

Opening Statement to the Public Accounts Committee

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Department of Public Expenditure and Reform

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Introduction

Thank you, Chairman and members of the Committee for affording me the opportunity to make a statement to you today.

As you will be aware, today's agenda covers the Appropriation Accounts 2019 for Vote 39 (Office of Government Procurement).

The strategic goals of the Department

The Office of Government Procurement (OGP) is a division of the Department of Public Expenditure and Reform. In 2019, the two strategic goals of the Department were to manage public expenditure at sustainable levels and ensure effective and responsive public management and governance structures. These goals are fully aligned with the programme set out in the OGP's Appropriation Account for 2019.

Vote 39 – Office of Government Procurement

In relation to the OGP's financial performance in 2019, its Appropriation Account shows a gross outturn of almost 87% of the budgeted allocation when capital carryover is included. The Office surrendered €2.39m of its €18.48m allocation to the Exchequer at the year-end. A capital carryover to 2020 of €59,000 was requested and sanctioned.

The underspend arose due to the following reasons:

- Administrative Budget (€1.80m)

Delays in the on-boarding of specialist procurement staff have impacted on spend within this subhead. Recruitment continues across the Office with panels formed from three specialist open competitions. Allocation of staff from these panels has commenced. It is anticipated that 2021 will see this budget fully utilised.

- Procurement Consultancy and Other Costs – (€0.59m)

The underspend is primarily due to longer than expected start up times on a number of key projects, particularly in the Construction Procurement sector.

Reform

The programme for procurement reform commenced in 2013 as part of the overall reform plans of the Department and since that time great progress has been made in raising procurement standards across the public sector, driving value for money, enabling compliance, promoting industry participation in procurement, increasing communication and guidance, professionalising the service, and driving transparency.

The OGP became operational in 2014 and has since become a key partner to public bodies in enabling the delivery of services to society. The OGP works with sector partners in Health, Local Government, Education and Defence to present a unified consistent national approach to public procurement to the market and to support the implementation of national policy. The OGP sources goods and services that are common across the public service such as ICT, professional services, and cleaning. Sector partners source sector-specific goods and services.

Under the centralised procurement model established by Government, an estimated €6 billion of procurement addressable spend falls within the remit of the OGP and the other Central Purchasing Bodies for Health, Education, Local Government and Defence.

While the OGP is charged with developing the policy framework and associated guidelines to facilitate compliance with public procurement rules, it is the responsibility of each contracting authority to ensure they adhere to these rules. It should be noted that the OGP does not have a policing role in relation to compliance nor the remit to review the individual public procurement processes of Departments and public bodies. Individual public bodies are responsible for ensuring that their public procurement function is discharged in line with the standard accounting and procurement rules and procedures.

Delivering for Society

The procurement arrangements put in place by the OGP cover a broad range of services from providing food for patients in hospitals and prisons, supplying electric vehicles, enabling robotic process automation, arrangements to support the delivery of social housing, through to the provision of electricity for schools and public lighting. The expanding scope of these arrangements is helping the OGP's clients to deliver their services in compliance with the complex legal requirements of the European procurement regime. At the same time, these arrangements are driving real value for money for citizens, not only delivering savings that can be reinvested into the delivery of frontline services to the public, but also supporting sustained participation by Small and Medium Enterprises (SMEs).

The OGP has provided advice to the public sector on Brexit, issuing four information notes to its clients since 2017, with the most recent published in December 2020. These notes highlight the various steps public body could take to prepare for the impact of Brexit including a focus on tender documentation, contract management and contingency planning. Since the end of the transition period on 31 December 2020, the Office has continued to monitor the impact of the UK's departure from the EU and to provide advice and guidance to public bodies.

The OGP also has responsibility for providing policy guidance to the construction sector under the Capital Works Management Framework which consists of a comprehensive suite of guidance and template documents implementing Government's reforms in construction procurement.

The impact of Covid-19 on the National Development Plan has been significant with construction sites closed for 7 weeks in 2020 with a further 4 weeks of limited productivity associated with remobilising, training and adapting welfare facilities and with most sites now closed again under public health guidance. The OGP provided guidance to public bodies in managing the contractual issues arising from the unprecedented closure and in determining how to manage tender competitions underway. Further guidance in relation to the current circumstances issued on 12 February of this year. These steps have helped public bodies and the industry in responding well to the new working environment and in protecting infrastructure projects.

A review of the Capital Works Management Framework is currently underway in the Construction Policy Unit. 2021 will see policy developments in a number of areas including the engagement of consultants, construction inflation, insurance and liability requirements, Building Information Modelling and performance evaluation.

A key focus for the construction industry in 2021 will be on improving productivity. Based on analysis undertaken, an Innovation and Digital Adoption Team has been established by industry and government in order to deliver on the seven priority actions identified in the Construction Sector Group – Building Innovation report.

The Build Digital Project is one of these priority actions and aims to ensure that world class digital practices, which already exist in certain elements in the construction sector, are adopted throughout the industry and supply chain in order to achieve a more sustainable and innovative sector from top to bottom. Minister McGrath recently launched a competitive challenge-based grant call to deliver this project.

Ensuring SMEs can successfully compete for public contracts is critically important in public procurement. In that context, the OGP also supports the Minister of State in his quarterly meetings with the SME Advisory Group and works to address the concerns of industry bodies. The industry bodies attending this forum are IBEC, the Small Firms Association, Chambers Ireland, ISME and the CIF. Through this group, the OGP has developed a programme of SME communications supported by partners in InterTradeIreland and Enterprise Ireland.

In order to ensure transparency on procurement spending, the OGP each year gathers millions of records of data and publishes a report which analyses procurement spending and tendering across the public service. The analysis of €4.8billion of expenditure in 2018 indicated that 53% of spend was directly with SMEs, that 92% of spend was with firms based in Ireland, and that the median tender size was €100,000.

Procurement Solutions

Turning now to the operational work of the OGP, it is focussed on establishing and servicing procurement solutions such as overarching framework agreements and commercial solutions for all public bodies, as well as the procurement of bespoke goods and services for individual clients. Frameworks agreements operate by aggregating demand from the whole of the public service and are established through open, competitive processes. In this way, they offer the potential to realise significant efficiencies for the Irish public in a way that also manages risk for the State through government contract structures. This means that small schools can avail of the same pricing and contract protections as large public bodies when they buy their cleaning products, computers or electricity for example. Framework agreements are often broken into lots by geography, specialism or contract size to encourage SME participation at a local level. Other measures that aid SME participation include the evaluation of quality in addition to cost parameters to decide the most economically advantageous tender (MEAT).

In the years since 2013, frameworks and contracts put in place by the OGP and its sector sourcing partners in Health, Local Government, Education, and Defence have already enabled savings estimated at €570 million for the State.

The OGP has over 120 Framework Agreements in place. OGP Sourcing teams completed 1,004 competitions in 2019 with a total estimated spend of €4.5 billion, including an arrangement for electricity with an estimated spend of €3 billion over the life of the framework. These competitions supported a broad range of individual public bodies in securing their goods and services.

As I have already mentioned, the work of the OGP touches many aspects of citizens' lives. I would like to mention just a few of these to give the Committee a sense of the breadth and importance of this work:

- Contracts for electric vehicles, helping public bodies meet Programme for Government and Climate Action Plan commitments;

- A framework agreement for legal services, which attracted almost 1,200 bids from 90 firms, includes detailed local and specialist lotting, and which supports the provision of *pro bono* work;
- Electricity framework agreements which covers over 66,000 supply points and facilitates green energy, providing an estimated 1,400 Gigawatts of electricity annually at a total cost of €183 million;
- A framework agreement for Robotic Process Automation, developed with the reform programme in my Department, which reduces the time spent by staff in repetitive processes, supporting them to undertake more meaningful work and delivering services more efficiently for the public; and
- Arrangements for rapid build housing and integrated design team services which assist Local Authorities and housing providers with the delivery of social housing.

Covid Operational Response

Turning now to the pandemic, the structures established to enable cooperation and collaboration across government as part of procurement reform have enabled a speedy and coordinated national response to essential supplies needed in the early stages of the pandemic. The OGP liaised with the HSE, utilising their PPE supply lines in securing equipment for non-health frontline public sector workers. A team was established within the OGP to support HSE in establishing emergency site facilities.

In conjunction with colleagues in the HSE and the Office of the Government Chief Information Officer in my department, the OGP launched a webpage to capture offers of assistance and equipment donations from businesses and other organisations that were seeking to provide supplies or services in support of the national response to Covid-19.

In common with the rest of the public service, a number of OGP staff volunteered for redeployment during the crisis and several staff served on temporary assignments with the HSE and the Department of Social Protection.

The OGP provided policy information notes and guidance supporting emergency procurement of goods and services and giving guidance on maintaining vital supports to the construction sector. Policy information notes provided guidance on the application of the flexibilities provided for under European procurement law in cases of extreme urgency.

Most recently, the Chief Procurement Officer is now a member of the High Level Taskforce on Vaccination and the OGP has provided office accommodation to its project management office. Staff from the OGP continue to be made available to assist in procurement aspects of the national response to the Covid crisis.

Improving Commercial Capability

I would also like update the Committee on OGP's work in raising delivery standards across the public service. The OGP's work in modernising and professionalising public procurement is part of the wider public service reform programme and seeks to drive transparency, openness and accountability through its work.

OGP promotes greater understanding of how the public procurement process operates. Building the National Public Procurement Policy Framework was a crucial development providing an accessible explanation of complex regulations and this framework continues to be updated. The Public Procurement Guidelines for Goods and Services are a benchmark in providing a clear and consistent approach for public sector bodies in meeting their obligations in this area.

The Office facilitates a forum for Procurement Officers across a wide range of public bodies and this is a key means of disseminating current developments in procurement policy and practice. 2019 saw the setting up of a Commercial Skills Academy within the OGP. The academy provides training to public sector bodies targeted initially on the delivery of the National Development Plan. A pilot programme was successfully concluded in the second half of 2019. Training is aimed at Project Managers and includes topics such as specification development and contract management. Through a series of master-classes for experienced practitioners, it is also helping create a community of practice.

The initiative has been very positively received and demand for places is high from across the public sector. It will assist in raising standards of commercial delivery capabilities of key spending Departments and across the public service, improving overall outcomes for the acquisition of goods, services and works.

Finally, the OGP is supporting greater efficiency in public procurement by moving more processes online. Some examples include the electronic version of the European Single Procurement Document (eESPD) and eInvoicing. The eESPD allows suppliers to provide qualifying information online and to reuse this information, if they wish, in any further competition across the European Single Market. eInvoicing enables suppliers, who wish to do so, to submit invoices online in an agreed electronic format. This will have significant benefits for both suppliers and buyers in reducing administration, promoting efficiency and improving transparency around prompt payments.

The OGP is committing to using the opportunities afforded by digitalisation to make procurement easier and more efficient for clients and suppliers. The OGP are currently working on a next generation of the eTenders procurement platform which will provide increased functionality and provide further opportunities for Irish and European firms, to access public procurement competitions.

Looking Forward

As the OGP continues to develop, it will maintain a strong focus on engaging with industry, clients, and suppliers to promote the benefits of excellent procurement. Its aim is to promote greater awareness of the significant opportunity presented by public procurement to businesses: both to achieve more vigorous local competitions and so that more businesses view this process as a gateway to competing in the wider and much larger European public procurement market.

As part of the programme for government, the OGP will continue to find innovative ways to incorporate green and social considerations into its procurement solutions and seek ways to harness opportunities for digitalisation.

My Department published *Circular 20/2019: Promoting the use of Environmental and Social Considerations in Public Procurement*, which seeks to promote the wider use of environmental and social considerations in public procurement, with specific regard to the Climate Action Plan 2019. To ensure a practical focus on implementing these policies, the OGP has established a cross-departmental Strategic Procurement Advisory Group to promote and facilitate the incorporation of social considerations (which include environmental considerations) into public procurement projects.

Working with its clients, the OGP will continue to provide a broad suite of solutions to bring an increasing proportion of public expenditure into compliance, reduce risk for the State, deliver broader benefits for society, and deliver better value for money. Promoting better planning, earlier engagement and robust post-award contract management will mean that the State is better equipped to deliver real value for Government spending, not only ensuring that there are cash savings through the arrangements put in place but also that public sector buyers are accessing the right goods or services at the right time and that rigorous quality assurance is in place.

Thank you for your time and I look forward to answering your questions.

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