



**Comptroller & Auditor General**

**Review of Procurement**

**27 March 2014**



JERSEY AUDIT OFFICE

## **Introduction**

- 1.1 Effective procurement is a key means of:
- securing value for money;
  - managing risk; and
  - reducing the risk of impropriety.
- 1.2 The States of Jersey (the States) have recognised that procurement has the capacity to deliver substantial savings. The States:
- established a central procurement function within the States Treasury;
  - issued a Financial Direction (FD) on procurement; and
  - set a target for procurement savings of £6.5m as part of the Comprehensive Spending Review (CSR). A report to the Public Accounts Committee in January 2013 reported the attainment of savings of £3.0m.

## **Objectives and scope of this review**

- 2.1 The review considers:
- whether procurement arrangements meet with recognised best practice, taking into account the circumstances in Jersey including the broad range of services provided;
  - whether Financial Directions for procurement are complied with; and
  - the effectiveness of the identification and monitoring of savings.
- 2.2 The review focuses on higher value procurement processes (over £100,000) but does not extend to:
- procurement of major capital projects; or
  - evaluation of the attainment of the target for procurement savings in the CSR.
- 2.3 I plan to consider other elements of procurement in future reviews.
- 2.4 In the remainder of this report I:
- summarise the findings of my review (Section 3);
  - set out the background to the review (Section 4);
  - consider the States arrangements for procurement compared to recognised good practice (Sections 5 to 12);
  - review compliance with requirements (Section 13);





- assess the effectiveness of the identification and monitoring of procurement savings (Sections 14 to 16); and
- summarise the recommendations (Appendix 1).




## Summary of findings

### Procurement processes

- 3.1 The corporate procurement process has developed significantly over the last few years. Guidance, resources and tools are available to users in the States and these demonstrate a number of characteristics of good practice. There is, however, an opportunity to develop most of the stages of the procurement cycle to embed consistent practice and to assist users to comply with corporate requirements.
- 3.2 Most importantly, procurement is yet to be seen consistently across the States in a corporate context. The corporate procurement strategy is over five years old and has not been updated in light of experience and changes in the environment. Having such a strategy assists in driving and demonstrating attainment of value for money.
- 3.3 Effective closure, review and learning from procurement exercises, together with contractor feedback, reduce the risk of mistakes being repeated and promote sharing of good practice. At present such learning is not disseminated across the States in a structured way. Such sharing would reinforce the view of the central procurement function as a facilitator, assisting individual departments in effective procurement.
- 3.4 The evaluation of each stage of the process is detailed below along with a 'traffic lights' system; where components are being met (green), where there are issues to be addressed (amber), and where components are not being met and urgent action is required (red).

Exhibit 1: Summary of findings: procurement processes

Process stage	Findings	Audit judgement
Identify need	<p>Guidance is provided to Departments with appropriate questions but accountability is weakened as there is no requirement to document the initial needs assessment.</p> <p>Project briefs are prepared in the central procurement team but the approach is inconsistent elsewhere.</p>	
Business case and procurement strategy	<p>Guidance is provided within the 'How to Buy' toolkit but there is potential for inconsistency. There are gaps in processes, including for stakeholder engagement and detailed expenditure analysis.</p> <p>Template guidance for risks log, issues log and communications plans are not provided.</p>	
Pre-qualification questionnaire (PQQ) and supplier selection	<p>The guidance provided within the 'How to buy' toolkit complies with suggested good practice including both PQQ processes and the evaluation matrix.</p> <p>The e-Portal assists the process, for example including an opportunity for potential suppliers to ask questions on-line.</p> <p>A timetable has recently been included within the template. This is a useful addition to provide more clarity to potential suppliers.</p>	
Invitation to tender	<p>The guidance provided within the 'How to Buy' toolkit complies with suggested good practice and is more expansive in areas such as evaluation criteria.</p> <p>The e-Portal includes opportunity for potential suppliers to ask questions on-line.</p>	

Process stage	Findings	Audit judgement
Tender evaluation and award	<p>There is a detailed evaluation process but it lacks detail on:</p> <ul style="list-style-type: none"> <li>• on-going risks;</li> <li>• savings and benefits; and</li> <li>• due diligence.</li> </ul> <p>Post clarification processes are in place with draft standard communications to successful and unsuccessful bidders.</p>	
Contract management	<p>Contract management arrangements are required to be outlined in the guidance but there is limited guidance to support the development of appropriate Key Performance Indicators (KPIs).</p>	
Closure and review	<p>No post-implementation review is included in the process.</p> <p>Realisation of savings is not routinely reported back to the Transformation Board or Corporate Management Board (CMB).</p>	




### Compliance with requirements

- 3.5 The rules in relation to procurement are set out in Financial Direction 5.1 issued under the Public Finances (Jersey) Law 2005.
- 3.6 Sample testing demonstrated some instances of non-compliance with corporate processes, including those in respect of exemptions.

### Procurement savings

- 3.7 Major procurement projects are designed to deliver demonstrable savings. I reviewed arrangements for identifying baseline expenditure, estimating savings and monitoring their attainment for two corporate contracts – corporate travel and managed print.
- 3.8 Whilst there is evidence that both have delivered savings in line with or in excess of those estimated, I believe that there is scope to improve processes at all three stages.

Exhibit 2: Summary of findings: procurement savings – corporate travel and managed print contract

Area	Summary judgement	Area
Baseline expenditure	<p>Work is needed to address deficiencies in baseline management information, including as a result of inconsistent coding. These deficiencies created problems in establishing a baseline for both contracts.</p> <p>There was a lack of data available at the tender time for the managed print contract. Subsequent reliance on expertise of the firm associated with the successful contractor, created a perceived threat to independence.</p>	
Savings assessment	<p>Cautious global assumptions were used for both contracts but uniform application of assumptions were unsophisticated.</p>	
Monitoring and reporting	<p>The Transformation Board receives reports on savings against target for managed print but not for corporate travel.</p> <p>There is scope for providing further information to users to promote behavioural changes.</p>	

## Background

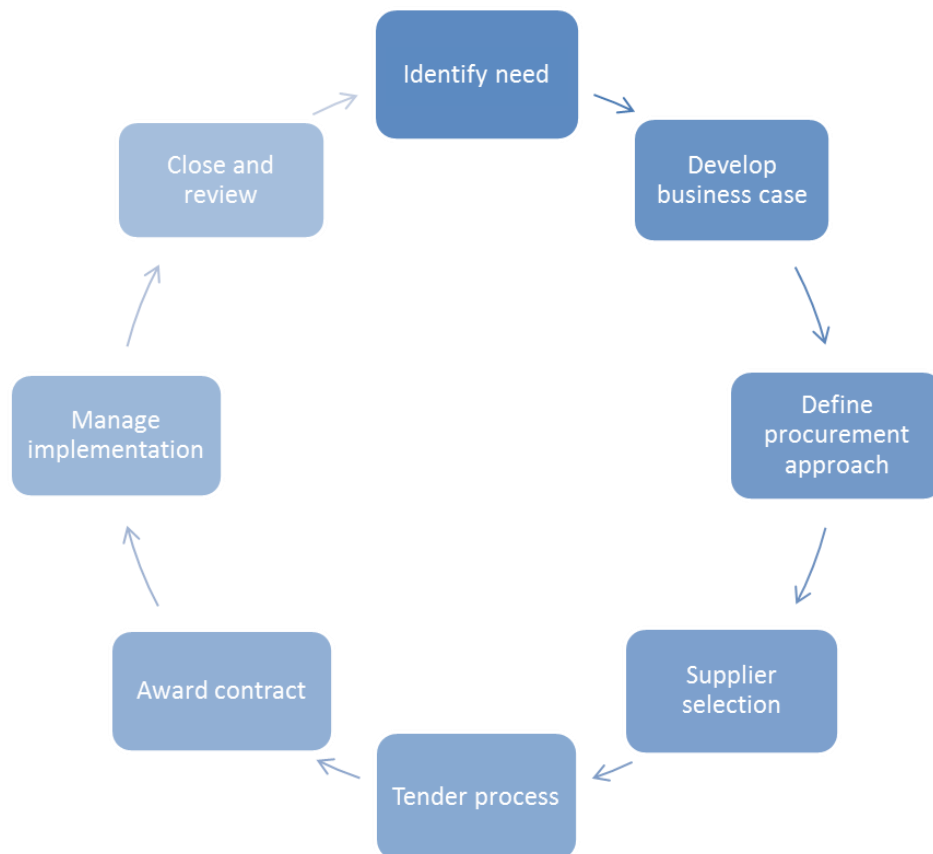
- 4.1 Prior to 2006, procurement within the States was not viewed strategically, resulting in uncoordinated decisions being made at different points of the supply chain which reduced the efficiency of the function through duplication, increased demands on resources, reduced purchasing power and increased costs. Since the establishment of a central procurement function in 2006 there has been significant progress in developing a corporate approach to procurement.
- 4.2 The States of Jersey Procurement Strategy (the Strategy) was prepared in 2008, setting out a vision and principles for procurement within the States, the challenges faced, the actions to address the challenges and key roles and responsibilities.
- 4.3 At the same time a set of underlying principles was agreed to underpin procurement:
- continuously reducing the cost of bought in goods, works and services by aggregating spend wherever practicable;
  - promoting healthy open competition from within Jersey with the injection of overseas competition where appropriate;
  - collaborating with UK government agencies and organisations to leverage maximum benefits;
  - ensuring probity and compliance that includes accountability, legal process, risk management, openness and transparency, providing fairness for all stakeholders;
  - innovating to:
    - encourage creativity;
    - challenge existing methods;
    - engage customers, suppliers and procurement staff at the earliest stage of the process.
  - ensuring consideration of the environmental, social and economic cost of procurement choices.
- 4.4 The Strategy is now over five years old. No formal stocktake against the actions detailed in the Strategy has taken place nor has the plan been updated in the light of experience and changes in the environment. From 2010 the CSR became the focus through 'Invest to Save'.
- R1** Update and refresh the Corporate Procurement Strategy to reflect progress made since 2008, experience and changes in the environment.
- R2** As part of the update of the Corporate Procurement Strategy, reconsider the incentives for departments to secure savings from corporate procurement initiatives.



## Procurement arrangements

- 5.1 I have benchmarked the States procurement arrangements, focussing in particular on arrangements for contracts with a value over £100,000, against best practice detailed in the Scottish Government Procurement website. This site is a 2013 award winner from the Chartered Institute of Purchasing and Supply.
- 5.2 Whilst not subject to European Union (EU) procurement law, the States adopts the underlying principles including:
- transparency;
  - equal treatment;
  - proportionality; and
  - mutual recognition.
- 5.3 The States Corporate Procurement Strategy recognises eight key stages in the procurement cycle.

*Exhibit 3: States of Jersey procurement cycle*



*Source: States of Jersey Procurement Strategy*

- 5.4 Financial Direction (FD) 5.1 sets out corporate requirements in respect of procurement processes, specifying different requirements for different values of contracts.
- 5.5 Since 2011, corporate procurement processes have been accessible on the intranet in the form of a 'How to Buy' toolkit, providing users with a range of tools and resources required to undertake a procurement process. The toolkit covers both the use of existing corporate contracts (where these are in place) and procurement where no such contracts are in place (with arrangements varying depending on value). Use of the toolkit is, however, not mandatory.
- 5.6 A total of 200 staff have received specific training in corporate procurement processes. More staff have been introduced to the processes through 'modern manager' courses. The 'How to Buy' toolkit is also promoted via intranet news items.
- 5.7 Departments have access to the professional skills of the corporate procurement team. The intranet includes a questionnaire for departments to complete at an early stage of the process so that they can specify the level of support from the corporate procurement team, ranging from administrative support to the corporate procurement team leading the project. Anecdotally, departments have valued the central procurement team's support for projects led by departments.
- 5.8 Since 2009, an electronic tendering portal has been used to facilitate the procurement process. This includes the ability to post questions on-line with responses available to all tenderers where appropriate.
- 5.9 There is no other procurement information contained on the States website, although the corporate procurement team has indicated this is an area that it wishes to develop in the future.
- 5.10 Corporate contracts are in place for some common areas, including managed print and corporate travel. However there may still be some other areas where corporate contracts might yield benefits.
- 5.11 The CMB has delegated governance of States-wide procurement exercises to the Transformation Board which comprises:
- States Treasurer;
  - Chief Officer for Environment;
  - Chief Officer for Transport and Technical Services;
  - Director of Accounting Services;
  - Director of Strategic Procurement; and
  - Procurement Project Support Officer.

The Transformation Board considers project briefs, procurement strategies and evaluation processes for States-wide procurement initiatives.

- 5.12 Governance arrangements for procurement within individual departments, including those over exemptions from the requirements of FD 5.1, are a matter for individual Accounting Officers. There is, for example, no corporate record of exemptions granted.
- 5.13 Whilst corporate management information has been improved through the development of a central contracts register, this may be incomplete as it does not capture a number of historic contracts or those awarded outside of corporate processes. Incomplete information reduces the opportunity to plan future procurement in the most efficient way.
- R3** Review Financial Direction 5.1, including considering whether any elements of the 'How to Buy' toolkit should be made mandatory requirements.
- R4** Promote the use of the existing questionnaire by departments to assist in targeting the input of the corporate procurement team.
- R5** Promote the use of the corporate procurement team as advisors across the States.
- R6** Include relevant information on procurement for suppliers on the States of Jersey website.
- R7** Identify other areas that may benefit from States-wide contracts.
- R8** Develop corporate information on procurement, including on the use of exemptions and through the preparation of a comprehensive contracts register.

## Identifying need

### Suggested good practice

Initial 'Needs Assessment' prepared on basis of key questions above and documented and agreed prior to commencing procurement.

- 6.1 The Transformation Board identifies States-wide procurement initiatives. For departmental procurement, the home page to the 'How to Buy' guide sets out a series of high level questions for users to consider prior to embarking on a procurement exercise, including:
- is there really a need?
  - is the budget available?
  - is it approved by the budget holder?, and
  - is there a corporate contract already in place?
- 6.2 However, neither the Financial Direction nor the 'How to Buy' toolkit require documentation of the needs assessment. Nevertheless, there

are examples, for projects led by the central procurement team, where a needs assessment is reflected in initial project briefs and business cases prepared at the procurement strategy stage.

- R9** Prepare standard documentation for initial needs assessment to ensure a structured and consistent approach to initiating procurement exercises.

## Developing a business case and procurement strategy

### Suggested good practice

A well-documented procurement strategy proportionate to risk and value including:

- project brief and description including needs summary;
- stakeholders and user group (may range from end user and procurement lead to a multi-disciplinary group);
- current spend analysis;
- market analysis;
- anticipated risks, issues and mitigation;
- procurement options;
- opportunities and savings anticipated;
- project timetable;
- evaluation proposals;
- contract management proposals and performance indicators;
- approvals.

7.1 Once a need is agreed, the 'How to Buy' toolkit suggests that users prepare:

- a standard procurement strategy document which covers the key areas to be considered as part of a procurement process to demonstrate compliance with the requirements of FD 5.1:
  - contract duration;
  - budget;
  - interdependencies;
  - key procurement considerations;
  - risk, issues and mitigation;
  - the chosen procurement approach;
  - contract type;
  - timescales;
  - specification;
  - evaluation process, and
  - contract management proposals.
- a business case;
- a risk and issues log; and
- a communications plan.

- 7.2 In addition, the central procurement team also in instances prepares a project brief prior to the procurement strategy specifying:
- aims and objectives;
  - spend analysis;
  - timetables; and
  - estimated savings.
- 7.3 Compared with good practice, the stand-alone procurement strategy document currently has gaps, such as describing how stakeholders will be involved in the process and a detailed analysis of current expenditure. Inclusion of such elements in the procurement strategy document would demonstrate transparency, clarity and consistency in the decision-making processes for each procurement exercise.
- 7.4 Currently, the Director of Strategic Procurement only receives copies of procurement strategies for procurement exercises over £250,000.
- 7.5 The 'How to Buy' section suggests that risk and issues logs and communication plans should be maintained but no standard templates are provided.
- R10** Revise the procurement strategy document to bring it into line with suggested good practice, including specifying user involvement and current spend analysis.
- R11** Provide template guidance for risk log, issues log and communications plan.

## Pre-qualification questionnaire and supplier selection

### Suggested good practice

Standard documentation covering:

- supplier background details;
- business probity and compliance with law;
- economic and financial details including insurances;
- conflicts;
- health and safety and environmental issues;
- professional group membership;
- project specific questions including references.

Standard evaluation documentation which form the basis of recommendations to decision makers.

- 8.1 Following the preparation of the procurement strategy stage, a specification is advertised on the electronic tendering portal with a pre-qualification questionnaire (PQQ), inviting potential suppliers to express an interest and respond to key questions.

- 8.2 The questions in the standard PQQ template cover the areas suggested by recognised good practice. A timetable has recently been included within the template. This is a useful addition to provide more clarity to potential suppliers
- 8.3 As the States does not operate a select list of contractors, some contractors are frequently responding to PQQs, submitting the same documentation many times.
- 8.4 The PQQ stage also requires evaluation processes to be put in place by the central procurement team or relevant department. A template is provided in the intranet guidance that allows user departments the flexibility to amend weightings to suit individual circumstances. In more significant and complex procurement exercises such as Procure to Pay, a more sophisticated and bespoke evaluation exercise has been developed.
- 8.5 Once PQQ returns have been evaluated, the evaluation matrix with a recommendation is presented to the Transformation Board. Clear documentation provides the officers with information to feed back to any suppliers at this stage. It also provides information in case of challenge in areas such as use of off-island suppliers.
- R12** Allow information submitted for one PQQ to be carried forward for a limited period to another PQQ.

## Invitation to Tender (ITT)

### Suggested good practice

Standard documentation covering:

- background and specification;
- pricing schedule;
- form of tender;
- timetable;
- acceptance of terms and conditions;
- instructions for submitting a response.

Standard evaluation documentation which form the basis of recommendations to decision makers.

- 9.1 Suppliers who are successful at the PQQ stage are invited to submit a tender via an Invitation to Tender (ITT) that is notified via the electronic portal. In some cases, in order to speed up the process, a PQQ and ITT will be issued together as an open tender process.
- 9.2 The 'How to Guide' includes a template ITT based on good practice. This includes transparency in the evaluation criteria and provides a clear timetable for the tender process. As at the PQQ stage, a standard

evaluation matrix is provided. For States-wide procurement exercises this is submitted to the Transformation Board with a recommendation to enable a decision to be taken.

## Tender evaluation and contract award

### Suggested good practice

Standard evaluation process covering:

- background and summary of process to date;
- evaluation methodology and scores;
- recommendation of contract award;
- due diligence summary;
- benefits and savings available;
- any on-going risks.

Post-tender clarification stage.

Appropriate communication to all bidders.

10.1 For States-wide procurement exercises, the relevant information from the ITT submissions is collated into a standard evaluation report for the Transformation Board to consider as the decision makers.

10.2 The evaluation report provides the Transformation Board with the following details:

- overview;
- background;
- tender process chronology;
- evaluation criteria and scoring methodology;
- ITT scoring results;
- overall costs;
- recommendations and considerations (including off-island supplier issues).

10.3 However, the report does not include details on:

- due diligence;
- any remaining risks;
- a summary of savings and benefits to be accrued from the contract. For example, the ITT evaluation report for the Travel Contract does not refer to anticipated savings although 'ability to negotiate advantageous rates' was part of the scored assessment.

10.4 On the basis of the previously agreed evaluation criteria, a recommendation for preferred supplier is provided to the Transformation Board.

10.5 At this stage, a tender clarification process also commences so that the States can enter into discussions with preferred and other suppliers as well as communicating with any potential suppliers who have been unsuccessful.

10.6 Whilst the ‘How to Buy’ guidance also recommends a due diligence test to support the evaluation report, it supplies no guidance to support this. Due diligence allows the States to satisfy itself that a proposed contractor has the capacity and capability to deliver a contract. In the absence of guidance, inadequate or no due diligence may take place, increasing the risk to the States.

10.7 Exhibit 4 below highlights potential areas to consider for due diligence.

*Exhibit 4: Suggested due diligence process*

No	Area	Area to consider	Documents
1.	Legal status	<p>Confirm legal status of supplier.</p> <p>Check any changes to status since start of process.</p> <p>Identify any outstanding or ongoing litigation or investigations with supplier.</p> <p>Confirm the States has power to enter into the contract.</p>	Company data.
2.	Business and finance information	<p>Ensure supplier has financial capacity to deliver contract.</p> <p>Ensure any additional finance is available to supplier to deliver contract.</p> <p>Ensure any guarantees required by supplier are in place from bank or third parties.</p> <p>Ensure all insurances in place.</p> <p>Confirm that processes will be put in place for contract management through life of contract, to include developing standards and performance agreements.</p> <p>Identify any supplier existing contract arrangements that may impact on contract delivery.</p>	<p>Audited accounts from recent years (where applicable).</p> <p>Forecast cash-flows.</p> <p>Insurance documentation.</p>



No	Area	Area to consider	Documents
		Obtain standard terms and conditions of business.	Standard terms and conditions.
3.	HR issues	Identify staff numbers to deliver States contract.  Confirm supplier's Health and Safety policies.	Summary staff data from supplier.  Health and Safety policies.
4.	Assets	Identify and agree all assets that will be used to deliver contract for States.	Asset data from supplier.
5.	Communication	Confirm that process will be agreed for developing a communication strategy if required.	
6.	Other	Resolve any outstanding issues from preferred supplier and ensure all issues with unsuccessful suppliers are also dealt with.  Assess supplier quality assurance strategies.  Ensure exit strategy is in place.  Establish a contingency plan.  Identify any other matters that could have an adverse reputational impact on the States.	Quality assurance documentation.

**R13** Consider enhancements to the ITT evaluation report by specific references to due diligence, any remaining risks and savings and benefits.

**R14** Develop and introduce a standard framework for undertaking and documenting due diligence.

## Contract management stage

### Suggested good practice

Ensure successful contract management by:

- Clear relationship management arrangements with supplier;
- Regular supplier meetings;
- Key Performance Indicators (KPIs) to monitor delivery of contract and benefits.

11.1 Once the contract is let, the contract management phase commences. The procurement strategy document and the ITT document both require the originator to outline how the contract will be managed, including contractor engagement plans and key performance indicators. The 'How to buy' toolkit appropriately specifies different procedures depending on the size of the contract.

*Exhibit 5: Contract management procedures.*

Contract size	Supplier liaison	Performance indicators
Under £100,000		4 KPIs of cost, quality, delivery and service.
£100,000 - £250,000	Annual performance meeting	4 KPIs of cost, quality, delivery and service.
Over £250,000	Two meetings per annum	4 KPIs of cost, quality, delivery and service.

11.2 KPIs are a key tool not only for contract management but also for driving value for money. However there is limited guidance to support users on the development and monitoring of performance against KPIs.

**R15** Develop guidance for users on establishing and monitoring performance against Key Performance Indicators (KPIs).

## Closure, review and learning

### Suggested good practice

Processes include a formal post-implementation review against a structured framework.

Lessons learned are widely communicated to inform future exercises.

12.1 Effective closure, review and learning from procurement exercises and contractor feedback reduce the risk of mistakes being repeated and promote sharing of good practice.

12.2 There is no evidence of a structured post-implementation review process for procurement exercises.

- 12.3 Nevertheless, in major corporate procurement exercises such as Managed Print, the Project Board continues to meet in the implementation phase. Evidence shows that the Project Board monitored savings in detail and captured learning.
- 12.4 However, lessons are not disseminated more widely in a structured way. For example, there are lessons about communication and training from the managed print contract that could usefully be applied to other exercises where widespread cultural change is required. Such sharing promotes a central procurement function as a facilitator, assisting individual departments in effective procurement.
- 12.5 Where savings are identified as part of a procurement process, the realisation of these is evaluated and monitored by the corporate procurement team or originating department as part of the contract management phase. However, there is no requirement for the corporate procurement team to report back to the Transformation Board or CMB on the achievement of savings. This reduces accountability for delivery of benefits agreed at the procurement strategy stage.
- R16** Introduce a formal structured post-implementation review process for major procurement exercises.
- R17** Routinely communicate learning from procurement exercises and contractor feedback across the States.
- R18** Routinely report realisation of savings and benefits from major procurement exercises to the Transformation Board.

## Compliance

- 13.1 Financial Direction 5.1 details processes to be applied to all purchases. The processes vary depending on the value involved. In some circumstances, exemptions from the requirements of FD 5.1 can be granted, based on contract value: nearly forty such exemptions were granted in a twelve month period.
- 13.2 The audit identified a number of instances of non-compliance with Financial Direction 5.1, including in respect of the requirements for exemptions. Some of these are of a relatively minor nature (such as failure to use standard documentation) whereas others are more significant (such as non-completion of due diligence procedures). The audit also identified instances of the use of inappropriate reasons for granting exemptions (such as that the on-line procurement process was 'time consuming').
- 13.3 Details of the exceptions identified in the course of the audit are being discussed with the States Treasurer.
- 13.4 There is no evidence of any non-compliance being considered for disclosure in the Statements of Internal Control (SIC) prepared at departmental level and consolidated into the States SIC that is published with the annual accounts.
- R19** Undertake further testing to identify the extent of non-compliance with FD 5.1; review areas of non-compliance and establish reasons for non-compliance; consider amendments to FD 5.1, enhanced guidance or training as appropriate.
- R20** Remind Accounting Officers of the need to consider evidence of non-compliance with FD 5.1 and to report as appropriate when preparing their Statement of Internal Control.
- R21** Provide further guidance on appropriate reasons for granting exemptions.

## **Procurement savings: baseline expenditure assessment**

14.1 Major procurement exercises are designed to secure savings. To be able to demonstrate that the expected savings are achieved it is necessary to have robust arrangements for:

- establishing the baseline expenditure;
- calculating the expected savings; and
- monitoring and reporting of savings achieved.

14.2 To assess the robustness of those arrangements I have reviewed the contracts for corporate travel and managed print.

### **Corporate travel**

14.3 The baseline exercise for the corporate travel contract was undertaken by Capita in 2011 by extracting data from the ledger. The process was complex due to different coding practices across departments.

14.4 The Capita exercise identified a total of £3.245m as an estimate for travel expenditure. This was subsequently refined to exclude patient transport (when the decision was made to exclude it from contract) and certain exceptional costs, leading to a baseline of £2.474m.

14.5 Given the information constraints the process adopted appears to be reasonable.

### **Managed print**

14.6 Establishing the baseline costs for the managed print contract was more difficult to estimate. It was only in 2011, three years after the project started, that the States were able to determine reliable baseline data.

14.7 Although annual expenditure of £600,000 was recorded in the ledger, this was known to be incomplete as a result of:

- different approaches to coding for equipment and consumables; and
- omission of costs of capital.

14.8 The corporate procurement team estimated baseline expenditure of £950,000 through a physical inventory. But a subsequent exercise suggested that around 30% of machines had not been declared or located.

14.9 A specialist company was subsequently engaged to determine a baseline cost by undertaking a detailed site analysis for 150 locations and, in the absence of historical data for all machines, applying a series

of assumptions based on the machines for which data was available. This exercise gave baseline expenditure of £1.665m. The work of the specialist company was subsequently validated and refined by the corporate procurement team giving a baseline expenditure figure of £1.604m.

14.10 However, the specialist firm engaged to undertake the work had the same parent company as the successful contractor for the managed print contract. This gives rise to inevitable concerns about independence and objectivity.

**R22** Review consistency of coding of expenditure across the States.

**R23** Avoid threats to independence when experts are engaged.

## **Procurement savings: savings assessment and apportionment**

### **Corporate travel**

15.1 At the time of the contract process, estimated savings for corporate travel were calculated as being between £160,000 and £270,000 in the first full year. The wide range reflects the lack of detailed management information on volumes and travel types that prevented any more detailed analysis. Some modelling was done based on the information available at the time, including data from the Health & Social Services Department (HSSD) travel office.

15.2 The final savings estimate of £215,000 included a series of assumptions about changes in volumes and prices, including as a result of the purchasing power of the successful contractor.

15.3 Given the weaknesses in baseline information, the process adopted appears reasonable.

### **Managed print**

15.4 Starting from industry figures suggesting that managed print would yield savings of 10% to 30%, a savings target of 15% over the contract life was agreed upon. The savings target was validated by undertaking a detailed exercise at one site, validating baseline costs and the future cost from the design solution for the site. This exercise yielded a saving of 23%.

15.5 What the approach adopted did not do was to demonstrate the achievability of the target savings at individual sites or within individual departments.

- R24** Revise the savings estimation process to provide savings estimates on a more disaggregated basis.

## **Procurement savings: monitoring of savings achievement**

### **Corporate travel**

- 16.1 Following the commencement of the contract in 2012 (and its extension to the Health & Social Services Department (HSSD) with the exception of patient travel in 2013), the contractor's system provides detailed information on travel types at departmental and individual level. This allows benchmarking of cost rates for different types of travel, including against the costs incurred by the HSSD travel office.
- 16.2 In the twelve months to October 2013, savings in excess of the initial target have been achieved. However, there is no formal reporting of this information to the Corporate Management Board or the Transformation Board, impeding accountability for delivery of planned savings.

### **Managed print**

- 16.3 Responsibility for managing attainment of savings on the managed print contract rests with the Managed Print Board, which has continued in operation through the initial stages of implementation of the project.
- 16.4 Expenditure data is based on the agreed tariff per copy and the volumes logged on individual machines. As at December 2013, the most recent information was for the period to August 2013 and showed a reduction in costs of 41% of which 13% was attributable to reduced volumes and 28% to reduced unit costs.
- 16.5 Detailed information provided by the contractor to the central procurement team allows tracking of savings attainment on a site-by-site basis. This information distinguishes between the savings arising from changes in volumes and those arising from changes in unit costs.
- 16.6 Figures from October 2013 show that the target savings will be achieved in the first full year of the contract, although there is substantial variation between different sites. For example, in July 2013, 9 out of 150 sites were showing increased costs. This is due, for example, to increased volumes or increased use of (more expensive) colour printing.
- 16.7 As there are variations in patterns of print usage over time, full year data is required for individual sites to make the most meaningful assessment of savings attainment.

- R25** Establish arrangements for corporate monitoring of attainment of savings on States-wide contracts.
- R26** Review information provided to individual managers on composition of expenditure under States-wide contracts to promote further changes in behaviour.



## **Appendix 1 Summary of recommendations**

- R1** Update and refresh the Corporate Procurement Strategy to reflect progress made since 2008, experience and changes in the environment.
- R2** As part of the update of the Corporate Procurement Strategy, reconsider the incentives for departments to secure savings from corporate procurement initiatives.
- R3** Review Financial Direction 5.1, including considering whether any elements of the 'How to Buy' toolkit should be made mandatory requirements.
- R4** Promote the use of the existing questionnaire by departments to assist in targeting the input of the corporate procurement team.
- R5** Promote the use of the corporate procurement team as advisors across the States.
- R6** Include relevant information on procurement for suppliers on the States of Jersey website.
- R7** Identify other areas that may benefit from States-wide contracts.
- R8** Develop corporate information on procurement, including on the use of exemptions and through the preparation of a comprehensive contracts register.
- R9** Prepare standard documentation for initial needs assessment to ensure a structured and consistent approach to initiating procurement exercises.
- R10** Revise the procurement strategy document to bring it into line with suggested good practice, including specifying user involvement and current spend analysis.
- R11** Provide template guidance for risk log, issues log and communications plan.
- R12** Allow information submitted for one PQQ to be carried forward for a limited period to another PQQ.
- R13** Consider enhancements to the ITT evaluation report by specific references to due diligence, any remaining risks and savings and benefits.
- R14** Develop and introduce a standard framework for undertaking and documenting due diligence.

- R15** Develop guidance for users on establishing and monitoring performance against Key Performance Indicators (KPIs).
- R16** Introduce a formal structured post-implementation review process for major procurement exercises.
- R17** Routinely communicate learning from procurement exercises and contractor feedback across the States.
- R18** Routinely report realisation of savings and benefits from major procurement exercises to the Transformation Board.
- R19** Undertake further testing to identify the extent of non-compliance with FD 5.1; review areas of non-compliance and establish reasons for non-compliance; consider amendments to FD 5.1, enhanced guidance or training as appropriate.
- R20** Remind Accounting Officers of the need to consider evidence of non-compliance with FD 5.1 and to report as appropriate when preparing their Statement of Internal Control.
- R21** Provide further guidance on appropriate reasons for granting exemptions.
- R22** Review consistency of coding of expenditure across the States.
- R23** Avoid threats to independence when experts are engaged.
- R24** Revise the savings estimation process to provide savings estimates on a more disaggregated basis.
- R25** Establish arrangements for corporate monitoring of attainment of savings on States-wide contracts.
- R26** Review information provided to individual managers on composition of expenditure under States-wide contracts to promote further changes in behaviour.



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