



IoD Jersey response to PAC questions regarding Government Procurement

August 2024

What currently works well with Government Procurement for local businesses and suppliers?

Members unilaterally confirmed that if you are a preferred provider or on a “white list” then the procurement process is more easily navigated.

What are your concerns, if any, regarding the current procurement processes?

Conversely, if you are not on the deemed “white list” it is difficult to become a government supplier. This was noted across the board in relation to all business types.

Other members highlighted similar, asking whether Government considered the following when securing contracts:

- The Tax/Social Security contributions the company will be paying in Jersey
- The Tax that the Directors might pay on salary/dividends and Social
- The Tax the employees will pay in Jersey
- The circular economic impact of salaries earned and spent on island
- Local Private Pension contributions and the burden remove from the State

One member highlighted that there appears to be a lack of clarity in defining the roles and responsibilities of consultants. Needs assessments before hiring consultants are insufficient, often lacking thorough requirement specifications.

For local suppliers (that make up a major proportion of the local resource) this process is onerous and inflexible and there is no guaranteed outcome. For a small supplier with limited resource internally to respond to tenders takes a lot of capacity away from actually servicing contracts. Thus, tender responses will tend to be from the larger suppliers. The contracts are short term and cannot guarantee returns and therefore suppliers will weigh this up before deciding to pitch for government contracts.

The problems we see are that there is a very regimented process, which is designed to ensure fair apportionment of contracts across local businesses, and yield value for money. However, in practice it does neither of these things.



It results in a small proportion of local businesses being able to compete (those who have sufficient resources to create a submit tenders). Tenders tend to be typically lowest cost with minimum viable product, which is not sufficient to meet the ultimate needs of the service, which then results in overruns and extensions, pushing up the total cost of ownership of the product or service.

Also, it does not guarantee that the best product or service is actually procured. The process currently drives the procuring department to write extensive Initiation to Tender documents with a series of detailed requirements, which the supplier must meet to be able to bid. This “shopping list” of requirements results in specialisations/customisations of standard products, so does not encourage least cost (standard) options, or re-usability or innovation in approaches.

Take for example the recent ITS Connect programme to replace the aging Government finance, HR and procurement system. This procurement resulted in the implementation of a system, SAP S4 Hana, which is questionable as to its suitability for a public sector organisation, and with little local capability to support such a large enterprise system. Also, the implementation cost twice the original budget and is still unfinished.

A further example was provided in relation to a professional services appointment, the tender was seemingly written with an outfit in mind i.e. a Big Four accountancy firm. A member tried to engage with Government to seek clarity and whether some of the firm requirements in the tender document could be flexible to cover a smaller business. Government rigidly stuck to the requirements as set out in the proposal and therefore the member did not pitch. In these circumstances it is hard to see what benefit a global firm without the knowledge and experience of on-island matters would be more suitable. This lack of flexibility appears to prevent local small businesses from securing contracts.

What is your opinion of the current process for raising and payment of invoices?

Members commented that the SAP Ariba payments is a barrier to suppliers tendering for government contracts. The new process is not intuitive, too onerous and inflexible for the multiple use cases it is now being put to. For small local businesses, the process is painful and time consuming.



No account has been taken of suppliers own internal processes and systems. Invoices have to be created on the Ariba platform, so duplicating invoice creation on the suppliers' own finance systems. This creates an inefficiency across the supply chain.

Members struggle to find an appropriate person to liaise with. This is seen as a factor in businesses not wishing to engage with government.

Has the government communicated with you how it plans to address the areas for improvement identified?

IoD did not receive any positive responses to this question.

Have there been any barriers to engaging with the procurement process you are able to highlight?

The process does not lend itself to creating a dialogue, which would be valuable as suppliers look to understand what is needed, and also select the best product or service to support the requirements. Instead, barriers are put in place, to stop any sort of dialogue which is intended to create a fair process, but instead it creates an imperfect result, many times over.

This, in our opinion results in the Government of Jersey not achieving value for money and potentially overspending way more than is necessary and resulting in higher revenue spend overall. This is because procurements are not looked at in terms of Total Cost of Ownership across the contract life.

What feedback mechanisms are there between local businesses and government in relation to procurement processes?

Some members stated that they had been able to secure a meeting but this had not been productive. Others had tried to engage with government officials by email but felt it was very much a "tick box" exercise and unless you are a preferred supplier and/or willing to spend time negotiating the feedback mechanisms are not effective.

In summary it was felt that there is the ability to ask questions during the process, however, as discussed above this does not create the valuable dialogue that is sometimes needed to fine tune a series of requirements or look into feasibility. Procuring departments are encouraged to create a set of requirements that is "baked in", which suppliers then have to meet if they are to have a chance of achieving a high score in the procurement process. Often



this results in bespokeing a product or service to meet requirements that, if discussed, could be redesigned around a standard product set, or service, thus achieving better value for taxpayers, adoption of standard and industry best practice and quicker implementations.

Has the government communicated with you a mechanism to ensure continuous dialogue between the government and local suppliers regarding procurement issues?

IoD did not receive any positive responses to this question.

Are there any initiatives you would recommend to government aimed at enhancing supplier and local business participation in procurement?

Members would like Government to be more proactive and flexible in its approach reducing the need for extensive ITT/RFQ documentation, and further to encourage dialogue.

Ensure that the business case has been needs assessed, especially with regard to consultant contracts, and assist small businesses through the process as many would fall at the first hurdle due to the onerous process or indeed the tender document which appears to target larger businesses.

All members who responded would like Government to favour local businesses to support the economy. At the moment it is felt that this is not the case.

How do you feel the government is ensuring that procurement processes are transparent and fair for all local businesses?

It is felt that Government only does this by enforcing the current inflexible and unwieldy process.

What training or support is available to help local businesses better understand and navigate the procurement process?

Members feel there is minimal online documentation. One member had attended a couple of sessions at Digital Jersey and was very disappointed. The member felt that representatives of the GoJ procurement team spoke down to small businesses and were only in the room to tick a box noting that it wasn't a particularly useful or pleasant experience.



Can you discuss any successful case studies where supplier engagement has significantly improved procurement outcomes?

No case studies were presented. Indeed, members felt that most have resulted in increased capital spend to implement and ongoing revenue spend to continue to maintain.

Has the government got the balance right for competitive pricing with the goal of supporting local businesses in procurement decisions?

We do not feel the government has the right balance, see comments above.

What are the next steps government should undertake to refine and improve procurement processes?

Redesign the process to be more agile, install a portal that is user friendly for suppliers, and review the standard contracts and service frameworks for fitness of purpose.

If you have any comments or matters to raise which have not been covered in the questions above, then please do provide these as well.

No further comments were provided.