

Deputy Inna Gardiner
 Chair
 Public Accounts Committee
 States Assembly
 By e-mail to i.gardiner@gov.je

15 August 2024

Dear Deputy Gardiner,

Procurement Review

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

	Questions	Response										
1	How often does your department utilise the central procurement system for acquiring goods and services?	Indicative information supplied by Commercial Services re purchase orders shows that Infrastructure and Environment (IE) had 38,874 transactions over an 18-month period (Jan 23 - Jun 24). This is an average of 2160 purchase orders per month.										
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?	<table border="1" data-bbox="655 1066 1509 1189"> <thead> <tr> <th data-bbox="655 1066 874 1122">Under £1k</th> <th data-bbox="874 1066 1042 1122">£1k to £25k</th> <th data-bbox="1042 1066 1198 1122">£25k to £100k</th> <th data-bbox="1198 1066 1390 1122">£100k+</th> <th data-bbox="1390 1066 1509 1122">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="655 1122 874 1189">30,851</td> <td data-bbox="874 1122 1042 1189">7518</td> <td data-bbox="1042 1122 1198 1189">376</td> <td data-bbox="1198 1122 1390 1189">129</td> <td data-bbox="1390 1122 1509 1189">38,874*</td> </tr> </tbody> </table> <p data-bbox="655 1189 1509 1256">*As above, this is indicative information from based on data from Commercial Services.</p>	Under £1k	£1k to £25k	£25k to £100k	£100k+	Total	30,851	7518	376	129	38,874*
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30,851	7518	376	129	38,874*								
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 data-bbox="655 1267 810 1301">Works well:</p> <ul data-bbox="655 1301 1509 1536" style="list-style-type: none"> - centralised platform for ordering goods and services linking buyers with suppliers - delivers an end-to-end purchase to pay process which includes guided buying experience, approval workflows, order confirmations, shipping notifications, electronic invoicing and remittance - there is a clearly defined process <p data-bbox="655 1570 903 1603">Issues/challenges:</p> <p data-bbox="655 1603 1509 1805">Lack of controls around freedom to buy in place within the department leading to poor purchasing decisions / not achieving value for money. This could be solved by implementing catalogues and frameworks especially for transactional procurement activity as well as greater control within the dept of the number of requisitioners.</p> <p data-bbox="655 1839 1509 2036">The SAP system as currently configured, is suited to less complex transactional procurement activity, a significant proportion of IE procurement activity is complex or strategic type procurement and is carried out using other government systems. This leads to the SAP system being used solely for processing payment rather than as a sourcing/procurement tool.</p>										

		<p>There is poor visibility and oversight of where supplier payments are in the system. This can lead to late payment and distress for the supplier, especially smaller companies which are more susceptible to resulting cashflow issues. This also puts service provision at risk.</p> <p>As with any system, infrequent users experience some difficulty, also, training is not readily available for new users or those needing a refresher.</p> <p>Multiple requisitioners purchasing from the same supplier 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>
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 suppliers, that have experience of using SAP Ariba and the resources to manage the process are typically happy with the system as they are familiar with it.</p> <p>Smaller, often local suppliers, who have not used SAP Ariba before, find it challenging and some refuse to use it.</p> <p>Suppliers who use it infrequently, find it difficult to navigate.</p>
5	<p>Can you provide details on the number of engagements that have been extended above their original value over the past 5 years?</p>	<p>The data below is only based on the central contract register (since 2021): Total Number of Contracts 289 with total value £124,757,594 Number of Contracts extended 60 with total value £14,539,607</p>
6	<p>How do you evaluate the delivery and closure of individual procurements within your department?</p>	<p>The evaluation stage of the procurement is conducted in accordance with the Public Finances Manual and the Procurement Best Practices and Procedures User Guide and Toolkit (the 'Toolkit').</p> <p>Within the Toolkit there are prescribed approaches governed by the value of the goods / services being procured.</p> <p>For procurement activity relating to goods / services of £100k+ Evaluation is conducted by assessing weighted commercial and technical criteria as well as pass / fail criteria.</p> <p>The criteria are designed to be specific to each procurement and the level of information required from bidders is proportionate to the value / risk of the goods / services being procured.</p> <p>The evaluation process is conducted by a team of people and is generally conducted using a consensus scoring approach.</p> <p>Once the evaluation is completed, a Recommendation to Award Report is produced and submitted for approval by the Accountable Officer and the Director of Commercial Services before a contract is awarded.</p>

		Variations of this process are conducted for procurement activity of a lesser value as determined by the Toolkit.
7	Does the current level of autonomy provide work well for your procurement needs?	<p>In general, IE benefit from a high degree of autonomy when conducting regular procurement activity. This has been further enhanced recently with the implementation of several framework contracts designed to allow IE to conduct business as usual activities in a compliant way without the need for further support from Commercial Services.</p> <p>Issues can arise when expectations between IE and Commercial Services do not fully align, this is most evident during the existing approvals process for procurement strategies, recommendation to award reports, breaches and exemptions. The perception from IE is that this can take longer than necessary due to other demands on Commercial Services' time which can have a negative impact upon project delivery programmes which are often already constrained. There is also a perception that this process does not always add value, especially for some of the relatively lesser value / risk procurement IE undertake as business as usual.</p>
8	Do you have any additional suggestions or recommendations in order to further enhance procurement processes?	<p>I would like to see the continuation of the move toward a centrally led, departmentally deployed model for procurement delivery. Whereby, Commercial Services set the policy and provide guidance and IE are trained, equipped and resourced to deliver their own procurement while accessing guidance from Commercial Services in a controlled and planned manner. A shift back towards a demand led approach using a maintained pipeline of work to identify where support from / interaction with Commercial Services will be required and where IE will self-deliver procurement would also be beneficial for planning and resourcing and delivery purposes for both IE and Commercial Services, as well as provide opportunity to identify strategic opportunities to enhance our position as a client dept. and achieve better procurement outcomes.</p> <p>An increase in the value thresholds that trigger Commercial Services approval requirement would also be beneficial for IE and would go some way to remedying the issues raised in response to Q.7.</p>

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

Yours sincerely

Andy Scate

Andrew Scate
Chief Officer
Infrastructure and Environment