
- Computers and Printers are purchased through a national Framework if it meets the requirements, otherwise they will be sourced elsewhere.
- Computer Consumables less than €3,000 e.g. CDs, memory sticks, hard drives etc. are purchased from reputable suppliers, as the need arises.
- Quotations are requested for the purchase of items such as scanners, laptops, and printers).
- For complex services e.g. communications equipment/software consultancy) briefs are prepared and responses sought from known reputable companies. These are evaluated on the basis of MEAT.

Recommendations:

National Frameworks should be used where they fulfill the City Council's requirements.

7. SUSTAINABLE / GREEN PROCUREMENT

Sustainable development is about meeting the needs of the present, without compromising the ability of future generations to meet their own needs. Sustainable procurement is about taking social, environmental and economic factors into consideration in an integrated way, alongside financial factors when making procurement decisions. If Local Authorities do not take into account factors relating to sustainability now, they may face costs in the future for unsustainable procurement decisions that are made today.

Best Value or Most Economically Advantageous Tender (MEAT) is not about securing the lowest initial cost. It is about achieving the optimum combination of whole life costs and benefits to meet the Local Authority's requirements in procurement decision-making. These benefits may include such things as community safety, good employee management, as well as benefits to local people. Whole life costs include the initial purchase price, together with distribution, running and disposal costs, depreciation, etc. Best Value for money therefore means getting the best deal within the parameters that have been set in the specification of requirements and award criteria. Protection of the environment for example, can be one of these parameters and can therefore be taken into account as a factor when making decisions relating to the awarding of a contract.²

The Public Procurement Directives, which were commenced in 2006 state that environmental characteristics can be taken into account when assessing the most economically advantageous tender. Consideration of whole-life cost of goods, works or services should be a key part of a local Authority's sustainable procurement strategy, as well as a key component in achieving Value for Money. Essentially it provides an opportunity to carry out an analysis of the full cost to a contracting authority of meeting a specific requirement.

Costs can be divided into three broad categories –

- Acquisition Costs (e.g. transport costs),
- Operating Costs (e.g. energy/water consumption) and
- Disposal Costs (such as refuse collection costs).

Sustainability involves the sensible use of the scarce resources. The aim of sustainable procurement is to shift spending away from goods, services and public works that negatively impact on the environment and society, towards products that are more environmentally sound and socially beneficial. The drive towards more sustainable forms of production and consumption is not only evident at governmental level, but is also noticeable within industry and civil society. Sustainable procurement can therefore make a major contribution to the sustainability objectives of a public Organisation. By procuring in a sustainable way, Galway City Council can serve as a role model and make people aware of the practical implications of sustainability.

Benefits for Galway City Council from Sustainable Procurement

The Council can benefit from sustainable procurement by making better choices that positively impact on the local economy, the environment, and the bottom line cost of purchasing goods and services.

The following are examples of how this can be achieved:

- **Bottom line benefits:** Lower waste management fees and lower hazardous material management fees. Savings from conserving energy, water, fuel, paper and other resources.
- **Compliance and risk avoidance:** Better compliance with environmental, and Health and Safety Regulations. Demonstrating due diligence and reduced risk of accidents, as well as reduced liability and health and safety costs. Reducing the likelihood of purchasing a problematic product (e.g. a product that offends a customer or contains a toxic chemical).

² Sustainable Procurement Pocket Guide for SMEs

- **Positive public relations:** Meeting customer demands for sustainable products. Demonstrating a commitment to sustainability. Improving image and goodwill. Improving employee and community health through reduced demand for landfill space, lower demand for resources, enhanced local economic development.
- **Stronger Economy:** Helping to develop markets for sustainable products. Stimulating innovation by working with suppliers to design alternative products with fewer environmental impacts. Enhancing local community and economic development through local purchasing. Reducing material and energy costs which allows expenditures for other purposes.
- **Healthy Environment:** Avoids the generation of waste. Harvesting and using raw materials more efficiently. Reducing or eliminating toxicity, and air and water emissions.
- **Social well-being:** Supports suppliers who have a strong commitment to local communities and social and environmental responsibility. Promotes Health and Safety standards for employees and high quality working conditions. Provides safer and healthier products for consumers.

The above mentioned social and environmental benefits of sustainability do not necessarily mean a higher financial burden for the procuring Organisation. When the total costs of ownership of a product are taken into account, even an option that may have a higher initial price can save the Organisation money in the long-term. This means that the cheapest offer is not necessarily the most economically advantageous one. The total cost of ownership concept takes all of the costs associated with the product's life cycle into account. On this basis, a product with a higher initial price might be the economically most attractive option. For example due to ongoing operating cost savings, such as reduced energy consumption and water consumption costs, lower costs of disposal, and reduced health and safety risks, a more expensive product may in the long term prove to be more economically advantageous.

Recommendations:

When looking at the total cost of ownership of a product, calculations should cover the following:

- Purchase costs and all associated costs: delivery, installation, commissioning etc.
- Operating costs: energy costs, spares, maintenance etc.
- End-of-life-costs: decommissioning, removal costs, disposal costs etc.
- Waste management plans and environmental characteristics.

By undertaking a simple comparison of products after calculating the total cost of ownership, it is possible to identify products, which are more sustainable and therefore less expensive in the long run.

8. FREEDOM OF INFORMATION AND PUBLIC PROCUREMENT

The EU Treaties set out the principles of fairness and openness in public procurement. EU Public Procurement Directives establish particular legal obligations on Contracting Authorities where the value of the contract is over specified thresholds. **The guiding principles of openness, fairness and transparency will always apply, however, irrespective of the value of the particular contract.** These principles complement FOI and should guide all policy and practice in the procurement area.

The Freedom of Information Acts 1997 – 2003 assert the right to the public to obtain access to official information to the greatest extent possible consistent with the public interest and the right to privacy of individuals. All records, including procurement records, created from the commencement of the FOI Act, 1997 come within the scope of the Acts.

With the introduction of the Freedom of Information Act Galway City Council is not in a position to give guarantees of confidentiality. It is suggested instead that public bodies should be proactive in taking measures to enable them to effectively manage the tendering process in an FOI context. However, a series of exemptions in the Acts make provision for the protection of sensitive information. The full text of the FOI Acts and various guidance documents can be accessed at www.foi.gov.ie all requests received under FOI should be processed through our FOI Officer, Corporate Services.

Suggested Steps to meet FOI and Procurement Requirements:

1. Be careful not to introduce bias into the specification of requirements
2. Be specific about the criteria against which applications will be evaluated. Advertisements or tender documents should clearly indicate the following:
 - a) **qualitative selection criteria** (i.e. minimum mandatory requirements) - these might include evidence of financial standing, technical capability, etc.
 - b) **award criteria** - this may be either the lowest price or the most economically advantageous tender (i.e. using various criteria such as price, period for completion, running costs, technical merit, etc.)
3. Document carefully the decision making process in relation to the selection of the successful tender. Where feasible, allocate weighting to the award criteria.
4. Give good detailed reasons for decisions to unsuccessful tenderers.
5. As many firms are unlikely to be familiar with the FOI Act it is suggested that information about FOI be included in a prominent position on the tender documentation and inform them of the public body's policy regarding information it intends to release outside of the FOI Act.
6. Ask applicants to identify sensitive information, when forwarding material to you.
7. Always consult with the person or company concerned before making a decision on an FOI request by a third party through the FOI Officer.

Informing companies in advance about FOI:

Public bodies can reduce significantly the work involved in consulting with third parties on FOI requests by alerting persons in advance to its existence. The following standard statement is suggested for inclusion in tender documents:

"(i) Galway City Council proposes that the following information relating to this tender competition will be made available on request:

(ii) Galway City Council undertakes to hold confidential, any information provided by you in this (tender) subject to:

- (a) Disclosure of the information specified at (i) above as liable for release to the public
- (b) Galway City Council obligations under law, including the Freedom of Information Act, which came into force on 21 April, 1998

You are asked to consider if any of the information supplied by you in this (tender) should not be disclosed because of its sensitivity, (*other than that referred to at (i) above*). If this is the case, you should, when providing the information, identify same and specify the reasons for its sensitivity. Galway City Council will consult with you about sensitive information before making a decision on any Freedom of Information request received.

If you consider that none of the information supplied by you is sensitive, please make a statement to that effect. Such information may be released in response to an FOI request."

Recommendations:

- Ensure FOI is expressly mentioned as above in all Galway City Council's Tender Documents and Specifications.

9. ACCESSIBILITY AND PROCUREMENT

Galway City Council gives a commitment in our Corporate Plan to make our city accessible to all. We also have obligations under Section 27 (part 3) of the Disability Act 2005, which states, "**Where a service is provided to a public body, the head of the body shall ensure that the service is accessible to persons with disabilities**". This refers to both the provision of services and the supply of goods. Galway City Council also has obligations under the Barcelona Declaration.

Galway City Council must ensure that relevant accessibility requirements for people with disabilities are included in all stages of the tender process. The objective of Galway City Council is to comply With the Disability Act and other relevant legislation, in order to achieve a high standard of accessibility for people with disabilities.

Accessibility requirements should be clearly stated in requests for tenders/contracts/quotations where applicable. Staff preparing tenders may need to consult with external advisors and/or people with disabilities in identifying these requirements. Suppliers may be asked to highlight features of their product or service, which meets accessibility requirements for people with disabilities. Where there are no accessibility requirements relevant to the goods or services being procured or the accessibility requirements are not deemed to be practicable or causing undue cost or delay, this should be recorded in a file note.

Accessibility requirements should be given appropriate consideration and weighting during scoring and evaluation stages and where suppliers are asked to make presentations, accessibility should be an agenda item where applicable.

With regard to the planning of Galway City Council's own developments, the appropriate time for assessing disability requirements is during the "Part 8 of the Planning & Development Act", planning process. All "Part 8" proposals should be referred by the relevant Department to the **Access Officer** who will examine and report back to the department. This should occur before the proposal is approved for commencement of the public consultation process.

A website, which has been developed to support local authorities in meeting their obligations under Disability legislation is available www.la-accessibility.ie The website contains information on the law and our obligations, frequently asked questions are included and a section on best practice in local authorities around the country, the site is updated as new relevant information becomes available.

10. CODE OF ETHICS

It is the policy of the Galway City Council to maintain and enhance a high reputation for ethical behaviour and fair dealing in the conduct of its business. Galway City Council aims to ensure that decisions as to what is ethical or fair will stand up to any objective analysis.

For the assistance of employees involved in the activity of purchasing, the *National Public Procurement Policy Unit / Government Contracts Committee* Government have published “**Ethics in Public Procurement**” which is available on <http://www.e-tenders.gov.ie/guides/>

It is very important that the public procurement function is discharged with probity, transparency and accountability in a manner that secures best value for public money.

Probity requires the purchasing process to be conducted ethically; honestly; and with fairness to all participants.

Transparency and accountability require that the basis for decisions is demonstrably clear and objective and that the purchaser is held to account for the conduct of the procurement process.

Contracting authorities must be cost effective and efficient in the use of resources while upholding the highest standards of integrity. Procurement activities are subject to audit and scrutiny both internal and external auditors and by the Comptroller and Auditor General and are subject to assessment under the Remedies Directive. Management should ensure that there is an appropriate focus on good practice in purchasing and, where there is a significant procurement function, that procedures are in place to ensure compliance with all relevant guidelines.

Confidentiality of Information the basic rule is that commercially sensitive information must be kept secure and never used for personal gain or to prejudice fair competition. Information on individual contracts must not be given to the competitors, media or any other enquirer (except the individual contractor concerned), without prior approval.

Conflict of Interest

Any personal interest on behalf of staff or members of the Local Authority which may impinge or might reasonably be deemed by others to impinge upon impartiality in any matter relevant to procurement duties should be declared to the Ethics Officer, Corporate Services in the Annual Declaration of Interest under the Local Government Act or as it may arise for recording and approval before conducting the business.

Gifts

Gifts, other than items of very small intrinsic value such as business diaries, calendars, telephone pads etc, should not be accepted. Items for personal use should be declined.

Hospitality

Modest hospitality is an accepted courtesy of a business relationship. However, the recipients should not allow a position to be reached whereby they might be or might be deemed by others to have been influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality should not be significantly greater than Galway City Council would be likely to provide in return.

When it is not easy to decide between what is and is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the Ethics Officer, Corporate Services. Personal inducements in any form from suppliers of goods and services to employees are forbidden. Any instances of such inducements being offered must be advised immediately to the Ethics Officer, Corporate Services. Officers should at all times have regard to the Ethical Framework for Local Government Services.