

Deputy Inna Gardiner  
Chair  
Public Accounts Committee  
States Assembly  
By e-mail to [i.gardiner@gov.je](mailto:i.gardiner@gov.je)

8 August 2024

Dear Deputy Gardiner,

**Procurement Review**

Further to your letter of 11 July 2024, please find below responses to your questions:

	<b>Questions</b>	<b>Response</b>
1	How often does your department utilise the central procurement system for acquiring goods and services?	<p>The following is indicative information that has been supplied by Commercial Services (T&amp;E).</p> <p>From January 2023 to June 2024 (inclusive), HCS has placed an average of 2049 purchase orders a month.</p>
2	At what levels in terms of monetary value (e.g., small, medium, large purchases) do you most regularly engage with the central procurement system most frequently?	<p>The following is indicative information that has been supplied by Commercial Services (T&amp;E).</p> <p>From January 2023 to June 2024 (inclusive), the following number of purchase orders were placed in the below monetary value ranges:</p> <ul style="list-style-type: none"> <li>- Under £1k: 25,772</li> <li>- £1k to £25k: 10,159</li> <li>- £25k to £100k: 841</li> <li>- Above £100k: 104</li> </ul>
3	What aspects of the central procurement system work well and what challenges or issues does your department face when using the central procurement system?	<p>Firstly, please note that in HCS the central SAP Ariba system is used widely across the department for procuring non-catalogue items which are not managed inventory. An additional system SAP system, S/4HANA, is used by HCS' buying team for procuring managed inventory items. The below answer refers to the central SAP Ariba system.</p> <p>SAP Ariba is an established and capable platform, which is used internationally for ordering goods and services. The system works well for individual buyers in HCS, as they can procure items, however there are not currently adequate controls in place within HCS, which is resulting in poor value for money and, occasionally, key accounts being put on hold, which creates risk to patients.</p>

		<p>The system can deliver an end-to-end purchase to pay process which includes guided buying experience, approval workflows, order confirmations, shipping notifications, electronic invoicing and remittance however, the full functionality and benefits of the system are not being realised in the department, for various reasons, which will be expanded on below.</p> <p>Issues:</p> <ul style="list-style-type: none"> <li>- Training during the roll-out and now in business as usual 'BAU' is poor.</li> <li>- Reporting: <ul style="list-style-type: none"> <li>o the option to run a creditors ledger does not exist,</li> <li>o Limited training and support for access to standard reports,</li> <li>o poor oversight over where supplier's payment is, often resulting in suppliers chasing and putting accounts on hold, which is a major risk for delivery of patient care,</li> <li>o no access to the old platform to access information that would resolve historical payment queries,</li> <li>o suppliers that are not already using SAP Ariba, or large enough to invest the time in training to staff to use it, find it time-consuming and difficult to use. This can lead to small suppliers, sometimes, cheaper services/products not being available for HCS to procure, and</li> <li>o there is no central team available to provide training for suppliers or requisitioners.</li> </ul> </li> </ul> <p>In summary, SAP Ariba is a very capable platform that is currently being utilised poorly within HCS, which is mainly resulting in poor value for money and patient risk. More investment is required to grow the capacity in central government, so that training for staff and suppliers is provided when needed, as well as enabling specific functionality to be turned on. Additionally, HCS has prioritised an improvement project, which will see the department's ability to use SAP Ariba effectively increase, to realise value for money and decrease patient risk.</p>
4	<p>How would you describe your department's relationship with suppliers when using the central procurement system and what feedback have you received from suppliers about their experiences with the central procurement system?</p>	<p>Large and international suppliers, that have experience of using SAP Ariba are typically happy with the system as they are familiar with it. Smaller, often local suppliers, who have not used SAP Ariba before, find it challenging and some refuse to use it.</p> <p>A lot of the suppliers who use it infrequently, find it difficult to navigate. We have found suppliers, that are not used to SAP Ariba, find it difficult onboarding.</p>

		<p>We have suppliers who produce specialist medical equipment that refuse to use SAP Ariba, so alternative payment methods need to be used as their products are essential.</p> <p>The way in which HCS uses SAP Ariba can result in impersonal buyer-supplier relationships being established, as there are often multiple requisitioners purchasing from the same supplier. This can cause further issues, when one requisitioner's invoice doesn't get paid, as other requisitioners using the same supplier are then not able to purchase, due to our account with the supplier being put on hold.</p>
5	Can you provide details on the number of engagements that have been extended above their original value over the past 5 years?	<p>Commercial Services (T&amp;E) have requested contracts and extension documents from across GoJ, to update the central contract register, since 2021. The following data is based on the information provided within this timeframe.</p> <ul style="list-style-type: none"> <li>- Total Number of Contracts 271 with total value £339,928,467</li> <li>- Number of Contracts extended 56 with total value £18,211,743</li> </ul>
6	How do you evaluate the delivery and closure of individual procurements within your department?	<p>As mentioned previously there are two main routes to procurement in HCS: 1 – the SAP Ariba platform for non-managed inventory items which is used by many HCS staff, and 2 – the SAP S/4HANA system used by the purchasing team for managed inventory.</p> <p>The buying team at Five Oaks follow correct process when using S/4HANA, however there is currently poor control over the usage of SAP Ariba across HCS. Lots of clinical staff are using SAP Ariba with no procurement training, which is a significant risk in terms of value for money and delivery of patient services.</p> <p>An improvement project is currently underway within HCS, to develop a central HCS purchasing function that will provide the department with dedicated resource to ensure the delivery and closure of procurement activities.</p>
7	Does the current level of autonomy provide work well for your procurement needs?	<p>There is currently too much autonomy for HCS staff to use SAP Ariba and purchase items directly from suppliers. Whilst HCS has a small purchasing team based at Five Oaks, the team is not currently capable of providing a purchasing function for the whole of HCS, which would deliver value for money. The autonomy provided by SAP Ariba enables a high number of requisitioners in HCS to purchase goods, with little coordination or oversight leading to inefficient purchasing and higher costs from missed opportunities for volume discounts and better commercial terms from suppliers. To summarise, the SAP Ariba system is a robust and well-tested system, however HCS is not currently benefiting from this due to the way it is being currently utilised in the department – something we are working to improve.</p>

		<p>Whilst strategic procurement support is provided by the commercial team in Treasury, there is no dedicated central function providing hands-on support to suppliers or requisitioners, but we are seeking to address this by creating a more centralised approach in HCS. The commercial team will then have a direct relationship with HCS' dedicated team, to work together to improve any issues.</p> <p>SAP Ariba enables HCS requisitions to buy goods quickly, but as there are many requisitioners that buy infrequently, they are not always appropriately trained, so issues can arise. A particular issue being that a supplier wouldn't be paid by one requisitioner, which can result in HCS' account with that supplier being put on hold, restricting the whole of HCS' ability to buy from that supplier, which can then create a risk for patients.</p>
8	<p>Do you have any additional suggestions or recommendations in order to further enhance procurement processes?</p>	<p>The below are suggestions that have been collated from SAP Ariba users across HCS:</p> <ul style="list-style-type: none"> <li>- Preferred JD Edwards and Supply Jersey, as they knew the functionality of these systems and were appropriately trained. They found these systems workable and want SAP Ariba's functionality to be like the previous systems.</li> <li>- Would like to be able to have more suppliers approved onto Ariba to provide more cost-effective options such as a handyman for small jobs instead of the expensive building firms who are on Ariba.</li> <li>- Would like to have a better overview enabling tracking of where the payment is and if there are any issues, to identify issues before supplier has to chase.</li> <li>- Suppliers not always aware that GST is added after we have processed the invoice.</li> <li>- When HCS colleagues, who are payment authorisers, leave; they are not always replaced on SAP Ariba which can cause delays to making payment.</li> <li>- A need more hands-on support, providing on-boarding training to suppliers and general trouble-shooting support to HCS requisitioners.</li> </ul>

I trust that this provides you with the additional information requested.

Yours sincerely



**Chris Bown**  
**Chief Officer**  
**Health and Community Service**