Deputy Inna Gardiner
Chair
Public Accounts Committee
States Greffe

BY EMAIL

16th August 2024

Dear Deputy Gardiner

Re: Government of Jersey (GoJ) Procurement Review

Thank you for your letter dated 11th July 2024. Please see the below in response to the Panel's questions. Please note that this letter represents a joint response of the Chief Executive and the Treasurer of the States, given that Treasury and Exchequer have supported me in gathering information in response to your questions. By nature, Treasury and Exchequer coordinates commercial services but is a low volume consumer of procurement services. I believe the information available on the Commercial Services (CS) pages on gov.je may also support the Committee's review.

1. **What strategies are in place to enhance the transparency of your procurement processes for suppliers and stakeholders?**

GoJ procurements follow the Sourcing Routes as outlined in the Procurement Best Practice and Procedures User Guide and Toolkit (the CS Toolkit), which can be found Here.

All tenders over £100,000 in value are subject to Sourcing Route number 4. These are all publicly advertised on the Channel Islands Tender Portal (ProActis). This can be accessed via the Government website. Registered suppliers receive notifications of opportunities in relation to Invitations to Tenders (ITT).

For frameworks, suppliers are notified of opportunities within their category (e.g. Professional Services). GoJ is currently working to digitise this process.

For larger strategic tenders (e.g. New Healthcare Facilities) supplier engagement events are facilitated by GoJ (historically, often in UK and Jersey).

2. **How can government improve its procurement processes to better support local businesses and encourage their participation?**

There is a need for improved 'horizon scanning' of commercial opportunities within GoJ so that requirements can be communicated at the earliest possible opportunity.

This 'early sight' pipeline activity is compliant with our regulations and allows on-island providers to consider investment choices within their own businesses, to support government with its future programmes.

3. **What measures are you taking to ensure that procurement practices promote fair competition and avoid any potential conflicts of interest?**

The Government of Jersey CS Toolkit includes principles, such as transparency, objectivity and honesty, which promote fair competition and avoid any potential conflicts of interest.

The Toolkit is based on the Public Finances Manual (PFM) and the Public Finances (Jersey) Law 2019, which describe requirements for regularity i.e. spending public money for the purposes for which it was allocated by the States Assembly.

There is a process in place to manage Conflicts of Interests (COI) in procurement, whereby each Commercial team member working on a procurement or part of an evaluation panel, is required to declare any actual or perceived conflict of interest risks. Declarations are reviewed by the Director of Commercial Services. The COI process under the PFM also applies to all GoJ colleagues who may be involved as an evaluator.

The GoJ standard ITT template also includes specific schedules to be completed and returned by suppliers – these include a non-collusive tendering certificate and a non-canvassing declaration certificate. The non-collusive certificate makes clear any collusion between bidders is not permissible and must be revealed to GoJ, if appropriate as a consortium bid.

The non-canvassing declaration certificate is intended to reveal (from a supplier's perspective) whether they have internal conflicts within GoJ to report - and to ensure they do not speak with GoJ contacts during a tender exercise, unless it relates to previously awarded, in flight operational matters.

4. **How do you assess the effectiveness of your procurement processes, and what key performance indicators do you use?**

Commercial Services has historically used several KPI mechanisms to assess the effectiveness of the procurement process with differing levels of success. These include:

- The analysis of spend data to categorise and understand opportunities to achieve better value for money.
- Analysis of processes: use frequency, including how often each step is used, time to complete standard processes and procurements bottlenecks. This work continues to be developed.
- Supplier experience ratings, following procurement process, successful and unsuccessful tenderers should be informed of the decision and offered feedback or a debrief at the end of the procurement (this requirement is outlined in the CS Toolkit). This provides GoJ with Supplier Experience feedback which is reviewed and informs approaches to future tender opportunities.
- Commercial Services also utilises GoJ's Rate Our Service feedback survey to benchmark performance and capture feedback to provide key customer insight towards improvements in the services we provide. Our quarter 2 (2024) Customer Satisfaction score was 80% and Customer Effort score is 4.2 (out of 5).

5. **How do you assess the effectiveness of your procurement delivery, and what key performance indicators do you use?**

Please see response to Question 4. In addition, the following are used to assess the effectiveness of procurement delivery:

- Procurement Savings: during evaluations and scoring, the most economically advantageous tender is evaluated and compared against other suppliers. For lower value (under £100,000) procurements, comparison is drawn between 3 quotations.

- Market Engagement: GoJ perform market analysis and engagement opportunities to understand the supply chain and market readiness. Early Market Engagement also provides GoJ with the opportunity to formulate tenders which will derive the greatest market interest. This supports GoJ to achieve tender responses which meet requirements.
- Procurement Planning and Delivery Management: Procurements run by GoJ should be delivered to a pre-agreed schedule (timetable). The delivery of the procurement to the scheduled timescales is monitored during the procurement.
- Procurement objectives/KPIs: These are generally specific to a procurement and are outlined in the procurement strategy. Common KPIs include delivery of milestones to plan, delivery of activity within budget, confirmation of a recommended supplier meeting criteria.

6. How do you assess the value for money of your procurement delivery?

Tenders are evaluated in a structured, commercial approach, balancing cost with quality and other criteria. The approach adopted is specific to each individual procurement and the strategic goals it is seeking to achieve. The criteria and weightings are developed following engagement with key stakeholders (up to and including Ministers, where appropriate). This delivers an outcome which balances cost-effectiveness with quality and value, and results in a recommended supplier for award decision (a credible bidder meeting the evaluation criteria), including comparison between bidders and, where appropriate, benchmark data available to GoJ. It is also an objective to deliver procurement processes on-time and within-budget.

7. What feedback mechanisms do you have in place to gather input from suppliers about your procurement processes, and how do you act on this feedback?

During a tender process, suppliers can submit clarification comments within the ProActis portal on the procurement process and documentation. Following an evaluation outcome decision as part of a procurement process, a debrief and feedback opportunity is in place.

All external correspondence with suppliers, provides a feedback opportunity, which is regularly monitored to identify areas for improvement. The Commercial Services email address is available to all suppliers on gov.je, as well as a 'rate our service' feedback form. The GoJ-wide feedback policy and process also applies and is available to all stakeholders in the procurement process.

8. How do you ensure that your procurement requirements are clear and well communicated to all potential suppliers?

Please see response to Question 1. The processes outlined in the Toolkit include Prior Information Notices (PIN) and Requests for Information (RFIs) to communicate widely and undertake market testing.

9. What training or resources does government provide to suppliers to help them understand and navigate your procurement process more effectively?

For tenders, Invitation to Tender (ITT) documentation, which is issued via Proactis, provides specific comprehensive supplier guidance and GoJ facilitates supplier engagement events in Jersey and the UK, as described in the response to Question 1. The Channel Islands Tenders portal also features FAQs and a Supplier Help section.

For existing suppliers, or once a new supplier has been awarded a contract, guidance is provided by GoJ in relation to SAP Ariba on-boarding and use. Our website gov.je features a comprehensive library of training resources that includes Quick Reference Guides, FAQs, Training Videos, Links to SAP-produced guidance documentation, and Contact Details for both Gov and SAP should further support be required. In addition, and following feedback from suppliers post-go-live, the Commercial Services Ariba team have

begun providing dedicated one-to-one support for suppliers offering both in-person and remote support sessions to help with adoption of the new system and ways of working.

Shortly after the launch of SAP Ariba, Commercial Services and Accounts Payable implemented a dedicated ticketing system (SAP Service Cloud) to help manage a significant increase in internal and external enquiries. This has delivered benefits including streamlined communication, automation and workflow management, analytics and reporting, and improved integration with Finance and People Services. Since April 2023 teams have processed over 48,000 tickets. The most common queries relate to Invoice to Pay processes (approx. 45% of all tickets) and support with Ariba and supplier onboarding (16%).

10. What are the most common concerns raised by suppliers about governments procurement processes, and how are these concerns being addressed?

The Commercial Services team has received feedback that the most common concerns include:

- Procurement documentation may be large and complex, particularly when procuring strategic/technical services or products, which can be seen as a barrier to entry for smaller suppliers. In response GoJ shall provide more Supplier Engagement Events and offer suppliers an opportunity to clarify any aspects.
- Market misconception that GoJ is a 'closed shop' with incumbent suppliers being favoured. This feedback is addressed through the actions highlighted in the response to Question 17.
- Low usage, low value suppliers find the new SAP processes complicated as a new way of working. Often, Commercial Services is able to directly support these suppliers by providing training to them at their own business premises.
- Some suppliers have reported late payments and poor customer experience, usually as a result of non-familiarity with system process, or transfer of payment from JD Edwards (legacy Finance System) to SAP following initial launch. Late payments in Connect Finance have been a focus and the status has improved since last year when Accounts Payable had a backlog of invoices.

Much of this feedback was also included in the 'Barriers to Business Report' published in September 2023 (see section 3: 'Government Administrative Processes'). In addition, the above concerns are being addressed via:

- Consistent messaging that the GOJ must deliver value for money and evidence how procurement of goods and services must be cost effective.
- Clearer guidance around minimum timescales and effort required to engage with a Tender Process - ensuring suppliers are provided sufficient time to raise clarifications and respond.
- Introduction of SAP Ariba Request for Quotation (RFQ) functionality for framework competitions - streamlining competition processes and transparency; reducing supplier administration for lower value opportunities.
- Accounts Payable review all invoices that have not been processed straight through the system within 10 working days and these are either sent for payment or passed to a requisitioner for further information.
- Ad-hoc training and Supplier Engagement being undertaken to Support Suppliers using Ariba.

There is clear evidence that when used correctly the SAP Ariba system provides efficiency in terms of process and payment as shown in **Table 1.0: Comparison of Time to Payment (Q1 and Q2 2024),** below. Suppliers fully adopting Ariba processes have their invoices processed quicker and payments made within 30 days more often than those who use the manual invoice method. Automated matching

enables most invoices to be processed without manual intervention, which creates capacity within Treasury to support with other activities.

	Average processing days	% Paid within 30 days
Ariba invoices orders processed end to end (orders and invoices) through Ariba	13	94%
Non-Ariba invoices orders raised in Ariba but manually invoiced	36	39%

Table 1.0: Comparison of Time to Payment (Q1 and Q2 2024)

The above figures exclude drop ins, ad-hoc, purchase card / lodge card or concerto invoices. These concerns are also being addressed via the improvements outlined in the response to Question 18.

In addition, several key enhancements to the Ariba system and associated processes have been implemented since go-live, including but not limited to:

- Automation of the supplier onboarding process: reducing the manual effort required to process onboarding requests by approximately 60%.
- Automation of service sheet generation: following feedback from suppliers, this functionality when creating an invoice in Ariba reduces duplication and saves time for suppliers.

11. What steps are you taking to ensure that procurement processes are inclusive and accessible to small and medium-sized enterprises (SMEs)?

Please see response to Question 1. In addition, GoJ encourages procuring via 'lots' (breaking larger tenders down into constituent parts to increase SME opportunities) as well as undertaking market engagement sessions with suppliers prior to tendering to better understand barriers. This provides SMEs with the opportunity to determine how they may support. There are case studies where on-island SMEs have partnered with larger organisations in support of GoJ delivery (providing an entry to market).

12. What measures do you have in place to ensure the sustainability and social responsibility of procurement decisions?

Commercial Services has made significant progress since 2019, when the approach to delivering on social value responsibilities was often inconsistent. Commercial Services has since developed an approach to align with Future Jersey, UN Sustainable Development Goals and the Jersey Performance Framework. The approach aims to improve social mobility, develop a more resilient economy and protect our environment. The social value approach is available on gov.je.

For large tenders, there is a policy to evaluate bids against social value, typically weighted at 10% of scoring. In some cases, however, this is not possible. For example, a software renewal where the supplier is headquartered internationally with little potential benefit for Islanders. For smaller procurements, Commercial Services adopts a proportionate approach to social value agenda compliance.

13. How do you balance cost-effectiveness with quality and value in procurement decisions?

Please see response to Question 6.

14. What role does innovation play in the procurement process, and how do you encourage suppliers to propose innovative solutions?

In applying procurement processes, setting out *what* and *when*, and not *how* is perceived as the principal mechanism for operational risk transfer to the service provider. Using this approach, potential suppliers respond to a definition of what is to be delivered (known as an output specification) by stating how they will deliver those outputs. This encourages innovation, recognises service expertise and produces measurable outputs.

15. How do you handle disputes or grievances from suppliers regarding procurement decisions, and what is your process for resolution?

Suppliers engaging within a tender, will be provided with a decision and feedback as part of the procurement process. As part of this process, all suppliers are offered a debrief opportunity (whether successful or not). CS facilitate and advise during any escalation process for suppliers which challenge a decision. The Accountable Officer for the procurement shall ultimately review activities undertaken during a procurement to ensure it aligns with our publicised processes and guidance.

16. What are the barriers to engagement that suppliers face in your procurement process, and how can you work to eliminate these barriers?

Please see response to Question 10.

17. How do you ensure that procurement opportunities are widely communicated and accessible to all potential suppliers?
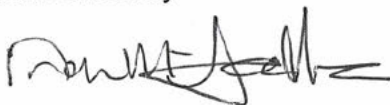
Please see responses to Questions 1 and 8.

18. What future improvements or changes are you planning for your procurement processes to better meet the needs of both the department and suppliers?

A number of future improvements are being considered as shown in Question 10. In addition:
- CS KPI collation and category data analysis improvement
- CS process review – implementing an ongoing review of CS process and policies to ensure validity and effectiveness.
- Implementation of more catalogues to improve self-service for departments and simplify the process for buying commonly used, lower value items.
- Supplier Relationship Management and capability guidance and training.
- SAP Ariba has several other modules that provide functionality in areas such as Sourcing, Supplier Lifecycle Management, Contract Management and Risk. Whilst there is currently no planned implementation or funded project for this capability upgrade, implementation of the upstream functionality would have several benefits

Yours sincerely

Andrew McLaughlin
Chief Executive and Head of the Public Service