

LIMERICK CITY COUNCIL

Corporate Procurement Plan

2008-2009



1. Introduction and Background

The objective of Corporate Procurement Planning in the Local Government Sector is to ensure that better value for money can be achieved in some or all of the following ways:

- Ensuring that purchasing within all Local Authority organisations is carried out in a co-ordinated and strategic manner,
- Reviewing and, where possible, streamlining the administration of existing purchasing processes e.g. by using available e-procurement tools to achieve financial and staff savings,
- Utilising the buying power of the local government sector to achieve greater value for money, when purchasing goods and services in the marketplace.
- Complying with National and EU Legislation and Directives.

The level, diversity and complexity of the expenditure associated with local government require an effective approach to procurement within the sector. However, the approach to procurement is largely unstructured and largely decentralized within the sector.

This was acknowledged in the Local Government Strategy for e-Procurement published on behalf of the local government sector in 2003.

“Dedicated procurement structures are not generally in place in the local government sector and where they do exist they are concerned primarily with regulatory compliance rather than the provision of strategic value adding procurement activities such as strategic sourcing and contracting. No one is responsible or accountable for leveraging the significant purchasing power of the sector or for managing the effectiveness of procurement performance at either a local authority or sector level”.

The National Public Procurement Policy Unit (NPPPU) was established in June 2002 to improve public procurement capacity and deliver the Government’s eProcurement strategy through a process of procurement management reform.

In 2005 the NPPU published the National Procurement Policy Framework which they stated was part of their ongoing programme of procurement management reform. This policy document sets out the broad practices and principles that should underpin reform.

Public bodies subject to this policy are expected to:

- Include procurement management reform as one of the key strategic priorities and aims as part of their statements of strategy or other key strategic documents.
- Develop an appropriate corporate procurement plan based on the procurement management reform objectives; and
- Arising from the annual corporate procurement plan develop a plan(s) for significant purchases.

Limerick City Council acknowledges the benefits of procurement planning and this inaugural publication of its Corporate Procurement Plan sets out the specific objectives of Limerick 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 NPPU guidance the expenditure to be included in the expenditure risk analysis is to exclude capital expenditure and direct staffing costs. The risk analysis involved the use of analytical tools in Agresso.
2. ***Organisational Analysis*** – Involves an analysis of the current position of procurement within the organization.
3. ***Specific Goals*** – This brings together the findings of the expenditure risk analysis and organizational analysis and indicates specific areas for improvement which are set out in the recommendations (Section 2)

Stakeholders

Anyone involved with non-pay expenditure throughout the City Council should be aware of the corporate procurement plan. In particular however the persons involved with procurement should be familiar with provisions relevant to their areas of interest, and with their respective responsibilities in implementing certain aspects of the plan.

2. Executive Summary and Recommendations

Executive Summary

The analysis of expenditure included in this Corporate Procurement Plan covers the period of the financial year ended 31st Dec 2007 and relates to current (revenue) spending. As indicated by Departmental Guidelines, expenditure on the large infrastructural capital projects is excluded. Also excluded is expenditure incurred on Direct Council Staffing.

Further chapters will explain the expenditure analysed and the methods used. While Limerick City Council did not previously have a formal procurement plan in place work has been continuing to ensure compliance with local, national and EU guidelines to promote and ensure best value for money as set out in section 4.

In this regard, Limerick City Council has already implemented a large number of efficiency measures aimed at reducing expenditure and ensuring value for money. In addition Limerick City Council is involved in a large number of local, regional and national shared services projects. Given the findings of the expenditure analysis it is not intended to establish a procurement unit in Limerick City Council. The process of delegated financial management responsibility has served the City Council well in recent times and the expenditure analysis does not point to the need to change this process.

In conclusion the purpose of this Corporate Procurement Plan is to reflect the Councils commitment to the treatment of purchasing as a strategic deliverable. It meets the Departments obligations under the National Public Procurement Policy Framework, and it is hoped that the successful implementation of the plan will signal the achievement of genuine procurement reform through the application of established best practices across the different departments of the Council.

Recommendations

It is recognised that not all of the recommendations can be achieved in a single year and it is anticipated that relevant recommendations will be identified each year and incorporated into the annual Service Plan for each Directorate.

- Review and monitor Purchasing procedures on an annual basis and ensure that relevant national and European policy directives are reflected in all documentation prepared, distributed and implemented.
- Implement a “Training and Education” programme for existing employees on an annual basis and incorporate as part of the induction process for new employees
- Extend the use of the Low Value Purchase Cards through out the operating areas
- Review the options available to ensure competitive pricing for disposal of street cleaning sweepings
- In the area of energy costs review the options available to ensure competitive pricing for the operation and maintenance of public lighting
- Review contract payments in roads and housing to assess if greater purchasing efficiencies could be identified
- Review the procurement of valuation services by housing and property management
- Review the purchase procedure used by Housing in the procurement of other establishment expenses
- This Plan should be reviewed annually and progress on achievement reported and measured. This will be done as part of annual review of the Corporate Plan.
- Senior Management to sign off on Corporate Procurement Plan
- Responsibility for the preparation of the annual Corporate Procurement Plan should be assigned to one Department. This process should involve a detailed analysis of expenditure, which will require thorough data cleansing, and constant monitoring of expenditure. A detailed analysis of all products needs to be undertaken to ensure that they are linked to the correct expenditure account elements. This exercise will be necessary if the Council is to analyse expenditure by account element in the future.
- Identify staff in each Directorate to have responsibility for management of the purchasing function , and carry out spend analysis, monitoring and control of spend, monitoring of data input to Agresso, making recommendations on achieving value for money, examining supplier base with a view to widening it (where there are few suppliers) and narrowing it where there may be too many one-off suppliers. Responsibility for overseeing the procurement function in each Department should be delegated to a senior official in each Department. A deputy should also be identified.
- Produce a Basic Guidance Manual on Public Procurement, which can be used for reference purposes by all Departments in Limerick City Council. The manual should document procedures regarding the tender opening process, keeping of procurement project files, procedures, selection criteria, award criteria, procurement reforms, use of etenders etc.
- Continue the roll out of the Low Value Purchase card scheme.
- Reduce transaction costs by consolidating the number of suppliers.
- Ensure all invoices are sent the Accounts Payable section directly, with Purchase Orders raised in advance and quote on Invoices. This will aid in streamlining the Accounts Payable process.

3. Expenditure and Risk Analysis

In line with NPPU guidance the expenditure to be included in the expenditure risk analysis is to exclude capital expenditure and direct staffing costs.

Set out below is an analysis of Limerick City Council's 2007 total expenditure. This analysis was carried out to identify areas where procurement reform was required.

The first category of expenditure is costs that do not involve the procurement of goods and services.

| Description | Expenditure in 2007 | % of Total Expenditure |
|--|------------------------|---------------------------|
| Costs not relating to procurement of Goods and Services | | |
| Salary & Wages & Pensions | 38,307,256 | 47% |
| Transfers of Revenue Funds to Reserves/WIP | 4,353,906 | 5% |
| Contributions to Other Bodies | 4,232,992 | 5% |
| Bad Debts | 3,323,138 | 4% |
| Payments of Grants | 1,911,360 | 2% |
| Financial Charges | 1,863,125 | 2% |
| Rent & Rates | 1,691,253 | 2% |
| Administration Expenses - Other | 749,892 | 1% |
| Members Costs | 682,689 | 1% |
| Miscellaneous | 606,207 | 1% |
| Travel & Subsistence Allowances | 414,814 | 1% |
| Communications | 522,596 | 1% |
| Refund | 182,496 | 0% |
| Financial Management | 40,874 | 0% |
| Agency Services | 38,194 | 0% |
| AGRESSO System Account | 428 | 0% |
| Total | 58,921,219 | 72% |

The second category is costs that are either procured using LA Quotes system or are currently subject to some other direct procurement process. It is not envisaged that any amendment to the current procurement process in relation to these should be implemented.

| | Expenditure in 2007 | % of Total Expenditure |
|--|--------------------------------|-----------------------------------|
| Costs tendered using LA Quotes system | | |
| Materials & Stores Issues | 2,542,845 | 3% |
| Machinery Yard Charges & Plant Hire | 678,559 | 1% |
| Total | 3,221,404 | 4% |
| Significant costs that were subject of specific procurement processes | | |
| Operation of waste water treatment plant | 4,717,884 | 6% |
| Operation of water treatment plant | 2,100,277 | 3% |
| Waiver scheme for refuse collection | 523,972 | 1% |
| Roads repairs contracts | 3,767,437 | 5% |
| Total | 4,291,409 | 15% |

The final category of expenditure is the balance of expenditure and is set out in the following table:

| | Expenditure in 2007 | % of Total Expenditure |
|--|--------------------------------|-----------------------------------|
| Costs relating to procurement of goods and services | | |
| Contract Payments | 2,551,298 | 3% |
| Repairs & Maintenance | 1,481,146 | 2% |
| Energy | 1,403,772 | 2% |
| Consultancy & Professional Fees | 1,021,187 | 1% |
| Other Establishment Expenses | 833,945 | 1% |
| Purchase of Equipment | 807,567 | 1% |
| Printing & Stationery | 425,288 | 1% |
| Training & Recruitment | 293,407 | 0% |
| Total | 8,817,609 | 11% |

These costs represent 11% of total expenditure. Within this expenditure there are a number of costs that are separately procured. In addition there are a very large number of small items.

This 11% of expenditure is the area of expenditure that this expenditure analysis has identified as requiring examination in the context of the corporate procurement plan.

Contract payments are primarily procured by Housing, Roads and Environment. A large portion of the Environment amount relates to the disposal of street cleaning sweepings. There are limited options on where this service can be procured and the difficulty in sourcing supply is an issue in the procurement of this service.

The contract payments in roads and housing involve a large number of small payments and will require further review to assess the potential for savings from improved procurement processes.

Repairs and Maintenance is broken down by service area as follows:

| Progrp(T) | Repairs & Maintenance |
|-------------------------------------|-----------------------|
| HOUSING AND BUILDING | 213,600 |
| WATERSUPPLY AND SEWERAGE | 99,095 |
| DEVELOPMENT INCENTIVES AND CONTROLS | 22,979 |
| ENVIRONMENTAL PROTECTION | 655,329 |
| RECREATION AND AMENITY | 100,339 |
| MISCELLANEOUS SERVICES | 240,896 |
| SUPPORT SERVICES | 148,908 |
| GRAND TOTAL | 1,481,145 |

The largest area of expenditure relates to the maintenance contracts associated with the operation of the Mid West Regional Control Centre. These have been the subject of a separate procurement process. Included in Support Services is the contract for maintenance of Civic Offices which has been the subject of a procurement process during 2008. The remaining areas are made up of a large number of small amounts.

Energy costs are broken down by service area as follows:

| Progrp(T) | Energy |
|-------------------------------------|-----------|
| HOUSING AND BUILDING | 32,314 |
| ROAD TRANSPORTATION AND SAFETY | 905,637 |
| WATERSUPPLY AND SEWERAGE | 74,319 |
| DEVELOPMENT INCENTIVES AND CONTROLS | 6,895 |
| ENVIRONMENTAL PROTECTION | 102,775 |
| RECREATION AND AMENITY | 50,700 |
| MISCELLANEOUS SERVICES | 135,000 |
| SUPPORT SERVICES | 2,000 |
| GRAND TOTAL | 1,309,639 |

The largest area of expenditure is roads which relates to the provision of public lighting. This is an area that requires further examination in terms of possible procurement options.

Consultancy and professional fee costs are broken down by service area as follows:

| Progrp(T) | Consultancy & Professional Fees |
|-------------------------------------|---------------------------------|
| HOUSING AND BUILDING | 299,386 |
| ROAD TRANSPORTATION AND SAFETY | 155,484 |
| WATERSUPPLY AND SEWERAGE | 39,287 |
| DEVELOPMENT INCENTIVES AND CONTROLS | 39,251 |
| ENVIRONMENTAL PROTECTION | 129,598 |
| RECREATION AND AMENITY | 109,259 |
| MISCELLANEOUS SERVICES | 192,599 |
| SUPPORT SERVICES | 56,323 |
| GRAND TOTAL | 1,021,187 |

Housing and Miscellaneous are the largest areas of expenditure. A large number of invoices for valuation services are incurred in these areas and it is recommended that valuation services be further examined to assess procurement options in this area.

Other establishment expense costs are broken down by service area as follows:

| Proggrp(T) | Other Establishment Expenses |
|-------------------------------------|------------------------------|
| HOUSING AND BUILDING | 530,471 |
| ROAD TRANSPORTATION AND SAFETY | 430 |
| WATERSUPPLY AND SEWERAGE | 104,771 |
| DEVELOPMENT INCENTIVES AND CONTROLS | 963 |
| ENVIRONMENTAL PROTECTION | 170,748 |
| RECREATION AND AMENITY | 8,980 |
| MISCELLANEOUS SERVICES | 17,251 |
| SUPPORT SERVICES | 331 |
| GRAND TOTAL | 833,945 |

Housing maintenance is the most significant area of expenditure and it is recommended that the spend in this area be further evaluated to assess the procurement processes used.

Purchase of equipment costs are broken down by service area as follows:

| Proggrp(T) | Purchase of Equipment |
|-------------------------------------|-----------------------|
| HOUSING AND BUILDING | 134,926 |
| ROAD TRANSPORTATION AND SAFETY | 169,575 |
| WATERSUPPLY AND SEWERAGE | 17,445 |
| DEVELOPMENT INCENTIVES AND CONTROLS | 28,215 |
| ENVIRONMENTAL PROTECTION | 208,377 |
| RECREATION AND AMENITY | 24,892 |
| MISCELLANEOUS SERVICES | 77,434 |
| SUPPORT SERVICES | 146,701 |
| GRAND TOTAL | 807,567 |

All large equipment purchases are subject to procurement processes. The fire service area of environment is the largest purchasers of equipment.

During 2008 the purchasing of printing and stationary has been centralized into one area in order to ensure efficient procurement in this area.

4. Organisational Analysis

Limerick City Council does not have a dedicated procurement structure and the current approach to procurement is largely decentralized. However, it is also fair to say that there have been some developments within the organization in the area of procurement over the last number of years including:

- Ongoing development and strengthening of the organizational procurement policies and procedures on a bi-annual basis.
- Increased and coordinated approach to the use of the national e-tendering website www.etenders.gov.ie.
- Implementation of the web based application for annual quotations for plant hire, haulage, tool hire and supplies www.laquotes.ie.
- Introduction of purchasing cards to facilitate payments for low value goods & services.

The development of the Organisational Procurement Policies and Procedures mentioned above included the expansion of this document to include a number of additional elements including

- The key principles which should underpin any procurement transaction undertaken on behalf of the organization. A copy of these key principles is included in Appendix A to this document.
- Guidance on taxation issues including
 - Tax Clearance Certificate requirements
 - Sub Contractor Tax/Relevant Contracts Tax (RCT)
 - Reverse Charge VAT in the Construction Industry
- Specific policies and procedures for the procurement of Consultancy Services in Limerick City Council
- Guidance on new requirements under Public Works Contracts
- Obligations under the Freedom of Information Acts
- Obligations under the Disability Act 2005

Limerick City Council currently shares/provides a number of services to neighbouring local authorities as follows:

- *Water and Waste Water Services* are provided to Limerick County Council and Clare County Council in the greater suburban areas of the City. Sludge drying facilities are also provided to these authorities.
- *Fire Services* - Limerick City Council provides the only full time fire services in the mid-west region and provides cover to Limerick County Council and Clare Council areas in particular.
- *Munster Regional Control Centre (MRCC)*: - Limerick City Council provides the emergency call centre for the Munster area covering ten local authorities in total. The MRCC has recently obtained the ISO 9001:2000 Quality standard, which indicates the level of efficiency in this operation.

Other services shared on a regional basis provided by neighbouring local authorities include:

- Dog Control/ Dog Pound
- Regional Waste Management Office
- Regional Road Design Office
- Vet services
- Broadband provision and administration
- Road design office
- River basin management

Other services shared nationally include:

- Local government computer services board
- Local government management services board
- Provision of staff for interview boards

Limerick City Council also participates in the following:

- Framework arrangements for purchase of computers
- Government VPN for communications costs
- LA quotes purchasing system

5. Important General Issues

Conflicts of Interest

Limerick City Council as a contracting authority should be aware of potential conflicts of interest in the tendering process and should take appropriate action to avoid them. Care should be taken to ensure that project specifications and criteria should be as open and generic as possible in order to avoid favouring any one solution or any one party.

Statutory Provisions

Before awarding a contract, Limerick City Council as a contracting authority should ensure that tenderers have regard to statutory provisions relating to minimum pay, legally binding industrial or sectoral agreements and relevant health and safety issues, when preparing tenders. An appropriate reference to the need for compliance with such provisions should be included in tender documents.

Collusive Tendering

Contracting authorities should watch for anti – competitive practices such as collusive tendering. Any evidence of suspected collusion in tendering should be brought to the attention of the Competition Authority : telephone (01) 804 5400.

Criminal Convictions

In line with the revised procurement Directives, candidates or tenderers who have been convicted of involvement in organised crime, of fraud, corruption or money laundering must be excluded from performing a public contract.

6. Taxation Issues

Value-Added Tax (VAT)

Tenderers should be invited to express tender prices exclusive of VAT. VAT law provides for equal treatment in the supply of goods and services, therefore no competitive advantage or disadvantage should arise from the correct application of VAT rules.

Contracting authorities are required to pay VAT on goods and services procured and, generally speaking, cannot recover VAT paid. In the case of goods and services invoiced from within Ireland, VAT is charged to the contracting authority and remitted to the Revenue Commissioners by the supplier of the goods or services. However, contracting authorities procuring, or likely to procure, in a twelve month period, **goods** above a certain value (€41,000 from 1 January 2002) from other EU Member States, are required to register and pay VAT to the Revenue Commissioners (Collector General) in respect of those procurements.

VAT must be paid by the contracting authority for **all scheduled services** (including the most commonly procured services) invoiced VAT free from abroad, i.e. there is no minimum threshold. If a contracting authority is required to register for VAT because it receives scheduled services from abroad, **all goods** which it receives, irrespective of the level of such acquisitions, are liable to Irish VAT. VAT, calculated at the rate applying in Ireland, must be paid to the Revenue Commissioners by the contracting authority which receives such goods or services.

The foregoing is a brief summary of the VAT rules which apply to contracting authorities when procuring supplies and services and the information is not exhaustive. Further information is available in “Value Added Tax Information Leaflet No 11/01” issued by the Revenue Commissioners, which is published on their website www.revenue.ie or can be obtained by contacting VAT Administration, Stamping Building, Dublin Castle, Dublin 2: telephone (01) 647 5000.

Professional Services Withholding Tax

Professional Services Withholding Tax (PSWT) must be deducted at the standard rate from payments by contracting authorities for professional services. Comprehensive information on PSWT

is available in a booklet “A Revenue Guide to Professional Services Withholding Tax (PSWT) for Accountable Persons and Specified Persons” which is published on website www.revenue.ie or can be obtained from the Revenue Commissioners: telephone (01) 878 0100.

Tax Clearance Certificates

All contracting authorities are reminded of the need for tax clearance of contractors as outlined in Department of Finance ‘*Circular 22/95 Tax Clearance Procedures - Public Sector Contracts*’ or any revised version which will be available on www.revenue.ie.

Tenderers should contact their local Revenue District or Large Cases Division as appropriate. Full contact details can be obtained, and for most cases an online application for Tax Clearance Certificates can currently be made, under ‘What’s New’ on www.revenue.ie.

Non resident tenderers should contact the Collector General, Sarsfield House, Limerick: telephone (061) 310 310 or 1890 203 070.

7. Competitive Process below EU threshold values

It is a basic principle of public procurement that a competitive process should be used unless there are justifiably exceptional circumstances. The type of competitive process can vary depending on the size and characteristics of the contract to be awarded and the nature of the contracting authority.

Low Value Requirements

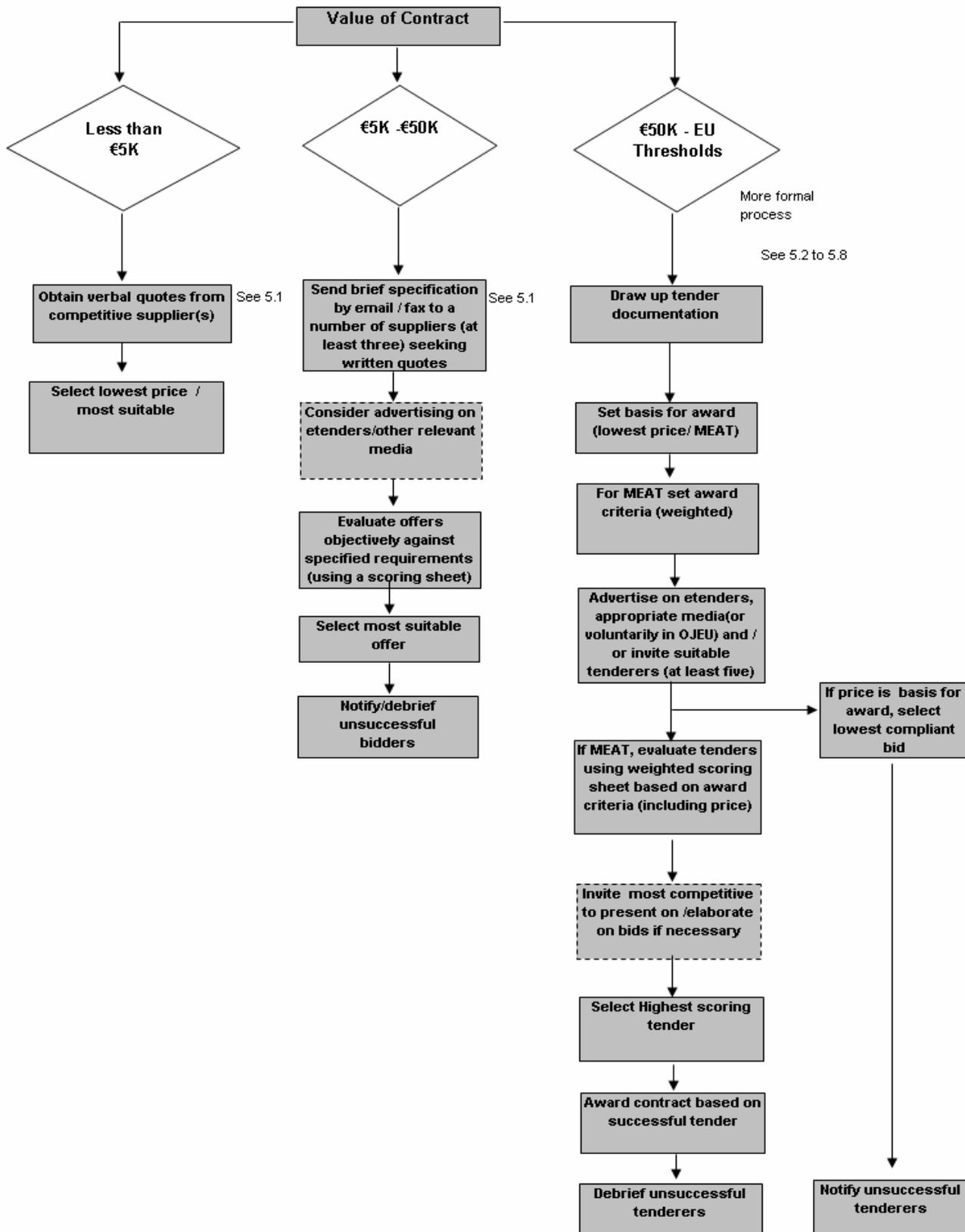
For contracts or purchases below the EU threshold values and not part of a 'draw down' or framework contract, less formal procedures may be appropriate. For example:

- supplies or services **less than €5,000** in value might be purchased on the basis of verbal quotes from one or more competitive suppliers;
- supplies or services contracts between **€5,000 and to €50,000** in value might be awarded on the basis of responses to specifications sent by fax or email to at least three suppliers or service providers.

Values and procedures outlined above are indicative only and should be adapted as appropriate to suit the type of contracting authority and the nature and scale of the project. Reasons for procedures adopted, including procedures where a competitive process was not deemed appropriate, should be clearly recorded. All contract award procedures should include a verifiable audit trail.

While contracting authorities are not required to advertise on the national public procurement website *etenders.gov.ie* for requirements below €50,000 they are encouraged to do so if the anticipated response would not be disproportionate, having regard to the value of the requirement.

Figure 1. Steps in conducting a Competitive Process for contracts below EU thresholds



Advertising : CONTRACTS ABOVE €50,000 UP TO THE VALUE OF EU THRESHOLDS

Contracts **above €50,000** and up to the value of EU thresholds for advertising in OJEU (see *Figure 1*), not part of a ‘draw down’ or framework contract, should normally be advertised as part of a formal tendering process. Publication on the etenders.gov.ie website generally meets national advertising and publicity requirements and significantly reduces the need for expenditure on advertising. Notices can be placed by registering online. The site is a key reference point for potential suppliers and service providers and the service is currently provided at no cost to contracting authorities.

Depending on the nature of the requirement, it may be appropriate to supplement national website advertising with advertising in other media, in trade publications and / on other websites. An abbreviated notice indicating the publication of tender details on the *etenders* website should be considered in such cases. Details of an advertised tendering procedure may be sent directly to candidates who may be deemed suitably competent to participate.

Direct Invitation (without advertising)

Alternatively, a process of direct invitation to tender¹ may be used. This may involve

- invitation to firms deemed appropriately qualified for a particular project (this may be appropriate for specialised requirements in markets where there is a limited number of suppliers or service providers)
- or**
- invitation to tender to firms on a list established on an open and objective basis (normally used by contracting authorities which have a frequent or recurring requirement for supplies or services or those wishing to maintain a well organised ongoing procurement system).

Where direct invitations are issued, firms from which tenders are sought should be a good representative sample of all potential bidders in the market concerned. The number invited to tender should be determined by the size and particular characteristics of the project to be undertaken. The

¹ Often referred to as selective or restricted tendering

number must be sufficient to ensure adequate competition, and should not be restricted for reasons of administrative convenience. At least five firms should normally be invited to submit tenders.

Authorities keeping a list of firms from which they invite tenders should advertise at appropriate intervals (normally on an annual basis) for the admission of interested parties and should ensure that the lists are open to suitably qualified entrants at all times. Care should be taken to ensure that such lists are used in an open and non - discriminatory manner. Under direct tendering procedures, contracting authorities should ensure that recently established firms, or firms with no previous experience of public contracts, are not excluded from invitations to tender. Contracting authorities should encourage these firms by allowing them to tender for smaller contracts initially and then, subject to satisfactory performance, progressing to larger or more complex contracts. It is in the interest of contracting authorities that the pool of potential suppliers is actively maintained and updated.

If the number of firms on a list is too large to invite all suitable firms to tender, a number of those firms, sufficient to ensure adequate competition, may be selected for inclusion in the competition. Selection from the list can be made in accordance with specified criteria, randomly, or by rotation, or by a combination of all three. Selection may be based on factors such as overall suitability to the particular project by reference to experience, technical competence and capability and financial standing. The selection process should have particular regard to the need for equal treatment and reasonable distribution of opportunities.

The methods and criteria for selecting firms and for awarding contracts should be documented and should be objective, transparent and proportionate. It should be clearly understood that whether responses are to an advertisement or to a direct invitation, all parties in the process must be treated on the same fair and objective basis. Decisions on selections for smaller projects or purchases should be recorded with a minimum of formality.

Evaluation and Contract Award

For larger projects (€50,000 and above) being awarded on the basis of the most economically advantageous tender (MEAT), it should be the normal practice to have the evaluation of tenders carried out by a team with the requisite competency. This may include independent representation, i.e. a competent person from outside the area directly involved with placing the contract.

Transparency and objectivity are best demonstrated by the use of a scoring system or marking sheet based on the relevant weighted criteria, including price, indicating a comparative assessment of tenders under each criterion. (See Appendix III for sample scoring system).

As an aid to understanding and clarity, it may be appropriate to invite the most competitive tenderers to present or elaborate on proposals for technical or consultancy projects. However, any dialogue with tenderers that could be construed as "post tender negotiation" on price or result in significant changes to the published tender specifications must be avoided.

Results of Tendering Process

All tenderers should be informed of the result of a tendering process without delay.

Summary for Contracts below EU thresholds

| | |
|--|--|
| <p>Less than €5,000</p> | <ul style="list-style-type: none"> ➤ Verbal quotes from one or more suppliers may suffice in such instances |
| <p>Between €5,000 & €50,000</p> | <ul style="list-style-type: none"> ➤ The contract may be awarded on the basis of specifications sent by fax or email. ➤ At least three potential suppliers must be contacted. ➤ Advertising on the government’s procurement website is not compulsory, but is recommended. ➤ Replies are evaluated, the successful candidate is chosen and the unsuccessful applicants are debriefed. |
| <p>More than €50,000 & up to EU thresholds (see separate panel below for EU thresholds)</p> | <p>Two possible approaches may be adopted for such contracts:</p> <p>(A)</p> <ul style="list-style-type: none"> ➤ Advertising on the government’s website (www.etenders.gov.ie) usually satisfies all advertising and publicity requirements. In some cases, advertising on other media may be appropriate. <p>(B)</p> <ul style="list-style-type: none"> ➤ A policy of ‘direct invitation to tender’ may be adopted. This may involve an invitation to particular firms (at least five) to tender when the number of suppliers is limited, or an invitation to tender to firms on a previously established list. <p>In the case of (A) and (B) above, the final steps are:</p> <ul style="list-style-type: none"> ➤ The selection of the winning tender. ➤ The successful contractor is notified ➤ The unsuccessful candidates are debriefed. |

8. EU threshold values

EU Thresholds

The main advertising thresholds with effect from 1 January 2008 to 31 December 2009 are as follows:

| | | |
|--|------------|--|
| Works | | |
| Contract Notice | €5,150,000 | Threshold applies to Government Departments and Offices, Local and Regional Authorities and other public bodies. |
| Supplies and Services | | |
| Contract Notice | €133,000 | Threshold applies to Government Departments and Offices |
| Contract Notice | €206,000 | Threshold applies to Local and Regional Authorities and public bodies outside the Utilities sector. |
| Utilities | | |
| Works Contracts / Prior Indicative Notice* | €5,150,000 | For entities in Utilities sectors covered by GPA |
| Supplies and Services | €412,000 | For entities in Utilities sectors covered by GPA |

Updates of the EU thresholds can be obtained from: www.etenders.gov.ie website. The thresholds are updated every two years.

CONTRACTS ABOVE EU THRESHOLD

- An invitation to tender should be placed in the Official Journal of the European Union (OJEU).
- These invitations should also be placed on the government's etenders website (www.etenders.gov.ie).

- Time limits (up to 52 days) apply for the receipt of tenders.
- A scoring system is used to evaluate tenders received.
- The specific EU thresholds which apply depend on the type of contract involved, e.g. works or frequently-bought goods and services.

EU DIRECTIVES ON PROCUREMENT

The most recent directives issued by the EU in relation to procurement are 2004/17/EC and 2004/18/EC and European Communities (Award of Contracts by Utility Undertakings) Regulations 2007.

The first of these directives & the 2007 regulation refers to utilities, i.e. contracts placed by authorities providing energy, water, transport and postal services. The second directive was issued in relation to goods, services and works purchased by public bodies.

These directives set out clear provisions for all public service bodies in relation to the correct procedures to follow when buying goods, services and works. The directives only apply to contracts above a certain monetary amount, called a threshold which is a monetary limit on the value of a contract. For contracts up to this pre-determined limit, certain national procedures must be adopted. Detailed guidelines on above and below threshold procedures are contained in *Public Procurement Guidelines – Competitive Process* which is available in Government Publications and which is summarized in Figure 1 below.

The main implication of the directives is to require public bodies to follow agreed procedures in relation to the purchase of goods and services. Particular areas covered include:

- How contracts are advertised.
- Time limits allowed for submission of tenders.
- The correct documents and where these can be obtained.
- How contracts are evaluated.