

Agenda Item: Vote 41 – Office of Government Procurement

Appropriation Accounts 2014

Vote 41 – Office of Government Procurement

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TAB 1 - Briefing on the 2014 Appropriation Accounts (including updates for 2015 and 2016)

RECENT FINANCIAL HISTORY FOR THE VOTE

Vote 41 – Office of Government Procurement			
	2014	2015	2016
	Outturn	Estimate	Estimate
	€m		
Programme Expenditure:			
<i>Delivery of Central Procurement Service</i>			
Gross Total:	<u>6.377</u>	<u>19.474</u>	<u>20.022</u>
<i>B: Appropriations in Aid</i>	6.377	19.474	20.022
	0.225	0.500	0.500
Net Total	6.152	18.974	19.522

2014 Outturn:

The Estimate for 2014 was set at €12.431m. The outturn was €6.152m, leaving a surplus to be surrendered of €6.279m, of which €0.125m was carried forward to 2015. 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 Estimates:

The 2015 estimate of €18.974m represents an uplift of €6.543m compared to the 2014 Estimate. This increase is 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.

2016 Estimates:

The 2016 Estimate of €19.522m represents a further small uplift (€548k - 3%). 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 has also sought an uplift in headcount to fulfil additional roles which had not been provided for in the original plan. These additional costs have been offset, in part, by a reduction on the Premises budget, where once-off fit-out costs will not recur.

SUMMARY OF FINANCIAL DATA ON A SUBHEAD BY SUBHEAD BASIS 2014-2016

Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
A (i) Salaries, Wages and Allowances	4,550	11,400	12,970
A (ii) Travel and Subsistence	87	250	250
A (iii) Training, Development and Incidental Expenses	150	500	708
A (iv) Postal and Telecommunications Services	34	400	120
A (v) Office Equipment and external IT services	578	550	414
A (vi) Office Premises Expenses	109	944	130
A.3. Procurement Consultancy Services and Other Costs	869	5,430	5,430
Gross Total	6,377	19,474	20,022
B. Appropriations-In-Aid	225	500	500
Net Total	6,152	18,974	19,522

Subhead A (i) – Salaries, Wages and Allowances			
Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Salaries, Wages and Allowances	4,550	11,400	12,970

- 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** provision was calculated on the basis that the full complement would be achieved on a phased basis over the course of 2015.
- Staff numbers at Sep 2015 are 178 and are expected to reach full complement during 2016. The **2016** estimate provides for the annualised cost of full staffing complement on-boarded during 2015 as well as the pay cost associated with the final recruitment wave.

Subhead A (ii) - Travel and Subsistence			
Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Travel and Subsistence	87	250	250

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 **2015** provision was calculated on the basis that the full staff complement would be achieved in 2014.
 - Similarly the **2016** assumes a full staff in place complement in 2016.

Subhead A (iii) – Training, Development and Incidental Expenses			
Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Training, Development and Incidental Expenses	150	500	708

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 6 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 **2015** budget has been aligned to the implementation plan for the approved OGP Learning and Development Strategy and the findings of the OGP Skills Survey.
- 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.

Subhead A (iv) - Postal and Telecommunications Services			
Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Postal and Telecommunications Services	34	400	120

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** was calculated on the basis of data links and a postage collection service at each of the regional offices.
- As the postage collection services will be not be required and general telephone costs are running lower than originally anticipated the **2016** estimate has been reduced to reflect this.

Subhead A (v) - Office Equipment and External IT Services			
Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Office Equipment and external IT services	578	550	414

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** allocation assumes significant ICT costs will be incurred resulting from the establishment of the new office premises in Spencer Dock and the development of new hub 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.

Subhead A (vi) - Office Premises Expenses			
Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Office Premises Expenses	109	944	130

This subhead has both a current and 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 is that this work will be completed by end 2015, this has been reflected in the 2016 allocation.
- 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.

PROGRAMME EXPENDITURE

SUBHEAD A3 – PROCUREMENT CONSULTANCY AND OTHER SERVICES

Subhead Description (€'000)	2014	2015	2016
	Spend	Estimate	Estimate
Procurement consultancy and other services	869	5,430	5,430

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 provision in 2015/16 reflects ongoing work across a variety of areas including:

1. Procurement Capacity Support

In migrating the sourcing work from the sectors to the OGP care must be taken to ensure customers receive required service during this core transition period (2015). During this transition the ability to draw upon externally provided procurement support gives OGP the required capacity and capability to progress individual projects where it does not have the internal capability to deliver them. This external support consists of temporary professional staff from qualified organisations supporting OGP Category Managers to deliver and manage specified tender processes at all stages.

2. Procurement Category Specific Advisory Services

The OGP requires advisory services to support sourcing activities in its categories during 2015 and 2016. These include energy advisory services, legal advice, advice on technical specifications in fleet, professional services etc. To progress these strategies and ensure specialist market knowledge is incorporated, category specific external advisory services are required. 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.

3. Work on the eTenders and OGP websites

Continued support of the OGP Website and the Irish Government's electronic tendering platform, www.eTender.gov.ie, is required. Current investment in the eTenders platform will focus on preparation of the platform for upcoming EU Directive changes

4. Business intelligence and Procurement Systems

The Irish public sector is reliant on internal systems to inform and report on the procurement process and on spend and procurement activity across sectors to a broad user base. Continued investment on software systems to support the OGP's business is a key driver of national procurement strategy and deliverable of transparency.

SUBHEAD B – APPROPRIATIONS-IN-AID

Subhead Description (€'000)	2014	2015	2016
	Receipts	Estimate	Estimate
Appropriations-In-Aid	225	500	500

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. The estimate for Appropriations-in-Aid for 2014 was €0.350m. The adverse variance on outturn (125k) is directly related to the delays in recruiting staff – reduced pay costs impacting directly on the receipts on this subhead.

SUPPLEMENTARY INFORMATION

The Office of Government Procurement (“OGP”) is charged with leading the Procurement Reform Programme (“PRP”) bringing procurement policy and operations together and focusing on building procurement capacity and capability across the public service. It is currently a function within the Department of Public Expenditure and Reform.

ISSUES CURRENTLY AFFECTING PERFORMANCE:

- Over 80% of OGP’s target headcount of 231 staff will be in place by the end of 2015 with the remaining staff due to be on-boarded during 2016. This delay in on-boarding staff has affected the targeted deliverables to-date.
- Framework agreements and contracts of scale for its Public Service Body clients are now being delivered. The time taken to achieve this level of operation has been longer than anticipated due to delays in recruitment.
- OGP offices have been established on a permanent basis in Trim, Sligo and Limerick. The move from three temporary locations in Dublin to its new head office at Spencer Dock took place in October 2015. Securing accommodation remains an issue in the case of Cork, delaying recruitment.
- OGP sourcing staff are increasingly being drawn into key complex and strategic projects that absorb significant resources but, although important to the State, yield little savings.

ACHIEVEMENTS TO-DATE

SAVINGS
<ul style="list-style-type: none"> • Procurement has saved the tax-payer approx. €100m over the two years 2013 and 2014 (€50m in 2013 & €47m 2014). It is important to note that this reporting does not include all State Bodies.
PUBLICATIONS
<ul style="list-style-type: none"> • In March 2015 OGP published a 2013 Spend and Tendering Analysis Report.
LEGISLATION
<ul style="list-style-type: none"> • Transposition of 2014 EU Procurement Directives are on target for Q1 2016. • Secured Cabinet agreement on Heads of Bill for enabling legislation for the establishment of the OGP.
SME'S
<ul style="list-style-type: none"> • Established high level group on SME access • Established SME working group • Developed and rolled-out a Communication Strategy across both Public Service and SME sector. • Launched Circular 10/14 "Initiatives to assist SMEs in Public Procurement" aimed at opening up the opportunities for small business to bid for State business. • Supported supplier and buyer procurement needs nationally through the operation of a customer service helpdesk. • Completed a series of information sessions on the Public Works Contracts for public bodies and private entities, with 1,640 participants attending. • Re-established the Green Tenders Implementation Group. • New Tender Advisory Service (TAS) launched in February 2015.
SOURCING
<ul style="list-style-type: none"> • Set up and implemented Client Account Plans for Key Account Managers. • Developed key Category Strategies 2015-2017 and best practice procurement processes and procedures. • Published quarterly, Target Schedule of Contracts and Frameworks (rolling 9 month) giving advance notice to Public Service Bodies (PSB's) and the supply markets of planned tenders
ENABLERS
<ul style="list-style-type: none"> • Implemented Business Intelligence solution to enable spend data analysis • Launched OGP website • Implemented new features on eTenders system • Developed a set of Guidelines on Procurement Benefits Measurement in the Public Sector. • Developed, published and generated awareness across the public service regarding OGP approved policies, processes and procedures for public sector procurement.

KEY ONGOING TARGETS 2016+

1. Key Output: Lead the delivery of Public Service procurement reform in line with the Public Service Reform Plan.

2016 Output Targets:

- Deliver improved procurement capability in the public service which will yield financial, performance and risk management benefits to the State.
- Support the Action Plan for Jobs through focused procurement policy initiatives.
- Support Environmental Sustainability through the Green Tenders Implementation Group.
- Complete recruitment to sanctioned OGP headcount
- Continue to implement the OGP staff Learning and Development Strategy 2014-17

2. Key Output: Create awareness of the role of, and services provided by, the Office, both within Public Service and with the general public; Advise and provide assistance, where appropriate, to the SME sector.

2016 Output Targets:

- Continue to build awareness and education of SMEs regarding the opportunities arising from public procurement.
- Deliver Target Schedule of Contracts and Frameworks giving advance notice to Public Service Bodies (PSB's) and the supply markets of planned tenders.
- Create awareness and encourage uptake of procurement frameworks and contracts.
- Operate a customer service helpdesk to support supplier and buyer procurement needs nationally.

3. Key Output: Support the delivery of high quality, cost-effective and efficient centralised Public Sector procurement.

2016 Output Targets:

- Continue to strengthen procurement spend analytics and data management.
- Increase procurement systems capability to support sourcing operations.
- Develop the eTenders platform to ensure compliance with EU Directives and encourage supplier company registrations.
- Roll-out targeted training and communications on the provisions of the 2014 EU Procurement Directives
- Review Social Clauses legislative options, following the issuing of Guidance at end of 2015.

Sundry information in relation to staffing**Staff numbers**

At the end of 2014 the organisation had filled 140 posts. The summary of staff numbers at the end of each quarter in 2014 was as follows:

At month end	31/12/2014	30/09/2014	30/06/2014	31/03/2014
Staff numbers serving	140	93	70	52



Appropriation Account 2014

Vote 41

Office of Government Procurement

OFFICE OF GOVERNMENT PROCUREMENT

I. Estimate of the amount required in the year ending 31 December 2015 for the salaries and expenses of the Office of Government Procurement.

(a) by way of current year provision

Eighteen million, nine hundred and seventy-four thousand euro

(€18,974,000)

(b) by way of the application for capital supply services of unspent appropriations, the surrender of which may be deferred under Section 91 of the Finance Act 2004.

One hundred and twenty-five thousand euro

(€125,000)

II. Programmes under which the Subheads for this Vote will be accounted for by the Office of the Minister for Public Expenditure and Reform.

PROGRAMME EXPENDITURE	2014 Estimate			2015 Estimate			Change 2015 over 2014 %
	Current €000	Capital €000	Total €000	Current €000	Capital €000	Total €000	
A - DELIVERY OF CENTRAL PROCUREMENT SERVICE	11,531	1,250	12,781	17,474	2,000	19,474	52%
Gross Total :-	11,531	1,250	12,781	17,474	2,000	19,474	52%
Deduct :-							
B - APPROPRIATIONS-IN-AID ...	350	-	350	500	-	500	43%
Net Total :-	11,181	1,250	12,431	16,974	2,000	18,974	53%
				Net Increase (€000)			6,543
Exchequer pay included in above net total ...			5,888			10,900	85%
Associated Public Service employees ...			113			231	104%

ADMINISTRATION	2014 Estimate			2015 Estimate			Change 2015 over 2014 %
	Current	Capital	Total	Current	Capital	Total	
Functional split of Administrative Budgets, which are included in the above Programme allocations							%
(i) SALARIES, WAGES AND ALLOWANCES ^(a) ...	6,233	-	6,233	11,400	-	11,400	83%
(ii) TRAVEL AND SUBSISTENCE ...	300	-	300	250	-	250	-17%
(iii) TRAINING AND DEVELOPMENT AND INCIDENTAL EXPENSES ...	416	-	416	500	-	500	20%
(iv) POSTAL AND TELECOMMUNICATIONS SERVICES ...	350	-	350	400	-	400	14%
(v) OFFICE EQUIPMENT AND EXTERNAL IT SERVICES ...	438	250	688	400	150	550	-20%
(vi) OFFICE PREMISES EXPENSES ...	444	-	444	794	150	944	113%
Gross Total :-	8,181	250	8,431	13,744	300	14,044	67%

A.2 - ADMINISTRATION NON-PAY	2014 Estimate		2015 Estimate		Change 2015 over 2014
	Application of Deferred Surrender		Application of Deferred Surrender		
	€000		€000		
	-	-	125	125	-
	-	-	125	125	-

(a) The salaries figure at subhead (i) incorporates staff transferring from sectoral and central government procurement functions.

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Office of Government Procurement

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OFFICE OF GOVERNMENT PROCUREMENT

- I. Estimate of the amount required in the year ending 31 December 2016 for the salaries and expenses of the Office of Government Procurement.

**Nineteen million, five hundred and twenty-two thousand euro
(€19,522,000)**

- II. Programmes under which the Subheads for this Vote will be accounted for by the Office of the Minister for Public Expenditure and Reform.

	2015 Estimate			2016 Estimate			Change 2016 over 2015
	Current	Capital	Total	Current	Capital	Total	
PROGRAMME EXPENDITURE							
A - DELIVERY OF CENTRAL PROCUREMENT SERVICE	17,474	2,000	19,474	18,422	1,600	20,022	3%
Gross Total :-	17,474	2,000	19,474	18,422	1,600	20,022	3%
<i>Deduct :-</i>							
B - APPROPRIATIONS-IN-AID	500	-	500	500	-	500	-
Net Total :-	16,974	2,000	18,974	17,922	1,600	19,522	3%
Net Increase (€000)							548
<i>Exchequer pay included in above net total</i>							10,900
<i>Associated Public Service employees</i>							231
							12,495
							236
							15%
							2%

	2015 Estimate			2016 Estimate			Change 2016 over 2015
	Current	Capital	Total	Current	Capital	Total	
ADMINISTRATION							
<i>Functional split of Administrative Budgets, which are included in the above Programme allocations</i>							
(i) SALARIES, WAGES AND ALLOWANCES ^(a)	11,400	-	11,400	12,970	-	12,970	14%
(ii) TRAVEL AND SUBSISTENCE	250	-	250	250	-	250	-
(iii) TRAINING AND DEVELOPMENT AND INCIDENTAL EXPENSES	500	-	500	708	-	708	42%
(iv) POSTAL AND TELECOMMUNICATIONS SERVICES	400	-	400	120	-	120	-70%
(v) OFFICE EQUIPMENT AND EXTERNAL IT SERVICES	400	150	550	334	80	414	-25%
(vi) OFFICE PREMISES EXPENSES	794	150	944	110	20	130	-86%
Gross Total :-	13,744	300	14,044	14,492	100	14,592	4%

(a) The increased provision reflects the annualised cost of final recruitment campaigns as the Office moves towards full workforce complement.