

Agenda Item: Vote 39 – Office of Government Procurement

Appropriation Accounts 2015

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Vote 39 – Office of Government Procurement

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TAB 1 - Briefing on the 2015 Appropriation Accounts

RECENT FINANCIAL HISTORY FOR THE VOTE

| Vote 39 – Office of Government Procurement | | | | | | |
|---|--------------|---------------|---------------|---------------|------------------------|---------------|
| | 2014 | 2015 | | 2016 | | 2017 |
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| | €m | | | | | |
| Programme Expenditure: | | | | | | |
| <i>Delivery of Central Procurement Service</i> | <u>6.377</u> | <u>19.474</u> | <u>14.320</u> | <u>20.482</u> | <u>14.424</u> | <u>20.435</u> |
| Gross Total: | 6.377 | 19.474 | 14.320 | 20.482 | 14.424 | 20.435 |
| <i>B: Appropriations in Aid</i> | 0.225 | .500 | 0.498 | .500 | 0.429 | .475 |
| Net Total | 6.152 | 18.974 | 13.822 | 19.982 | 13.995 | 19.960 |

2014 Outturn:

Estimate for 2014 was set at €12.431m. The outturn was €6.152m, leaving a surplus to be surrendered of €6.279m. This surplus arose mainly as follows:

- Administrative Budget Pay (-€1.683m) – The 2014 Estimate provision was based on the expectation that recruitment would progress over the course of the first six months toward a full complement of 231 staff by mid-2014. Recruitment was slower than anticipated with only two-thirds of staff (141) on board at the end of 2014.
- Procurement Consultancy and Other Costs (-€3.481m). The delays encountered in recruitment also impacted on spend in this category because it was not possible to progress new initiatives to the original timescale.

2015 Outturn:

The Estimate for 2015 was set at €18.974m representing an uplift of €6.543m compared to the 2014 Estimate. This increase was largely driven by the requirement to provide for annualised salaries for additional staff on-boarded during 2014 and pay bill costs for staff on-boarded during 2015.

The outturn was €13.822m, leaving a surplus to be surrendered of €5.277m, of which €0.2m was carried forward to 2016. This surplus arose mainly as follows:

- Administrative Budget Pay (-€1.739m) – The 2015 Estimate provision was based on the expectation that recruitment would progress over the course of the first six months toward a full complement of 231 staff by mid-2015. The delay in obtaining office accommodation impacted on recruitment, which could not progress until appropriate office space was available. A total of 185 staff were on-board by the end of 2015.
- Procurement Consultancy and Other Costs (-€2.438m). The delays encountered in recruitment also impacted on spend in this category, resulting in the requirement for external capacity supported which took longer than planned to implement.

2016 Provisional Outturn:

The Estimate for 2016 was set at €19.982m which includes a further uplift (€1m - 5%). This is largely driven by the requirement to provide for annualised salaries of staff on-boarded during 2015 and pay bill costs for staff on-boarded during 2016. The Chief Procurement Officer also sought an uplift in headcount to fulfil additional roles which had not been provided for in the original plan (7). These additional costs have been offset, in part, by a reduction on the Premises budget, related to once-off fit-out costs of new head office premises.

The provisional outturn is €13.995m, leaving a surplus to be surrendered of €6.187m. This surplus arose mainly as follows:

- Administrative Budget Pay (-€2.935m) – The 2016 Estimate provision was based on the expectation that recruitment would progress over the course of the first two years toward a full complement of 238 staff by end 2015. Recruitment was slower than anticipated with 193 staff on-board by the end of 2016, this has led to an underspend within this category.
- Procurement Consultancy and Other Costs (-€2,828m). Delays in capital projects such as the development of a Workflow Management System and the invoicing project have led to this underspend.

2017 Estimate

The Estimate for 2017 was set at €19.962m represents a decrease of €22k (.001%) compared to 2016. The OGP have established four hub offices and also have their headquarters at Spencer Dock and expect to reach full staff allocation during 2017. The OGP plan additional developments within Systems and Data including eInvoicing, EU reporting, eCatalogue and will need external support for much of the developments. Most areas of expenditure including pay have been reduced from 2016 levels with the exception of consultancy which has increased by €.5 million to reflect the above mentioned projects.

SUMMARY OF FINANCIAL DATA ON A SUBHEAD BY SUBHEAD BASIS 2014-2017

| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
|--|---------|----------|---------|----------|---------------------|----------|
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (i) Salaries, Wages and Allowances | 4,550 | 11,400 | 9,661 | 12,970 | 10,035 | 12,470 |
| A (ii) Travel and Subsistence | 87 | 250 | 155 | 250 | 193 | 225 |
| A (iii) Training, Development and Incidental Expenses | 150 | 500 | 346 | 708 | 522 | 700 |
| A (iv) Postal and Telecommunications Services | 34 | 400 | 98 | 120 | 141 | 150 |
| A (v) Office Equipment and external IT services | 578 | 550 | 530 | 414 | 359 | 300 |
| A (vi) Office Premises Expenses | 109 | 944 | 538 | 130 | 112 | 200 |
| A.3. Procurement Consultancy Services and Other Costs | 869 | 5,430 | 2,992 | 5,890 | 3,062 | 6,390 |
| Gross Total | 6,377 | 19,474 | 14,320 | 20,482 | 14,424 | 20,435 |
| B. Appropriations-In-Aid | 225 | 500 | 498 | 500 | 429 | 475 |
| Net Total | 6,152 | 18,974 | 13,822 | 19,982 | 13,995 | 19,960 |

A (i) Salaries, Wages and Allowances

| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
|---|---------|----------|---------|----------|---------------------|----------|
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (i) Salaries, Wages and Allowances | 4,550 | 11,400 | 9,661 | 12,970 | 10,035 | 12,470 |

- The **2014** outturn was €4.550m compared to budget of €6.223m. The 2014 provision was based on the expectation that recruitment would progress over the course of the first six months, reaching a full complement of 231 staff by mid-2014. Recruitment progressed at a slower rate than anticipated, with the result that only two-thirds of staff (140) were on board at the end of 2014.
- The **2015** outturn was €1.739m less than expected – The 2015 Estimate provision was based on the expectation that recruitment would progress over the course of the first six months toward a full complement of 231 staff by mid-2015. The delay in obtaining office accommodation impacted on recruitment, which could not progress until appropriate office space was available.
- The **2016** provisional outturn is €2.935m less than expected - The 2016 Estimate provision was based on the expectation that recruitment would progress over the course of the first

two years toward a full complement of 231 staff by end 2015. Recruitment was slower than anticipated which has led to an underspend within this category.

- The **2017** estimate provides for the annualised cost of a full staffing complement recruited during 2016 as well as the pay cost associated with the final recruitment wave.

| Subhead A (ii) - Travel and Subsistence | | | | | | |
|--|----------------|-----------------|----------------|-----------------|----------------------------|-----------------|
| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (ii) Travel and Subsistence | 87 | 250 | 155 | 250 | 193 | 225 |

This subhead provides for travel and subsistence expenditure incurred by OGP staff while on business including:

- Staff travelling from regional hubs for central meetings.
 - Staff travelling to meet suppliers and buyers.
 - Category Council meetings.
 - Travel to EU relating to Policy matters.
- The outturn for **2014** was €87k compared to a budget of €300k. This underspend was largely driven by less than anticipated travel activity due to delays in the recruitment process.
 - The outturn for **2015** was €155k compared to a budget of €250k. This underspend was largely driven by less than anticipated travel activity due to delays in the recruitment process.
 - The provisional outturn for **2016** is €193 compared to a budget of €250k. This underspend was largely driven by less than anticipated travel activity due to delays in the recruitment process.
 - The provision for **2017** is in line with the 2016 estimate.

| Subhead A (iii) – Training, Development and Incidental Expenses | | | | | | |
|--|----------------|-----------------|----------------|-----------------|----------------------------|-----------------|
| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (iii) Training, Development and Incidental Expenses | 150 | 500 | 346 | 708 | 522 | 700 |

This subhead covers the costs of:

- Training and development including; course attending, development of accredited procurement training, conferences, professional fees and subscriptions.

- Incidental expenses eg. Shared service charges and facilities costs – elements of which were included in subhead A (vi) for 2014 & 2015.
- The outturn of €150k for **2014** compared to a budget of €416k. This underspend was driven largely by delays in the recruitment process which impacted on the level of activity within this subhead.
- The outturn of €346k for **2015** compared to a budget of €500k. This underspend was driven largely by delays in the recruitment process which impacted on the level of activity within this subhead.
- The **2016** estimate takes account of a re-allocation of incidental costs to this subhead which were previously captured within subhead A (vi) – Office Premises Expenses. The provisional outturn of €522k for **2016** compared to a budget of €708k. This underspend was driven largely by delays in the recruitment process which impacted on the level of activity within this subhead.
- The provision for **2017** is in line with the 2016 estimate.

| Subhead A (iv) - Postal and Telecommunications Services | | | | | | |
|---|---------|----------|---------|----------|---------------------|----------|
| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (iv) Postal and Telecommunications Services | 34 | 400 | 98 | 120 | 141 | 150 |

This subhead provides for the routine fixed and mobile telephony, inter building data links, and postal costs associated with a multi-location organisation.

- In **2014** the majority of costs on this subhead were absorbed on the DPER/OPW Votes during the initial set-up phase.
- The provision in **2015** of €400k was calculated on the basis of data links and a postage collection service at each of the regional offices. The postage collection services was not required and general telephone costs ran lower than originally anticipated leading to an outturn of €98k.
- The provisional outturn of €141k for **2016** compared to a budget of €120k. This overspend resulted from a delay in invoicing in 2015 from OGCI0 which resulted in an additional payment in 2016.
- The provision for **2017** is in line with the 2016 estimate.

Subhead A (v) - Office Equipment and External IT Services

| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
|---|---------|----------|---------|----------|---------------------|----------|
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (v) Office Equipment and external IT services | 578 | 550 | 530 | 414 | 359 | 300 |

This subhead provides for:

- Capital expenditure relating to the purchase of ICT equipment.
 - Current expenditure relating to the cost of IT consumables, printing, stationary and OGCIO IT support costs.
-
- The **2014** outturn was €578k compared to a budget of €688k. This underspend arose as a result of slower than anticipated recruitment and delayed occupancy of new offices.
 - The **2015** outturn was €530k compared to a budget of €550k. This underspend arose as a result of slower than anticipated recruitment and delayed occupancy of new offices.
 - The **2016** provisional outturn is €359k compared to a budget of €414k. This underspend arose as a result of slower than anticipated recruitment and delayed occupancy of new offices. The reduced provision in **2016** reflects the fact that the majority of staff will have been on-boarded by end 2015 and therefore the investment in desktop equipment will be minimal.
 - The provision for **2017** is in line with the 2016 estimate.

Subhead A (vi) - Office Premises Expenses

| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
|---------------------------------|---------|----------|---------|----------|---------------------|----------|
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| A (vi) Office Premises Expenses | 109 | 944 | 538 | 130 | 112 | 200 |

This subhead has both a current and a small capital allocation.

OGP is organised around five locations including head office at Spencer Dock and regional hubs in Trim, Sligo, Limerick and Cork. Premises rental costs are met from the OPW Vote and the OGP therefore only provides for ongoing service and maintenance charges that apply to these locations (current expenditure).

- In **2014**, the outturn was €109k compared to a budget of €444k. This underspend arose as significant fit-out costs had been projected for new premises which had not been secured at year end.

- The **2015** estimate provided for the fit-out of the new head office and for the fit-out of regional hubs. The expectation was that this work will be completed by end 2015. The outturn was €538k compared to a budget of €944k due to less than expected costs associated with the fit out of head office premises.
- The **2016** estimate also takes account of a re-allocation of cost to the Incidental Expenses Cost subhead i.e. Subhead A3, which was previously captured within this Subhead. In **2016**, the provisional outturn is €112k compared to a budget of €130k.
- The **2017** estimate provides for a small uplift to cater for the annualised costs of the operational costs associated with hub offices.

PROGRAMME EXPENDITURE

SUBHEAD A3 – PROCUREMENT CONSULTANCY AND OTHER SERVICES

A.3. Procurement Consultancy Services and Other Costs

| Subhead Description (€'000) | 2014 | 2015 | | 2016 | | 2017 |
|-----------------------------|---------|----------|---------|----------|---------------------|----------|
| | Outturn | Estimate | Outturn | Estimate | Provisional Outturn | Estimate |
| | 869 | 5,430 | 2,992 | 5,890 | 3,062 | 6,390 |

The allocation to this subhead is provided mainly to cover expenditure arising from procurement capacity support, procurement category specific advisory services, IT systems support, IT systems advisors and strategic consultants.

- In **2014** the outturn was €0.869m compared to a budget of €4.35m. This underspend was driven by the slower than anticipated recruitment of staff, which meant that progress with new procurement initiatives was also slower than originally planned.
- The **2015** outturn is €2,992k compared to a budget of €5,430k. The delays encountered in recruitment impacted on spend in this category, resulting in the requirement for external capacity supported which took longer than planned to implement.
- The **2016** provisional outturn is €3,062k compared to a budget of €5,890k. Delays in capital projects such as the development of a Workflow Management System and the eInvoicing project have led to this underspend.
- The **2017** estimate of €6.39m is an increase of 8% on 2016. The allocation on this subhead provides, in the main, for external expertise to deliver essential services to support the work of the OGP. The OGP plan further developments in eProcurement and eTendering in 2017.

| Spend Category | €000 |
|---|--------------|
| Procurement Capacity Support | 2,700 |
| Systems & Development - Current, Consulting | 1,990 |
| Systems & Development - Capital | 1,000 |
| Corporate Office/Legal Support | 500 |
| Policy Construction Advice | 200 |
| Total | 6,390 |

The provision in 2017 reflects ongoing work across a variety of areas including:

Procurement Capacity Support

While the OGP continues to build up its own internal capacity to enable it to deliver external procurement support is required to provide the flexibility to progress individual projects in instances where OGP does not have the internal capacity or requisite experience to deliver them.

Procurement Category Specific Advisory Services

External expertise is also required to support the successful delivery of Category Strategies across the diverse range of spend categories. Such specific expertise include energy advisory services, advice on technical specifications in fleet, professional services etc. This advice includes but is not limited to, provision of market, price and cost intelligence insights and benchmarks, specification challenge, savings opportunity identification assessments and scoping, stakeholder and supplier engagement strategies, and strategy challenge. The 2017 allocation to this spend category is the same as the 2016 allocation reflecting a continued need for external expertise.

Business Intelligence and Operational Systems

The OGP provides technology solutions that support its operations and those of its sector partners to enable efficient and effective delivery of OGP objectives.

The OGP's Business Intelligence system provides spend analytics on expenditure data gathered from key large public service bodies across the Health, Education, Local Government, Defence and Justice sectors and from Central Government departments. Spend analytics support sourcing and policy activities and contribute to increased openness and transparency on public expenditure.

In 2017 a Workflow Management System, purchased in Q4/2016, will be implemented to support the sourcing activities of the OGP and its sector partners and the OGP's Customer Service function.

eTenders National Tendering Platform

The OGP manages the Government's national electronic tendering platform – eTenders - that is used across the public sector. During 2017 investment in the eTenders platform will continue to focus on meeting the requirements of the new EU Procurement Directives including the development of an electronic ESPD (European Single Procurement Document) and the capability to support Dynamic Purchasing System (DPS) and Central Purchasing Body (CPB) activities.

Legal Support

During 2017 funding is also required to enable the engagement of legal support services necessitated by the reduction in the capacity of the Chief State Solicitor's Office to provide the required level of legal advice. The protocol agreed in 2016 with CSSO providing for the engagement of external legal support in 2016 will continue in 2017.

Policy Construction Advice

€200k will be required for consultancy in relation to the initial development of the Medium Term Strategy as set out in the 'Report on the Performance Review of the Public Works Contract'.

SUBHEAD B – APPROPRIATIONS-IN-AID

| Subhead Description (€'000) | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|----------|----------|-------------------------|----------|
| | Receipts | Receipts | Provisional Receipts | Estimate |
| Appropriations-In-Aid | 225 | 498 | 429 | 475 |

This subhead records certain receipts arising in the normal course of business which are, or may be, retained to meet expenditure instead of being paid directly to the Exchequer. These receipts are known as Appropriations-in-Aid.

The majority of receipts on this Vote arise from Pension Related Deductions from pay. Adverse variances on outturn (2014 - €125k, 2015 €2k and 2016 €71k) are directly related to the delays in recruiting staff – reduced pay costs impact directly on the receipts on this subhead.

Sundry information in relation to Staff costs

Pay bill matters – back-up for figures shown in the Appropriation Accounts

Number of sourcing / non-sourcing staff by year

| Year ending | Total number of staff | % of total planned 231 (ECF) | Number of staff in Sourcing | % of total sourcing ECF (146) | Number of staff in other areas (general and other specialist support, including data intelligence) | % of total non-sourcing ECF (85) |
|---|-----------------------|---------------------------------------|-----------------------------|--------------------------------|--|----------------------------------|
| 2013 | 41 | 17.70% | 27 | 18.50% | 14 | 16.50% |
| 2014 | 140 | 60.60% | 94 | 64.40% | 46 | 54.10% |
| Total ECF revised in August 2015 | | | | | | |
| Total ECF revised in August 2015 | Total number of staff | % of total planned 238 (ECF revised) | Number of staff in Sourcing | % of total sourcing ECF (159) | Number of staff in other areas (general and other specialist support, including data intelligence) | % of total non-sourcing ECF (79) |
| 2015 | 185 | 77.73% | 133 | 83.65% | 52 | 65.82% |
| 2016 | 193 | 81.09% | 136 | 85.53% | 57 | 72.15% |
| 2017 YTD | 195 | 81.93 | 130 | 81.76% | 65 | 82.28% |