Ms Éilis Fallon  
Committee Secretariat  
Committee of Public Accounts  
Houses of the Oireachtas  
Kildare Street  

9th December, 2019

Your Ref: PAC32 - I-1677

Dear Ms Fallon,

I refer to your letter of 20th November, 2019, requesting a note from the Office of Government Procurement ("OGP") on arrangements “for balancing the requirements for competitive procurement with regional delivery of local demand for products and services that does not prohibit small and medium enterprises from competing”.

Public procurement is governed by EU and National rules and guided by the core principles of transparency, non-discrimination, equal treatment, proportionality, and sound procedural management. Procurement transactions and decisions must in all respects be open and transparent, fair, equitable and ensure value for money. Public procurement rules recognise that value for money must be assessed in the context of the mix of cost and quality and not just on price alone. Public bodies are accountable for their procurement decisions and must be able to justify the decisions made and actions taken. Generally, a competitive process conducted in an open and transparent manner delivers best value for money.

While value for money is a key consideration, the Government recognises the importance of the SME sector and continues to enhance the already substantial measures to support SMEs in accessing the public procurement market.

The Minister of State with special responsibility for public procurement, Mr Patrick O’Donovan TD, chairs quarterly meetings of the SME Advisory Group so that the voice of industry is heard at first hand by Government. The group is a forum that allows Government and SME representative bodies, including IBEC, ISME, the Small Firms Association (“SFA”), Construction Industry Federation (“CIF”) and Chambers Ireland, to exchange information and collaborate on promoting SME participation in public procurement. The SME Advisory Group has developed and agreed a communications strategy to promote and raise awareness of the opportunities for and supports available to SMEs. For example,
a series of ‘Breakfast Briefings’, aimed at helping SMEs into public procurement, have taken place across the country and OGP have supported multiple ‘Meet the Buyer’ events where suppliers can speak directly to public buyers about the goods and services that they can provide. Specific supports are also provided by InterTrade Ireland (ITI) and Enterprise Ireland (EI) to assist SMEs in preparing for public tenders.

Circular 10/2014 – ‘Initiatives to assist SMEs in Public Procurement’ - sets out government policy and a range of positive supporting measures in this regard including subdividing larger contracts and frameworks into lots, having proportionate capacity and turnover requirements, and requiring public bodies to advertise contracts for goods and services valued above €25,000 (ex. VAT) and for works valued above €50,000 (ex. VAT) on the national eTenders portal. The OGP continues to proactively engage with business to enhance the significant measures and strategies already in place to support SME access to public procurement opportunities.

It may be helpful for the Committee of Public Accounts to know that the Office of Government Procurement gathers significant volumes of spend and tendering data each year to analyse key trends in public procurement. It publishes a report on the findings. The latest report, the Public Service Spend and Tendering Analysis for 2017, recently published by the OGP, indicates that 94% of the €4.9 billion procurement addressable expenditure analysed is with firms based in the State and that the majority of spend (54%) is directly with the SME sector.

It should also be stated that while the OGP sets out the overarching policy framework for public in Ireland that, together with its sectoral partners in Health, Education, Defence and Local Government, it also puts in place central arrangements through which public bodies can purchase common goods and services. These are framework agreements which establish commercial arrangements through which public bodies can establish contracts which meet their needs. Departments and public bodies, who are the clients of these arrangements, remain responsible and accountable for the individual contracts awarded including under these central arrangements.

The Committee of Public Accounts, in its discussion of 14th November recognised the importance of balance in procurement strategies. However it should be noted that certain categories of expenditure naturally lend themselves to national arrangements to deliver value for the taxpayer in areas such as electricity, software, uniforms, pharmaceuticals, medical equipment, and vehicles whereas other areas such as cleaning services, security, catering, plant hire are generally delivered through locally-based suppliers.

The Office of Government Procurement has established a broad range of framework agreements to enable public bodies to procure their commonly used goods and services. This assists small public bodies, such as publicly-funded schools and community health organisations, to buy their goods and services in a way that delivers value for money, leverages the buying power of the State, leverage
procurement expertise which small public bodies may not have, and, importantly, to fulfil their compliance obligations in relation to procurement. Such arrangements also standardise and simplify the procedures for potential suppliers. The OGP does, where practical, break its framework agreements down into lots to support SMEs and recognise market structures. The OGP currently has a portfolio of 121 framework agreements, of which 88 have two or more lots. The total number of lots is 561. Typically a number of providers is appointed to each lot. This helps support smaller businesses and avoids over-concentration of business in the market. The centralised procurement functions in Health, Local Government, Education and Defence provide similar arrangements in their assigned areas of procurement expenditure.

I trust this information is of use to the committee. Please contact me if you require any further information or clarification.

Yours sincerely,

Paul Quinn,
Chief Procurement Officer