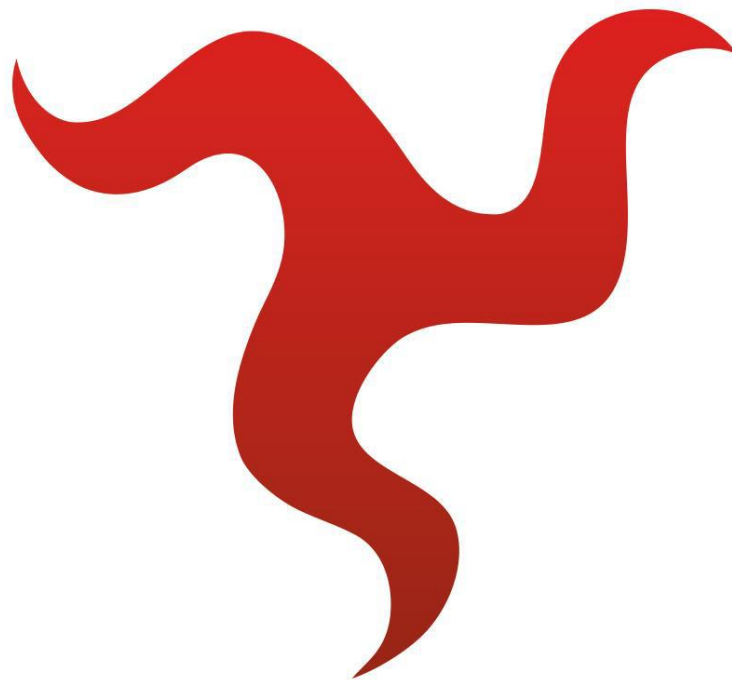


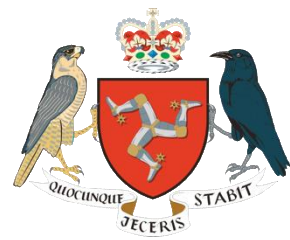
Review of the Isle of Man Government Procurement Policy (GD 2017/0026)



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Prism Business Consulting, April 2021

Executive Summary

In 2017 Tynwald approved the Isle of Man Government's Procurement Policy that is owned and produced by the Treasury Department. The chosen instrument for the implementation of the Policy was the Financial Regulations. Shortly after the Policy was produced the Procurement Service function was transferred from Treasury to the Department of the Attorney General's Chambers, and a new Head of Procurement was appointed. Notwithstanding this, ownership of the Policy remained with Treasury.

The Treasury has commissioned Prism Business Consulting Ltd to conduct a review of the Procurement Policy to check that the policy framework and its implementation are achieving the objectives that were set for it, and where necessary to update the policy to ensure that it is fit for purpose over the next 3-5 years.

In undertaking the evaluation, the following questions were specifically addressed, with headline responses shown here and the detail being contained within the main body of the report:

- *Have the initial policy objectives been achieved?*

The evidence and feedback from our research indicated only a partial success, although we believe the Objectives remain sound and achievable. We have identified a number of areas that merit attention and enhanced support, and these are detailed below in the body of the report. The key barrier to successfully achieving the objectives has been a lack of focussed, professional support to drive behavioural changes in support of the Policy. Currently, despite the best efforts of the established procurement team and departmental procurement staff, the procurement profession as a whole is significantly under-resourced and, in our opinion, not fully recognised, empowered or utilised as the key enabler of efficiencies it should be.

- *Does the policy remain fit for purpose with respect to the scope of coverage and guidance?*

The Policy essentially remains fit for purpose and the core objectives remain sound. However, we recommend some areas be refreshed to reflect the latest thinking and definitions e.g. the definition of Best Value should include as a mandatory requirement the wider 'quality' aspect of local social and economic benefit, along with clear definitions of what is included under these terms. Plus supporting documentation should be developed to provide clarity around how the vision contained within the Policy is implemented, and to place clear ownership and quantifiable measures on the actions necessary for the implementation to succeed.

- *Do the people operating the [procurement] system understand the policy and the associated guidance in the financial regulations and are they implementing the full range of what is available, for example local economic and social factors, cost/quality weightings?*

There is significant evidence to show that the Policy is seen as subordinate to the Financial Regulations which have become the primary governing document for how procurement is conducted. We believe this has led to a disconnect between the spirit of the objectives of the Policy, and the reality of how this has been translated into regulations. As a consequence we do not believe the people operating the [procurement] system fully understand the spirit of the Policy and simply defer strictly to the written instructions within the Financial Regulations (see headlines below with regard to scope and implementation).

- *Is the policy being implemented consistently by all of Government, are Departments following the policy and financial regulation requirements*

The Financial Regulations rather than the Policy dictate the behaviours of Departments and are generally complied with across all of Government. The issue of potential conflict between Policy intent and Financial Regulation implementation is addressed elsewhere in this report, however the need to adhere rigidly to Financial Regulations was frequently quoted across all interviews and questionnaire responses, from across Government.

- *Is the scope of the policy and its implementation adequate and is there sufficient guidance?*

Taking each element of this question in turn, from a procurement best practice perspective we believe the procurement scope of the policy covers all we would expect to see in a quality document. Notwithstanding this, as outlined in the 2018 National Procurement Strategy for Local Government in England (as an example of best practice), the policy should reflect the government's priorities so we would like to see a clearer connection between the objectives contained within the overarching Programme of Government.

Additionally, there is an opportunity to overtly link the spending power of the Government with an "industrial policy" to support sections of the Manx economy which the Government believes to be critical to its economic prosperity, and Procurement could act as a key enabler in this process.

However, addressing the second element, we do believe there is some confusion and potential conflict between the wording in the policy, and the spirit of what was intended when compared to how this has been translated into the Financial Regulations for implementation. We also believe that consideration should be given to the creation of a standalone set of procurement regulations - often called Contract Procedure Rules - that address the implementation of the policy from a procurement rather than

financial perspective. These should contain directives to ensure mandatory early engagement with both finance and legal support for professional advice and guidance.

Finally, with regard to guidance, responses from the consultation process indicate that internally although guidance does exist it is primarily passive and must be sought out by individuals using their own initiative. Externally, guidance was less evident. Experience has shown that when implementing a system such as a procurement portal that touches users at both ends of the process, it is necessary to ensure both sets of users – buyers *and* suppliers – are trained and regularly refreshed in how the system works. There was a strong indication from the workshops and interviews conducted with the supplier base that they felt this had not happened when the portal was introduced, and still does not happen now.

- *Are the requirements placing additional cost on suppliers and making it hard to do business with Government or is it that suppliers are less able to meet rigorous requirements in the tender process?*

There is inevitably an overhead when rigour is imposed where it may not have existed or been robustly imposed before. Notwithstanding this, there is an acceptable level of initial overhead/effort, but this should wherever possible be limited to one-off requirements, albeit with perhaps annual refresh where appropriate. Suppliers expressed concern that data previously been provided needs to be repeated time and again. A lack of apparent relevance and credibility in both the information provided and questions asked by the Government is seen as adding risk to the supplier and an administrative cost in participating in the competition. Solely relying on an estimate of the likely contract value to dictate the route to market has meant that sub-optimal selections may have been made. Consequently, the number of positively responding vendors has dropped, as in some cases vendors have judged that offering to supply the Government is too expensive to justify participating.

- *Has the policy resulted in, and improved, fair and open competition?*

Interviews confirmed there is a perception amongst some suppliers that the strictures of the Governance regulations have led to some unexpected decisions being made and reduced the available supply base. However, to measure this it would be necessary to establish what the situation was before the policy was introduced, what trends had been identified, and analyse key metrics such as number of opportunities advertised each year, number of expressions of interest received, number of actual responses submitted etc. Unfortunately this information was not available. Without an established baseline or identification/collection of relevant metrics it is therefore not possible to refute or confirm this perception. However, the fact that it is held by the supply base indicates that at the very least, there is work to be done to improve communication and information flow.

- *Has the inclusion of local economic and social factors influenced purchasing decisions?*

This objective provoked a healthy discussion in every workshop held, and there is a widely held view that the implementation of the intent expressed in the Policy has failed to deliver the desired outcomes. There has been little evidence to indicate that local economic and social factors have influenced purchasing decisions, primarily because the mechanisms that underpin this requirement are inadequate. Feedback has shown strong support for the adoption of this criterion, but there is a critical requirement for clearer definition of what should be included, how it should be captured and measured, and importantly, how much weighting it should attract. The interpretation of the Financial Regulation on this point has supplanted what we believe to be the original intent of the policy.

- *Has the new policy and associated processes added value from the perspective of, a) suppliers to Government, b) Government Departments' Officers, and c) Politicians?*

Based on the outputs from the workshops and interviews with Suppliers and IoMG officers, it is reasonable to conclude there has been a mixed effect from the new policy and associated processes, with some added value for these parties, and some negative impact. Without the comparator of a baseline of how procurement performed before the policy was introduced, it is impossible to measure the impact of the overall changes therefore we can only draw conclusions from the dialogues held. From this evidence it appears the combination of the Policy, the Financial Regulations and the introduction of the portal has proved more negative than positive. There is a high degree of alienation between the suppliers and government, particularly in the construction sector. The relationship between Government departments and the core procurement team has suffered due to process induced delays and limited added value input from procurement. We found limited evidence of working together to seek best value solutions, with procurement personnel being seen primarily as administrative support.

- *Is the process driving the decisions i.e. are the bureaucracy and mechanical approach dictating the awards and slowing everything down rather than providing the 'best' outcome?*

Feedback suggests that the expected efficiencies from implementing e-tendering have not been fully delivered. A common theme emerging is the lack of understanding amongst suppliers on how to get the best out of the portal, coupled with the fact that because bidders are not regular users of the portal there is significant skill-fade amongst even the most computer adept. As a direct result potential participants are being put-off from tendering with the consequential impact that the best potential outcome may not be being achieved, as the most capable supplier hasn't bothered to bid. On the purchasing side, there seems little evidence of comprehensive forward planning, which at times results in "panic buying" and the use of waivers to

sign off avoidance of the process. Furthermore, the difficulties with the portal suggest that internal users are finding it sufficient to have got through the process without consideration for the quality and value of the outcome. The scope of service the Procurement Team operate within is interpreted by many as solely to supervise and assist with the mechanical processes and does not include support for stakeholders in managing contracts and contractors post award, as this falls solely to the individual Departments.

- *Is there sufficient flexibility through waivers and alternative mechanisms to allow individual circumstances and differing requirements to be accommodated?*

Research indicated in one 12 month period a total of 498 General Procurement (£10-£100k), 102 Tendering (£100k plus) and 5 Tender evaluation exemptions were applied for, totalling 605, of which 518 were approved. We were unable to ascertain how many procurement exercises overall were conducted in this period. Figures of this magnitude are likely to indicate the process itself is not functioning correctly. Research has shown that the way exemption data is collected and collated is too general to enable any granular analysis to be conducted e.g. in the last financial year there were 498 exemptions coded as FPN C.06: General Procurement, without additional breakdown in a format that can be easily analysed. Recognising the circumstances of an island community and the propensity for a high number of exceptional circumstances such as sole suppliers, limited availability of specialist skills etc, we recommend further analysis be undertaken to ascertain if there are any trends that indicate how the process can be better refined to meet any identified specific requirements peculiar to the IoM and thus reduce the need for exemptions.

- *Is the appeal system fit for purpose?*

The incorporation of an appeals process is a necessary requirement to ensure that procurement is recognised to be a fair and equitable process. Genuine grievances must have a structured process that ensures all parties have the opportunity to resolve any issues in a fair and transparent manner, and the current appeal system meets this need. Baseless appeals should be discouraged, one way to do this could be the imposition of an administrative charge to lodge an appeal, which is refunded as part of the corrective action if the appeal is upheld.

There is universal concern that appeals are not permitted in relation to “Quick Quotes”. Given the upper value limit, to not have a formal redress option appears to be an anomaly that needs to be addressed. We believe it should be the value of the contract (we suggest £50,000) rather than the process that was followed that should trigger the option to appeal.

- *Given the [impending] exit from the EU, are there any opportunities to revisit policies around local percentage factors?*

We understand that following Brexit, there is significant legal opinion (e.g. <https://dq.im/brexit-the-impact-on-the-isle-of-man/>) that Protocol 3 will fall away which naturally opens up opportunities for new approaches to be agreed. Notwithstanding this there is already precedent of Social Value (including Local Economic Benefit) being used as an evaluation criterion attracting up to 20% of the marks. Furthermore, the UK Government issued guidance through a Procurement Policy Note (PPN 11/20) in December 2020 titled 'Reserving Below Threshold Procurements'. This advised that in-scope organisations may consider, where appropriate, the following options for the procurement of below threshold contracts:

- Reserve the procurement by supplier location - this means being able to run a competition and specify that only suppliers located in a geographical area can bid. Supplier location should be described by reference to where the supplier is based or established and has substantive business operations and not by location of corporate ownership.
AND
- Reserve the procurement for Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.

This PPN indicated a clear intent by the UK Government to strengthen the ability of organisations to support their local economy. We therefore believe it would not be unreasonable for IoMG to consider if they too wished to adopt a similar approach, particularly in the development of Manx Care and the Manx Development Corporation.

- *Is there sufficient oversight of the procurement activity and policy implementation?*

There is strong evidence that despite the best efforts of personnel, public sector procurement across the IoM as a whole is fragmented, uncoordinated and therefore inefficient. The contention is that the procurement service is under-resourced to properly fulfil this role. However, in our opinion, this is a symptom, not a cause.

Procurement appears to be perceived as an 'activity' and not a value adding profession. As such one of the most influential and effective efficiency enablers is not being fully utilised to deliver the savings and benefits it is capable of.

With each Department being structured as an independent legal entity, Contract management is seen as the responsibility of each Department and not as a central procurement service activity to support stakeholders post

award, to ensure the benefits achieved are realised. This is a major weakness in enabling procurement oversight, control, and delivery of efficiencies. There appears to be no overall focal point for public sector procurement, and no professional champion (such as a dedicated, professionally qualified Head of Profession). The fragmented nature of the current set-up does not allow for a structured support network (official or unofficial), enables limited sharing of best practice and no apparent sharing of lessons learned.

- *Is the policy and process proportionate and appropriate to Isle of Man Government needs and level of spend?*

Overall, the vision and intent of the Procurement Policy is well suited and proportionate for the Isle of Man. The Financial Regulations that have been developed to implement the Policy along with the necessary processes merit some refinement.

There are areas in which the Policy and the processes should be modified to better fit the needs of the Isle of Man. The Policy is that “one size fits all” and that the sole arbiter of route to market is estimated contract value is limiting and inappropriate. Risk should be considered alongside estimated cost and we would recommend developing alternate routes based on what is being procured. The nature of the Island is that there are some projects for which all the tenderers are well known to the Department concerned. Consideration should be given to a greater use of framework agreements or select lists in these areas to reduce the costs of bidding and analysing the bids for the Government and the tenderers.

Policy Background and Review Objectives

1. The Isle of Man Government (IoMG) Procurement Policy (the Policy) has been in operation since it was approved by Tynwald in June 2017. The Policy aimed to make it more straightforward for businesses to sell to Government and ensure Government's purchasing power is used to spend locally wherever possible. The Policy was produced, and is owned by, the Treasury.
2. The Government wished to review the Policy to check that the policy framework and its implementation are achieving the objectives that were set for it, and where necessary to update the policy to ensure that it is fit for purpose over the next 3-5 years. The review evaluated the effectiveness of the Procurement Policy in achieving the intended outcomes, to enable local companies to compete fairly and be successful in securing Government contracts.
3. This included evaluation of:
 - a. the content of the policy
 - b. its impact on the local economy
 - c. the application of the policy by Government; and
 - d. ease of use and effective outcomes for potential suppliers.
4. The research consisted of both quantitative and qualitative fieldwork. Initial in-depth interviews with stakeholders were carried out to scope and confirm the issues for inclusion in the quantitative on-line survey which was conducted with staff and key suppliers. Different surveys were used for internal and external stakeholders and users. Thirty six completed returns were received. Support was received from the Chamber of Commerce and Construction Isle of Man to publicise the on-line consultation and workshops. Two face to face events and two online workshops were held with members of these organisations in attendance. A further three online workshops were held with a range of IoMG staff. Open and frank discussions were conducted based around the questions being asked in the on-line survey, and the answers were fed back into the overall analysis. Just under 30 individual conversations with internal and external stakeholders were also conducted. The complete results of the on-line consultation are available separately.

Scope

5. The service to be provided involved research and analysis of the Procurement Policy and its application across Government Departments, with the impact of this policy, provided as a report (this document).
6. The evaluation of the procurement activity included:
 - Policy content

- Analysis of implementation and delivery of the policy, including in the advice and guidance provided by the Procurement Service and implementation and understanding of it by buyers
 - Value to Government
 - Value to the Isle of Man
 - Analysis of the impact on suppliers and their ability to engage with the process
 - Outcomes – analysis of the impact of the policy and success in meeting policy objectives
 - Research with suppliers and Government users of the procurement system
 - Recommendations
7. In conducting the research and analysis required there was a requirement to take current processes into consideration and comment on whether they add value. More specifically, the requirement included exploration to ascertain if *“the processes are driving the decision i.e. are the bureaucracy and mechanical approach are dictating the awards and slowing everything down, rather than providing the ‘best outcome’.”*

Methods

8. In order to gain as much insight as possible notwithstanding Covid restrictions, the following engagement activity was conducted:
- 7 workshops (mix of virtual and face to face) - 3 internal, 2 IoM Chamber of Commerce, 2 Construction IoM;
 - 28 interviews with a mix of face to face, telephone and video calls.
 - Interviewees included 13 IoMG officers, 15 businesspeople including representatives from construction and the third sector.
 - Online consultation with 36 responses – this seems low compared to other online campaigns, however ‘Procurement Policy’ may not resonate with large numbers, and there was a significant amount of distraction from Covid and online Covid updates which may have had an impact.

For the workshops on-island suppliers were drawn from a cross-section provided by the Chamber of Commerce and representatives from Construction Isle of Man. The internal attendees were drawn from a cross-section across all Departments and included the Post Office and Manx Utilities.

Interviews were conducted with IoMG officers from various Departments, the Procurement team and the AGC.

The questions posed were all based around those highlighted in the project specification, however discussion was allowed to cover any other aspects attendees felt merited attention.

The outcomes are presented in this report with summary notes of the workshops held and example write-ups from interviews contained in the Appendices. All interviews were written up but due to the preponderance of repetitive comments only examples have been included here. All interview notes are available on request.

Introduction

9. A public sector body such as the Isle of Man Government will usually have an overarching statement or X-year plan set over a stated period of time (usually between 3 – 10 years), that clearly outlines the objectives it is seeking to achieve and the outcomes that will indicate success. For the Isle of Man this is known as the Programme for Government, and the current Programme – “Our Island: A Special Place to Live and Work” – covers the period 2016 – 2021 and was agreed in Tynwald in January 2017.
10. The Programme was developed by Council of Ministers, with input from Chief Officers and involvement from Tynwald Members. It stated the Government’s strategic objectives for the next five years and identified initial priorities. Any subordinate policies should therefore align their objectives to support and contribute towards achieving these strategic objectives.
11. The Government is comprised of 8 Departments:

Cabinet Office; Education Sport and Culture; Enterprise; Environment, Food and Agriculture; Health and Social Care, Home Affairs; Infrastructure; The Treasury.

We understand that as of April 2021 Manx Care will also come into being to focus on health service delivery separately from the services falling under DHSC, and there are also a number of other Statutory Boards and Offices (including the Attorney General’s Chambers which has been the home for the Procurement Service since 2016).

12. Each of these Departments is a legal entity in its own right, and contracts are let in their name, not that of the IoMG. This fragmented structure creates significant challenges for consolidating the approach to procurement, aggregating demand, and establishing efficient and effective contract management. It also impacts on standardisation of best practice and sharing of lessons learned.
13. The Procurement Policy has therefore been reviewed with these points in mind.

Policy Content

14. Generally speaking, three basic overriding principles should guide modern procurement policies of individual organisations:
 - 1) Policies should aim to select and procure, in an economically rational and preferably sustainable manner, the best possible goods and services available that deliver value for money.
 - 2) All suppliers should be eligible to participate in procurement transactions on open, fair and transparent principles (and with straightforward procedures); and
 - 3) Procurement transactions should make an important contribution to society, for example, preserving natural resources and protecting the environment.
(Ref: CIPS – Delivering Policy through Procurement (N.B. Members only access) - <https://www.cips.org/knowledge/procurement-topics-and-skills/strategy-policy/procurement-policy-development1/delivering-policy-through-procurement/>)
15. This last point has grown significantly in importance as Governments and their citizens have come to recognise both the importance of social as well as environmental contributions by suppliers, and the influence the procurement process has in leveraging these added value contributions.
16. In reality there is usually a fourth principle that often introduces a conflict with the overriding principles identified above – Sustaining the Local Economy. In an island economy such as the Isle of Man this is usually seen as a high priority and the Isle of Man Procurement Policy contains the following statement from the Treasury Minister:

“The purpose of this Policy is to ensure that all Isle of Man Government procurement activity is focussed on the delivery of best value for the public purse whilst ensuring Government’s purchasing power is used to spend locally wherever possible. This Policy clearly and unequivocally sets out Government’s commitment to consider local economic benefits, social value and environmental and sustainability considerations when making contract award decisions.”
17. A Policy refers to a set of rules made by the organisation for rational decision making. It is the guiding principle that helps the organisation to take logical decisions. However, it is a Strategy that takes this principle and turns it into a comprehensive plan designed to accomplish the organisational goals, and it is an Action or Implementation Plan that allocates ownership of the deliverable elements of the Strategy and sets targets by when these deliverables should be met. We believe these three executive documents should be intrinsically linked and developed as a set; currently the IoM appears to only have a Policy, with Financial Regulations being used for implementation purposes supported by procurement guidance notes.

18. In general, this Policy contains sound principles and clearly stated core objectives:
 - a. Achieving best value for the Isle of Man from Government purchasing whilst ensuring Government's purchasing power is used to spend locally wherever possible.
 - b. Purchase through fair and open competition
 - c. Make selling to Government as simple and straightforward as possible
19. These objectives are in keeping with professionally recognised procurement best practice principles and have rightly been expanded to encompass local spend and on-Island benefits. As an Island community, the IoMG has a duty to ensure the local economy is sustainable, and that government spend is optimised to the benefit of the IoM taxpayers. This Policy has this intent at its heart.
20. There should be a clear link and traceability from the objectives within the Procurement Policy back to the overarching strategic objectives within the Programme for Government. There is no overt evidence that this has been considered, or that the Policy has been developed to support the successful delivery of this Government Policy statement. Notwithstanding this, the Policy objectives do fundamentally support those within the Programme, but it would be beneficial if this was explicit within the Policy.
21. Because there does not appear to be a Strategic Procurement Plan or a Policy Implementation Plan, we found the Policy confusing in the message it is delivering as it also endeavours to encompass all of these three executive documents – Policy, Strategy and Action Plan – in one. Moreover, there are elements of the Policy that do not seem to be reflected or have been interpreted in a particular way in other governance documents (e.g. Financial Regulations), which may therefore lead directly to conflict.
22. Evidence shows that rather than develop a separate Policy Implementation Plan, set procedures have been written into the Financial Regulations. By their nature Financial Regulations set clear and strict directions that must be adhered to and cannot be open to interpretation. However, Procurement is a process that requires a degree of latitude and agility if it is to deliver the best outcome for an organisation; it is the interface between public sector rigidity and commercial flexibility and although there must be clear boundaries that must not be crossed, there needs to be room for manoeuvrability and reasonable interpretation within these boundaries if the most favourable outcomes are to be achieved.

Legal Framework

23. Public procurement in the Isle of Man is subject to the EU Treaty principles of Non-discrimination; Free movement of goods; Freedom to provide services; and the Freedom of establishment. It is also recognised that in addition to these fundamental treaty principles, some general principles of law have emerged from case law, the most important of which are:
- a. Reasonableness
 - b. Equal treatment of suppliers
 - c. A duty of fairness
 - d. Transparency
 - e. Proportionality
24. Within the Public Sector, procurement policy has been characterised by bureaucracy, narrow value for money and efficiency arguments, and a preoccupation with European Union procurement law. However, the IoM is not bound by the EU Public Procurement Directive or UK Public Contract Regulations (PCR2015). Furthermore, following Brexit there is significant legal opinion (e.g. <https://dq.im/brexit-the-impact-on-the-isle-of-man/>) that Protocol 3 falls away opening even further opportunity for local guidance to be implemented.
25. We believe the accepted IoM legal framework, that procurement operates under, retains the ability to introduce pragmatic and sensible procurement processes that:
- empower personnel
 - enable good judgement and business decisions to be made
 - establish best practice principles of openness and transparency, fairness to all
 - provide a full audit trail by which people can be held accountable.
26. The IoM therefore has an opportunity unique to the Crown Dependencies to define their own procurement processes that take account of their specific objectives and local circumstances, focussing on achieving the desired outcomes rather than adherence to third party imposed compliance criteria.

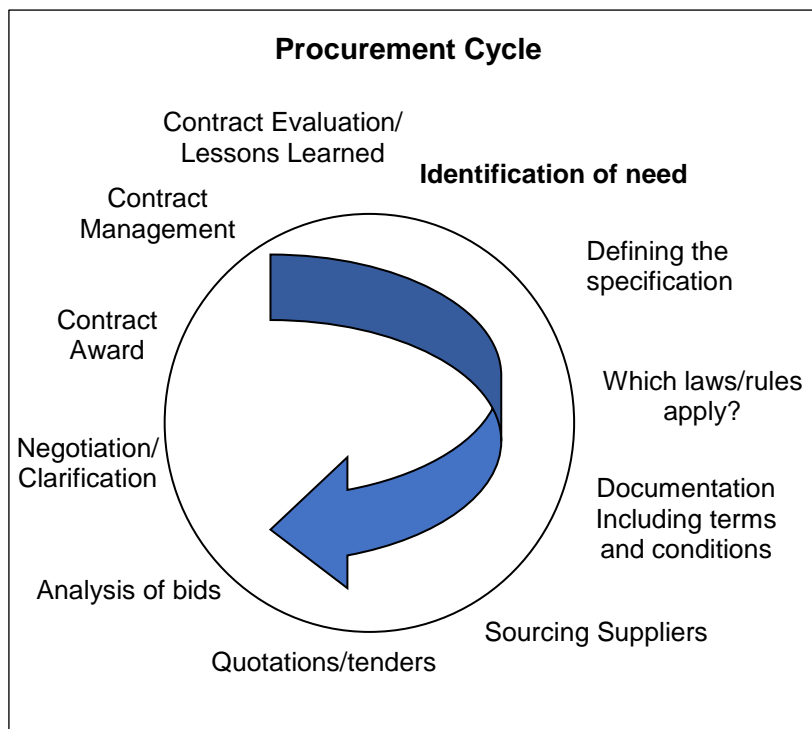
Detailed Comments and Observations

Definition and Benefits of Procurement

27. The Policy opens with a definition of procurement which we would contend is an adequate description of purchasing but which falls short of defining what procurement is. One of the difficulties in defining the term 'procurement' is that it does not deal with a single action or process. In 2003 the National Procurement Strategy for Local Government defined procurement and we believe this definition still holds good today:

'Procurement' is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision which may result in the provision of services in-house in appropriate circumstances.

28. This can also be represented pictorially by a simple procurement cycle diagram which highlights each of the fundamental steps to be undertaken:



29. Recognition of the procurement profession as a major contributor and enabler of policy implementation has grown significantly over the last decade. In the private sector, procurement is viewed as a strategic function working to improve the organisation's profitability. Indeed, in many organisations the

importance of procurement is recognised by having their procurement lead placed at an Executive Board level.

30. In the public sector, the concept of a 'bottom line' is less well defined - there are no shareholders' dividends to be paid out or publicly declared profit (or loss) announcements. There is however a need to maximise the output, in terms of delivery of services within the available funds, which come substantially from taxpayers. The taxpayers are, therefore, essentially the equivalent of shareholders, and procurement should equally be viewed as a strategic function in the public sector as it is in private enterprises.
31. Procurement represents the interface between a public sector body and the commercial market; it follows therefore that the procurement processes must be progressive, flexible and agile enough to embrace elements of both worlds if the service is to succeed. Failure to do so means it will succeed in neither.

Evaluation – Best Value and Financial Regulations

32. In looking at the purpose of the policy we fully support the statement “that all Isle of Man Government procurement activity is focussed on the delivery of best value for the public purse”. The IoMG has a duty to consider and deliver best value when undertaking any procurement activity. Best value is understood to be a balance between price and quality in recognition that cheapest does not always deliver the desired whole life outcomes which may also include benefits to society and the economy. We also applaud the desire expressed to ensure “Government’s purchasing power is used to spend locally wherever possible”. However, there is the potential for conflict between delivering 'best value' and 'spending locally' as these two requirements can at times be diametrically opposed. It is therefore recommended that steps are taken to ensure there is clear guidance as to how these two requirements are integrated, possibly through utilisation of a broader definition of 'best value'.
33. We also support the drive for 'Best Value for Money'. Value for money means securing the best mix of quality and effectiveness for the least outlay over the period of use of the goods/services bought (whole of life costs). It is not about the lowest upfront price. To achieve the desired business objectives, outputs and outcomes of a service it is essential to effectively determine quality through the bid evaluation process. Quality, in this context, means all non-price factors including social value. We therefore believe the definition contained within the Policy should be refreshed to reflect this.
34. Research has, however, indicated there is room for confusion and potentially inefficiency and frustration when reading the Policy alongside the IoM Financial Regulations. Under FPN C.10 – Tender Evaluation (the Regulation) there is a clear definition of what is meant by Most Economically Advantageous Tender (MEAT) when being used as a bid evaluation process; this definition is in line with the general understanding of the procurement profession and has also been endorsed by the UK Crown Commercial

Services. The Regulation also instructs that “in applying the MEAT approach the designated body has to determine the weighting split between quality and price”. Again, this is in keeping with the general understanding across the procurement profession.

35. However, the final part of the Regulation states: “Quality criteria are not permitted to prevail over cost without the prior approval of the Chief Financial Officer or Executive Director - Financial Governance in accordance with Financial Direction C: Buying and Making Payments”. This is contrary to the general understanding and interpretation within the procurement profession, and indeed Crown Commercial Services. The usual practice is for the project team, including procurement and technical specialists, to determine the ratio split between quality and price, with procurement acting as a ‘critical friend’ to challenge and test the justification for the split if required prior to going to market.
36. One of the fundamental tenets of achieving best value is enabling quality to play a greater role than price in the decision-making process; it recognises that ‘value’ is not measured by cost alone, and that the people best placed to decide the **degree of quality required** are those experts who have identified the need and are ultimately going to be the end users. We believe restricting technical specialists or subordinating their opinion on the “value” of the quality they require such that they must seek financial authority undermines the spirit of a MEAT approach and contradicts the best value approach espoused within the Procurement Policy. It also calls into question the trust placed in category/technical experts and could disrupt relationships between Treasury and other Departments.
37. The balance between price and quality is also a useful tool for communicating to the marketplace which factors really matter. For example, an 80/20% quality/price weighting sends a clear signal to suppliers that quality is significantly more important than price. This then lends weight to the quality questions/responses and drives bidders to ensure the solutions proposed will deliver the outcomes required. Benchmarking, category specialist knowledge, and market forces should also ensure value for money is being achieved.
38. Consideration should also be given to the potential impact of any subdivisions within the quality weighting. If quality includes elements relating to non-technical factors and social value than the actual percentage allocated to the solution may be lower than intended. Consideration should be given whether it is more appropriate to evaluate social value as a separate criterion, for example a 50/20/30 quality/social value/price sends a clear signal to suppliers that quality and social value are important factors.
39. Notwithstanding the above, Finance should be consulted as part of any tender documentation compilation and be invited to comment on the quality/ price split proposed prior to the tender being issued (see the diagram below). If there is serious concern that the emphasis on quality is too high, then

discussions should be held with the technical expert and procurement specialist to explore reasons and come to a consensus. Ultimately if consensus cannot be reached, the project sponsor should make the final decision as they will have overall responsibility for both quality and budget.

Key considerations to create an effective evaluation model



Evaluation – Taking Account of Past Performance

40. Past performance is an emotive subject that regularly raises its head when reviewing evaluation criteria. Logically an organisation that has performed poorly in the past should be treated with caution when bidding again for a new contract, and in the private sector this would very much be the case. However under the public sector approach to procurement the principle of level playing field applies and all bidders must therefore be treated equally. We strongly contend that this is an area of accepted public procurement practice that should be reviewed whenever circumstances or environments allow, and a degree of common sense and commerciality should be introduced. The IoM is one environment where this could be explored be done.
41. Past performance has traditionally been excluded as a criterion for evaluation, but in 2015 the UK Government Crown Commercial Service issued a Procurement Policy Note (PPN 04/15) specifically addressing this issue and detailing the method and under which circumstances this criterium could be applied in accordance with PCR 2015. Although this PPN details quite

restrictive circumstances under which this approach can be applied, it nonetheless paves the way for the principle to be applied and provides a sound framework for its implementation.

42. We believe there are no reasons why the IoMG cannot develop its own qualifying criteria under which this process can be applied, e.g. type and value of contracts etc, and therefore introduce it on island in a relatively short timescale. This would include the adoption of issuing Performance Certificates based on systematic benchmarking of contract performance measured against agreed KPIs, and the declaration within tenders and subsequent contracts of the consequences of receiving detrimental performance certificates.

Evaluation – Social Value (including Local Economic Benefit)

43. In the UK the term ‘Social Value’ is defined through the Public Services (Social Value) Act which came into force in January 2013 and requires “all public sector organisations, and their suppliers, to look beyond the financial cost of a contract and consider how the services they commission and procure might improve the economic, social and environmental well-being of an area”. This broader definition of social value has been widely adopted across the procurement profession and has been applied throughout this report. Therefore, wherever the term ‘social value’ is referred to it should also be taken to encompass local economic benefit.
44. When incorporated effectively with quality and price, the inclusion of social value requirements in the award of contracts contributes to levelling the playing field for all types of businesses including small businesses, voluntary and community sector organisations and social enterprises. Local social value will help meet the Government’s wider social objectives of retaining wealth locally through creating employment opportunities, retaining and developing skills and improving environmental sustainability.
45. Social value outcomes should be applied consistently, in line with Government priorities, to make it easier for departments and suppliers to clearly and systematically understand and evaluate the social value in the award of a contract. This means applying policy outcomes that are relevant and proportionate to the subject-matter of the contract, and utilising standardised evaluation questions and award criteria. In order to achieve parity this standardised approach should also be applied to how the award criteria are measured.
46. The research has indicated that the use of social value as an award criterion is not being effectively applied. The definitions and examples as to what constitute social value are very broad and open to interpretation. There is no weighting applied to specifically differentiate between different types of social value contribution e.g. providing local employment and utilising a hotel bed are lumped together under a single social value evaluation score.

Furthermore, the overall score allocated to social value indicates minimal importance is being applied to this criterion.

Interpretation, Implementation and Delivery

47. The Procurement Policy outlines a sound approach and objectives that still hold firm today. However, there are some concerns about how it has been interpreted when being translated into the Financial Regulations for implementation.
48. How and when incorporation of the objectives the Policy seeks to address are applied during a procurement must remain flexible and open for sensible interpretation. Conversely, by their nature Financial Regulations must be rigid, and therefore are not the best vehicle through which to achieve a successful implementation. A more common practice is to develop a separate set of Contract Procedures to provide the necessary guidelines and practical interpretation of the Policy objectives. This practice is not new to the IoMG – the document “Procedure Notes For Management of Construction Projects” was issued in 2012 by the Treasury (and updated in 2016), and formed “part of the Financial Regulations issued by the Treasury under Section 3 of the Treasury Act 1985”. Ownership of these procedures lay with the Capital Projects Unit until it was disbanded. We believe these procedures should be refreshed and similar procedures should be developed for non-construction sectors.
49. The Contract Procedures document should then become the day-to-day manual that enables procurement practitioners to apply a standardised approach and completes the Procurement suite that comprises Policy; Strategy; Action/Implementation Plan; and Contract Procedures.

Communication

50. Communication is a critical element of the procurement service. The procurement team should strive to be recognised as a commercial centre of excellence capable of offering insight about market conditions and how and when to take tenders to market to attract the most interest and best responses. The team should be communicating regularly with the supplier base to understand market forces and drivers, and to inform the market of forthcoming opportunities so they are primed and ready to respond.
51. Regrettably the lack of resources and the volume of administrative work have combined to limit the time and capacity of the procurement team to develop this level of market intelligence and then be in a position to pro-actively communicate it to their internal customers.

Effectiveness of Advice and Guidance Provided - Internally

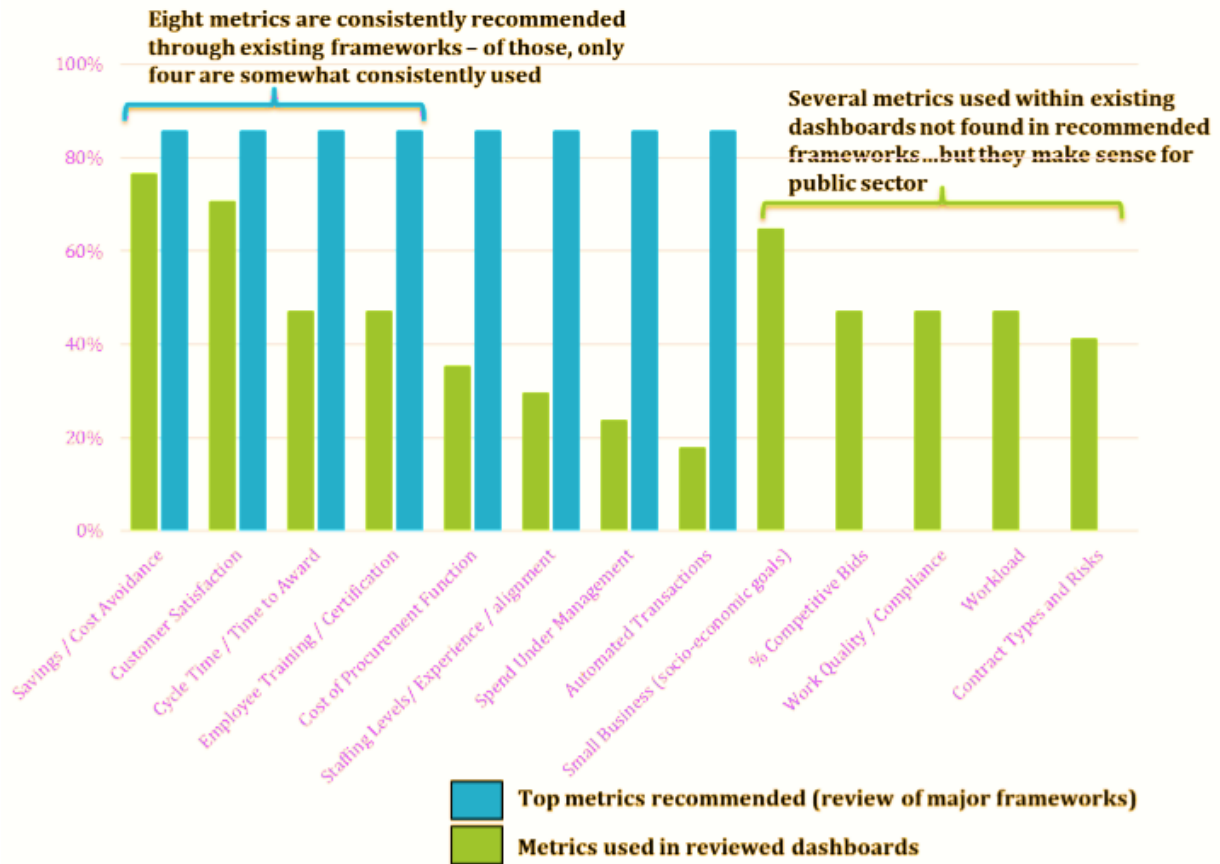
52. When interviewed all internal parties including the Procurement Team themselves recognised that the Procurement service was under resourced and therefore limited in the service that it provided.
53. The function is seen as passive and providing little added value other than administrative support particularly in using the portal. For example, guidance on clerical tasks such as loading of documentation was available when requested. There is no evidence of market or category expertise being deployed, no critical friend challenges being made, nor any pro-active guidance being given on how to package a requirement to make it commercially attractive and thereby attract greater competition, better quality bids, and ultimately better value outcomes. Instead, interviewees indicated that a key function seemed to be policing compliance with strictly interpreted Financial Regulations.
54. Neither Procurement nor the actual Buyers appear to have raised any questions about Procurement's lack of involvement in early stage planning for tenders, and therefore Procurement's passing up of any opportunity to have a commercial input into the framing of documentation has gone unchallenged. At the bid review stage, Procurement's role is entirely passive, to oversee and record the process, not to intervene and drive the analysis.
55. All of these observations indicate an organisation wide lack of understanding of the role Procurement could and should be playing within the organisation.

Effectiveness of Advice and Guidance Provided - Externally

56. Feedback from all external parties interviewed contained a limited number of positive comments. In general, there was acceptance and understanding that the Government was obliged to put in place an element of bureaucracy to meet the needs for audit, to evidence actions undertaken and to ensure transparency and fairness. However, the majority of guidance provided was passive in that it was available on a website but had to be actively sought out by bidders; attempts to seek further advice through direct communication had been either unsuccessful or the communication achieved had been unsatisfactory.
57. Training is available from procurement services, but only on request and is limited due to time commitments and lack of resources. As such the overall effectiveness of the advice and guidance provided externally is limited. It should be noted that this is not a reflection of the capability of the procurement team to deliver, rather a consequence of the availability of resources to provide this much needed service.

Value to Government

58. Each year, the Government has an allotment of public procurement spending to be allocated amongst a wide variety of goods and services. These items help the Government accomplish goals, ensure operations continue to run, and meet any public policy needs. Procurement levels are also often a good indicator of the robustness of a country's economy and functionality of its financial institutions.
59. The measure of its value is elusive, however, and the Government no longer formally attempts to measure the value of procurement. This creates certain obstacles and allows Departments the freedom to pick and choose what, if any, standards they wish to measure their procurement in general.
60. Without ways to track how Departments measure and compare procurement you cannot know if it is efficient. You also cannot develop a reliable set of data to track and see if any trends have developed. Trends offer insight into how the relationship is really functioning. By missing out on this information, it is harder to see if any improvements or adjustments might be made. If a relationship has produced good outcomes over the years, there is no way to track if it could be better, and either the customer or the supplier could have a better outcome.
61. Because Departments can choose what, if any, metrics they want to track their procurement value, it is likely any metrics they follow do not completely measure whether the procurement services fully deliver on the objectives laid out in the Procurement Policy.
62. Instead of attempting to measure the value of procurement, consideration should be given to the process used to measure performance. By doing this, Departments can still have the flexibility to use the metrics they prefer, but how they track the performance of these procurement relationships would be more standardised. It would be helpful to have an agreed set of performance measurements by which to measure procurement value.
63. Research conducted in 2019 by the Public Spend Forum and published in their report (<https://www.publicspendforum.net/procurement-innovation/measuring-public-procurement-value-report/>) looked at a number of metrics currently in use across public sector frameworks:



64. As the graph shows, they found only three metrics that are measured consistently among the dashboards they analysed. Since there are no standard metrics to measure public procurement value, we support the view that it makes sense to improve the ways performance is tracked. A well-defined measurement system, should do three things well:
- a. Identify and measure key outcomes
 - b. Identify and measure the critical practices that lead to outcomes
 - c. Align behaviours with key outcomes
65. At the most basic level, a well-designed public procurement measurement system is critical because it focuses management attention and aligns behaviours to achieving organisation mission outcomes as set out in the Programme for Government and reflected in the Procurement Policy:

PROCUREMENT OUTCOMES

Overarching outcomes include	<ul style="list-style-type: none"> ▪ Enable the organisation mission and specific customer objectives ▪ Achieve best value (and manage total cost) ▪ Comply with rules and policies ▪ Achieve social policy goals ▪ Secondary or related outcomes <ul style="list-style-type: none"> ▪ Manage risk ▪ Access innovation
Customer Engagement	<ul style="list-style-type: none"> ▪ Participate in customer planning and budgeting of procurements ▪ Early customer engagement/ collaborate on requirements
Core Procurement Capabilities	<ul style="list-style-type: none"> ▪ Price analysis, cost analysis & modeling ▪ Supply market analysis ▪ Supplier competition and sourcing process ▪ Operate within procurement/acquisition regulations ▪ Risk management ▪ Project management
Supplier & Contract Management	<ul style="list-style-type: none"> ▪ Manage supply base and composition (including social policy management) ▪ Leverage supplier expertise and innovation ▪ Manage supplier relationships ▪ Manage supplier performance and contracts post-award
Procurement Talent & Organisation Management	<ul style="list-style-type: none"> ▪ Manage, develop and retain talent ▪ Manage procurement/acquisition function ▪ Align staff with customers & markets

66. The example system above is one that has been successfully applied across a significant number of public sector organisations in exact or similar format. It is interesting to note that a number of the key measures/outcomes refer to activities not currently undertaken by the procurement function in the IoMG.

Impact on Suppliers - Construction

67. It is critical to recognise that due to its generic nature and aspirational objectives, a Procurement Policy can be written for a whole market environment. However when implementing that policy, different approaches will need to be applied to different market sectors. This is generally recognised across public sector procurement practice and is exemplified by the differentiation in PCR 2015 between Works and Services procurement rules and procedures.

68. There was strong anecdotal feedback from across the construction sector that the implementation of the new policy, through the rigid application of the refreshed Financial Regulations, has had an adverse impact on how business is conducted, opinion was unanimous that relationships that had previously existed had deteriorated, the quality of the opportunities being offered to the market had fallen, the understanding and partnership approach required for construction projects had diminished, and that as a consequence market engagement and the desire to do business with the Government had fallen away.
69. There was support for the concept of Best Value being a combination of quality and price, but concern that the wider definition of 'Value' as set out in the Policy (including local economic benefits, social value and environmental and sustainability considerations when making contract award decisions) was not being taken into account when evaluating the quality aspect of submissions. There was total agreement in the belief that price was now the deciding factor in any tender submission, and responses were being tailored accordingly with the consequential impact on other quality factors, acceptance of risk etc.
70. On a positive note there was significant support for the fact this review was being conducted, and that market consultation was being undertaken. All interviewees and workshop attendees confirmed that there had been no consultation that they were aware of prior to the issuing of the Procurement Policy in 2017, and the introduction of the new procurement approach via the portal. There was a clear message that this sector felt that these changes had been "done to them" rather than "done with them". Given the interactive nature of supply chains and human nature's natural resistance to change, this approach had inadvertently created a barrier which hitherto has never been directly addressed.
71. Notwithstanding the general comments above, the overall consensus was that the Policy was a sound document with laudable intent. How the policy was being interpreted and implemented was not so positively appraised. In particular the lack of clear definition as to what did and didn't constitute local economic benefit, and how it was captured and evaluated came under significant criticism. There was strong support for the use of 'local economic benefit' (LEB) as an evaluation criterion, but much clearer definition was needed, and it was felt greater weighting should be applied to make it meaningful.

Impact on Suppliers – Non-Construction

72. There was little awareness of the Policy prior to our approaching them and direct representation on the contents of the Procurement Policy was minimal. Engagement with interviewees was primarily facilitated via the IoM Chamber

of Commerce who have proactively supported this review process on behalf of their members and have hosted a number of discussion workshops.

73. Third sector suppliers were particularly keen to support a Social Return on Investment (SROI) mechanism to better reflect the soft benefits that can accrue from local procurement.

Engagement by Suppliers with Government Process

74. Many suppliers we spoke to were frustrated at what they felt was a loss of relationships with their customers. The introduction of electronic procurement processes and systems has inadvertently created a barrier, and coupled with the introduction of a more formal, structured approach to procurement suppliers now felt distanced from their customers.
75. Although any change to existing long established processes will invariably cause a degree of discontent and resistance, given the changes took place in 2017 when the new Policy was introduced it is of concern that these feelings still exist and do not appear to have been directly addressed. The lack of recognition of this issue will in itself perpetuate the discontent.
76. Many were critical of the additional burdens imposed by the requirement to bid through the portal, for what they perceived as low value business. There was near universal condemnation of the repetitive element of the question answering on multiple tenders. Furthermore, Manx suppliers felt that they were at a disadvantage when competing against UK firms with professional bid teams to whom the rigours of public sector tendering were second nature.
77. The limitations of a 'one size fits all' route to market were frequently highlighted, and this approach was strongly regarded as not fit for purpose, particularly by the construction sector.

Achievement of Objectives

Achieving best value for the Isle of Man from Government purchasing whilst ensuring Government's purchasing power is used to spend locally wherever possible.

78. **Partially Achieved** – Much depends on what interpretation has been applied to “best value”. The IoMG has instigated strict controls around tendering evaluation that have been interpreted as mandating a quality/price regime where quality cannot attract more than 50% of the marks without prior authorisation. This has meant price has been a key deciding factor in the award of contracts. This may have driven costs down however this does not necessarily translate automatically into “best value”.
79. Without agreed baselines and metrics, it is difficult to evidence a conclusive opinion. However anecdotal responses from across all interviewees – internal and external – indicated that although the principle of local spend wherever possible was well received, how it was being implemented was falling short of delivering the anticipated outcomes. Critically ‘spend locally’ had been translated into evaluating LEB as part of the procurement process, but there was no clear definition of what constituted LEB, how it was captured, evidenced and measured. The weighting placed against LEB in the evaluation process was always taken from the maximum 50% allocated to quality, and therefore was seen to be reducing the importance of quality even further.

Purchase through fair and open competition.

80. **Partially Achieved** – The procurement processes that have been introduced via the portal and the Quick Quotes facilities are open and fair in that all bidders are treated equally and equitably. However, following the accepted definition that an SME has fewer than 250 employees, a small business has fewer than 50 employees, and a micro business has fewer than 10 employees, 99.5% of businesses on the IoM fall within these definitions, and 97.5% are small or micro businesses. The question then is whether a procurement process is ‘fair’ if it requires the same amount of effort from an SME versus a UK based large company, irrespective of the scale / scope of a tender? Feedback universally felt the answer was ‘No’.
81. What is perceived to be ‘fair’ is subjective and open to debate, and this becomes even more complex when comparing public and private sector opinion. For example, the system as implemented treats each tender opportunity in isolation and takes no account of a bidder’s past performance – good or bad. Although this approach is broadly in keeping with EU and UK public procurement regulations (despite there being some small movement in this area), the commercial reality outside of the public sector arena is that past

performance is a key performance measure that should be taken into account. The IoMG has the flexibility to revisit this criterion and include it in a structured way should they choose.

82. Given the stated objective “to spend locally wherever possible” there is clear potential for a conflict of interest when reconciling actively trying to spend locally with being open and fair. The complex reality of implementing these two seemingly simple objectives requires significantly more thought, analysis, definition and structure. If this work is undertaken, then we believe it is possible to reconcile the two objectives.

Make selling to Government as simple and straightforward as possible.

83. **Partially Achieved** – The repetitive and time consuming paper based processes have been replaced by an electronic process. Regrettably much of this new process is still repetitive and does not make use of the ‘write once use many times’ benefit often associated with electronic data capture, such as pre-populating regular fields associated with an entity’s log-in.
84. For private sector suppliers, selling to Government will always appear complex and more difficult than it should be. This is inevitable when comparing the freedom of activity the private sector enjoys when compared to the added requirements placed on public sector bodies to ensure openness, transparency, fair play and a clear audit trail. The requirement to evidence and control all aspects of the process come with an inescapable administrative and bureaucratic burden. Notwithstanding this there are a number of things that can be done to try to remove or reduce these barriers and overcome the perception that tendering with the Government is “just too difficult”.
85. Within this context the introduction of the InTend e-tender portal and accompanying Quick Quotes facility offered industry recognised tools designed to make the process of doing business with a public sector body as simple as possible. However, tools need instruction manuals and, in some cases, training before they can be applied effectively. The limited resources of the procurement service have struggled to offer the training required, this despite their best endeavours. Moreover, training for users who are not regular users is essential as skill fade will inevitably have an impact.
86. There also needs to be greater recognition of the need to train both ends of the user chain – buyers (internal users) and suppliers (external users). Given the limitations and pressures on internal resources, one approach could be to adopt a partnering approach with an appropriate body to deliver training and develop supplier capacity. The IoMG are the lead for the British Irish Council digital inclusion workstream, with digital inclusion sitting in the Cabinet Office. Local SMEs and occasional users who are not particularly IT adept need help;

there is a very real danger that work could be awarded based on the ability of a bidder to understand and use the *system* rather than deliver the best value solution.

87. The limited availability of experienced procurement professionals and procurement resources in general means that there is minimal attention paid to the critical early (specification development) and later (contract management) elements of the procurement process. As a consequence successful completion of the 'process' is seen to be an achievement.
88. The introduction of a "one size fits all" approach to procurement has complicated rather than simplified some elements of the procurement process. A clear example is the construction market where the traditional approach to procurement does not readily translate into the new processes introduced in 2017. Furthermore, given that the number of local businesses on the IoM that qualify as SMEs is significantly higher than the UK national average, there is a strong case to tailor the public sector approach to procurement to suit the local commercial environment rather than that of the EU. Brexit could be seen as the catalyst to revisit and revise the IoMG approach.

Process Observations

89. The procurement process will only deliver optimum benefits if it is a coherent whole, with the disparate and often dispersed people involved in procurement decisions working together for the good of the organisation. You cannot simply bolt-on a discrete procurement function and hope for the best. Nor can you assume that the diverse groups involved in the procurement process will come together naturally to work things out – experience shows that each function pursues its own interests to the exclusion of others.
90. Modern commercial thinking now recognises Procurement as a profession/professional service on a par with HR, Finance and Law. As such, a coordinated, SMT-led approach is needed – otherwise supply failures and excessive costs are likely to result. And in keeping with other professional services, procurement decisions must be consistent with the organisation's objectives, culture and ethos and be compatible with its structure and geographical reach.
91. The translation into strictly applied Financial Regulations of the spirit of the Policy and the objectives it has set, has imposed a rigidity to the procurement process that inhibits its ability to perform to optimum effectiveness, and therefore successfully deliver the outcomes from the Policy that were intended. The commerciality required in conducting best practice procurement requires a degree of flexibility that enables a number of constantly changing variables (e.g. market forces) to be assessed and factored into any decisions taken. Recognising that public sector accountability requires transparency and

fairness should not be barriers to allowing the procurement process to perform effectively. Parameters of operation can be set, oversight and audit can be maintained, all whilst empowering professional personnel to apply their skill and judgement to achieve the best outcomes on behalf of the IoMG.

92. The IoMG procures a wide and varied range of goods, works and services. As such it is not possible to apply a 'one size fits all' approach to procurement. There are a variety of tools within the procurement toolbox, and these should be applied to enhance and improve a service. If the wrong tool is used it can have the opposite effect with negative rather than positive consequences. There is concern this may have occurred with regard to construction and capital projects.
93. The lack of contract management being centralised and owned by the procurement team, notwithstanding ownership of contracts resting with individual Departments, is a critical gap in the provision of a strategic approach to procurement and ongoing Supplier Relationship Management (SRM). This leaves the IoMG vulnerable to a 'divide and conquer' approach by suppliers, and a continuing fragmented approach to the market rather than acting as a 'joined-up' Government.
94. There is strong support for the objective of supporting LEB, however this is a complex objective to achieve, and the current approach and process is universally considered to be misunderstood – suppliers are unsure how to score points and staff are unsure how to interpret and evaluate submissions. The whole approach needs to be revised including deeper consideration and definition of what constitutes LEB, weighting to differentiate clearly between different types of contribution, how permanent versus temporary contribution is taken into account (if at all) etc.

Recommendations Summary

As required by the Quick Quotes Request (Procurement Review – TREA.4266) the Recommendations arising from this report are described below, with a Priority (P) rating of 1 to 3. This has been determined based on balancing the benefit of implementing the recommendation with the urgency of addressing it / time taken to action it.

- **Recognition of Procurement as a Profession (P1)** - If progress is to be achieved in successfully delivering the objectives outlined in the Procurement Policy, we strongly recommend the IoMG addresses the perception that procurement is an administrative process and empowers and elevates it to the professional status it merits.
- **IoMG Approach to Procurement – Local Commercial Landscape (P2)** - There needs to be a better balance between the lack of public sector appetite for risk and the imposition of audit requirements against the administrative burden and repetitive information gathering requirement imposed on SMEs.
- **Structure of IoMG Procurement Service - CLAN and Partnering (P1)** - A Centre Led Activity Network (CLAN) style of approach through, for example, a Procurement Business Partner structure should be considered to promote relationship building and deliver added value to the procurement process.
- **Development of Supporting Documents (P2)** – A Policy cannot be effective as a standalone document. It needs a Strategy to address the direction of how procurement should be organised in order to implement the procurement policy, and an Implementation/Action Plan to develop and agree initiatives that will help you achieve the outcomes you are seeking. The Implementation Plan will also allocate ownership of these initiatives, target dates for achievement, and include a progress review meeting schedule.
- **Expanded Definition of Best Value (P1)** - Should include as a mandatory requirement the wider 'quality' aspect of local social and economic benefit, along with clear definitions of what is included under these terms.
- **Measuring Social Value (P2)** – This is far more complex than is currently recognised, however there are tools available that introduce meaningful SMART metrics that can be tailored to suit the IoM. This whole issue needs to be addressed and refreshed to reflect current levels of importance now being assigned to this deliverable.
- **Sustainability and the Environment (P2)** - To support the Government's drive to minimise and where possible to reverse the harmful impact we have on the planet it is appropriate to link the procurement process to the Climate Change Delivery Programme. One approach could be to mandate that all tenders should be required to have a Climate Impact Assessment.

- **Forward Planning (P3)** - It is recommended Departments retain ownership and responsibility for maintaining and updating their own element of a consolidated, centralised annual tender activity plan. This needs to be a mandatory requirement with consequences (such as an adverse Audit comment) for non-compliance.
- **Contract Management (P1)** - The Contract Management module of the InTend system should be rolled out as soon as possible, and contract management should be strongly promoted as a discipline across the IoMG, under the ownership of the procurement services umbrella for oversight, but with delegated contract management responsibility to nominated contract managers in each Department.
- **Revision of Evaluation Ratios (P1)** – The strict application of limiting the quality scoring of bids to no more than 50% unless a waiver is applied for should be reviewed with the intent to empower subject matter experts to set higher quality ratios where justified, without having to resort to a formal waiver.
- **Improved Training and Communications Plans (P1)** – (internal and external) For procurement to be effective all users and potential users need to be aware of it both from the benefits good procurement can deliver and as a Service available to them. Procurement awareness training as well as targeted process training should be considered, with options such as short lunchtime ‘bitesize’ workshops being offered.
- **Develop Supplier Engagement Programme (P2)** – IoMG needs to rebuild trust with their supply chain, and then ensure it is maintained. Within a relatively small community as exists on the IoM replacing “faceless civil-servants” with people will have a very positive impact. A Meet The Buyer event should be instigated as an annual event, and a rolling quarterly programme of workshops/presentations be set up with recognised industry bodies such as CoC at which relevant procurement issues are discussed and explored.
- **Develop an Action Plan to Implement Agreed Recommendations (P1)** – In order to achieve maximum benefit from this exercise IoMG should develop an Action Plan to drive forward the implementation of those recommendations that have been accepted. The Plan should name and empower key individuals to take responsibility for the successful delivery of each element, and progress should be reviewed by the senior management team

Detailed Breakdown of Recommendations

Recognition of Procurement as a Profession

95. The Chartered Institute of Procurement and Supply (CIPS) has stated:

“Professional buying is a new specialisation emerging in the same way that accountancy or the law has. The modern role of professional procurement is a complex one demanding a wide range of business skills and commercial expertise to succeed. The job is as broad and as deep as the practitioner makes it and their organisation requires. The simple purchase contract can all too often be expected to carry the burden of lazy or hasty business development work when neither the commercial deal, the specification, nor the business process has been properly thought through. When the contract is striving to clarify what has actually been agreed - or more precisely not agreed – within the “spirit” of an amicable agreement, a procurement professional is needed... We need professional procurement because it delivers greater benefits than it costs, and it helps business and government better manage business decisions. Its value can be demonstrated in a simple business equation, return outweighing investment.”

96. Procurement is the profession of external resource management in the same way that HR, IT and Property teams may be the professions of internal resource management. Working both upstream and downstream of the purchase decision, a procurement professional can facilitate the business process, help capture the business benefits of the project, protect the business from risk and reduce lifetime costs. They can be the difference between success and failure given the support and confidence to be involved.
97. If progress is to be achieved in successfully delivering the objectives outlined in the Procurement Policy, we strongly recommend the IoMG addresses the perception that procurement is an administrative process and empowers and elevates it to the professional status it merits.
98. In recognition of its professional status, we also recommend a Head of Profession be established whose responsibilities would span all Central Government procurement, acting as a focal point and policy lead for how the IoM as a whole approaches public sector procurement. Part of the duties of this role would be to establish a structured liaison group with other key on-island procurement personnel, including both public and private sector, to encourage the development of best practice across the profession.
99. An annual efficiency statement of “savings” should be formally captured and reported upon to improve the standing of the service within IoMG. To ensure

that the benefits are realised, procurement should have an annual review of high value contracts to ensure that envisaged benefits are being delivered.

IoMG Approach to Procurement – Local Commercial Landscape

100. Statistically 99.5% of businesses on the IoM are classed as SMEs, with 97.5% classed as small or micro. We recommend a review of the IoMG approach to procurement be instigated with a view to tailoring processes to better align with the local commercial landscape. This review should be undertaken by a joint committee of representatives from Procurement, Audit, Finance and the AGC, with representation from a “user” Department.
101. There needs to be a better balance between the lack of public sector appetite for risk and the imposition of audit requirements against the administrative burden and repetitive information gathering requirement imposed on SMEs.

Structure of IoMG Procurement Service - CLAN and Partnering

102. Given that the IoMG spends over £200 million each year on goods, works and services, it beholds them to ensure their approach to procurement is professional and robust. Research indicates that the IoMG approach to procurement is fragmented, siloed, and often undertakes reactive purchasing. Where tenders or Quick Quotes are required the Procurement Service provides basic process support, including the development of contracts, but appears to have little capacity to provide much beyond this due to lack of resource. Feedback strongly indicates that procurement is perceived to be an administrative process that adds an unnecessary layer of bureaucracy rather than a professionally led key enabling function supporting the delivery of Government policy and objectives. Whilst we do not necessarily agree, (there are much broader aspects that are being addressed by the Policy) this perception by those who were interviewed or commented via the questionnaire, undoubtedly hinders the successful implementation and achievement of the Policy objectives.
103. We recognise the IoM environment may not be suited to a traditional category management approach given the level of repeat procurement within individual categories and that procurement expertise on island is a scarce resource. However, we do believe procurement would work more efficiently if a Centre Led Activity Network (CLAN) style of approach through, for example, a Procurement Business Partner structure, was properly resourced and developed further as a central service, similar in nature to that recently introduced for Finance. This approach requires procurement to learn and understand the specific needs and demands of a particular Department. They can then apply their own core expertise and competencies whilst working with the Department’s subject matter experts to achieve the best procurement

outcome for the Department that meets both compliancy and best value for money requirements.

104. The partnership puts the onus on the procurement resource to execute its processes effectively and in a compliant manner while building an in-depth understanding of its partner's goals and requirements. Armed with dual expertise, together they'll successfully identify the right suppliers and optimise spend management within the category. In other words, they'll engage in a true partnership where both parties work in tandem to carry out strategic initiatives.
105. Most importantly, this approach promotes relationship building and can lead to the following benefits:
 - a. More effective, less exception-based processes — the procurement partner interprets the policy and process based on the business unit to evolve them without breaking any rules.
 - b. Quicker cycle times and fewer missed deadlines: If, for example, a Department needs their contracts within three weeks, the procurement resource will attend to this and plan for it, again ensuring a true support model that allows the business unit to focus on its own strategic initiatives.
 - c. Better supplier relationship management: Different business units have different needs when it comes to optimising relationships. The Procurement Business Partner will understand the best practices for these relationships as well those for longer-term, more strategic relationships.
106. Ultimately, the Procurement Business Partner and the business unit will develop a strong, mutually beneficial relationship that contributes to the health of the entire enterprise. With the procurement function seen as an asset to driving improved value and service, and not as a "speed bump".

Development of Supporting Documents

Procurement Strategy

107. According to the Chartered Institute of Procurement and Supply (CIPS) "a procurement strategy is developed in order to establish the direction of how procurement should be organised in order to implement the procurement policy". Research has shown that the IoM would benefit greatly from a Procurement Strategy to bring a more defined structure and joined-up approach to how procurement is conducted across the public sector bodies on the Island.

108. Before you start developing your procurement strategy, it's first important to analyse your current procurement structure and find out if it aligns with the overall Government objectives. This will include benchmarking important data such as current performance, resources used, the cost for departments and functions etc.
109. Once you figure out how/if your procurement process is currently adding value to your overall corporate strategy and how efficient it is, you can then start looking at areas in which you need improvement. In this step, you will identify the skills gaps and inefficiencies which are preventing procurement from delivering the efficiencies and savings it should.
110. Our research indicates procurement is fragmented and there appears to be little coordination or clear lines of professional oversight and responsibility. The small 4-person central procurement team is led by a Head of Procurement who is a lawyer by profession, and who also has other key roles and responsibilities. Three of the procurement officers are professionally qualified, and the team is supported by three commercial lawyers. There are also at least six further appointments across the IoMG with either 'Procurement' or 'Contracts' in their title, plus there are other public bodies who have their own procurement personnel e.g. the Post Office. The procurement function does not lack for effort or dedication by those involved, but we feel it would greatly benefit from an experienced and professionally qualified Head of Profession. They would act as a focal point and provide overall leadership and guidance, unifying the approach to procurement across the public sector. This role would also take the lead in developing the strategy and identifying well-defined and measurable objectives.
111. Having identified and agreed the objectives, it is essential to also identify and agree with stakeholders the metrics that will be used to measure performance against them, and the value of the outcomes delivered. Defining exactly what success looks like is critical to providing guidance to the team and inspiring them to achieve. We would recommend that both value and performance should be measured, the former providing Government with tangible evidence to support external and political messaging, the latter to provide the *organisational* measures the government as body needs to manage the effectiveness and efficiency of the procurement service.

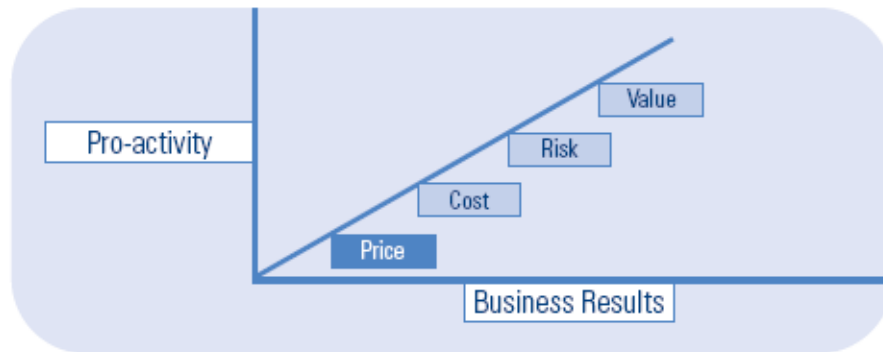


Figure 1 - Focus on increased sophistication of business results/outcomes has required procurement to become more proactive and move from price management to cost management, risk management and value adding

112. The metrics selected must be SMART and although they may be challenging, they should not become the focus of the Procurement Service, which must remain on achieving the objectives and delivering the outcomes desired. Unfortunately, there are no across the board metrics that can be used to measure government procurement. There are, however, some broad metrics that many public bodies do use, such as savings/cost avoidance, customer satisfaction, and small business/socio-economic metrics. Because these metrics seem to cut across industries, it is easy to see why these standards would be used to try and value/performance measure public procurement. These metrics are also good indicators as to how efficient the customer/supplier relationship is.

113. Recommended metrics might include:

- a. Managing Total Cost – One of the primary goals of any procurement is to manage total cost. This is not just about money. It is also about measuring effectiveness in terms of outcomes. This can cover areas such as improved pricing, cost avoidance, managing specifications and demand reduction.
- b. Managing and Engaging Suppliers – This area is focused on measuring how well an organisation is engaging, managing and collaborating with suppliers in terms of meaningfully engaging suppliers, achieving socio-economic objectives, and managing supplier performance.
- c. Managing Internal Operations and Customer Satisfaction – This metrics area focusses on efficiency and customer satisfaction. Examples might include measuring cycle time, internal procurement function costs and of course internal customer satisfaction with the procurement function.

We also recommend the introduction of a structured system as illustrated at paragraph 65 above to capture and measure the performance of procurement

as well as the value it delivers. This should also produce the annual efficiency statement or “savings” and conduct an annual review of high value contracts to ensure that envisaged benefits are being delivered.

114. Critically, once metrics are agreed, a baseline against which improvement will be measured must also be agreed. This then forms a sound foundation, clear direction, and targets for the procurement service team to pursue. These then need to be translated into an Implementation Plan.

Procurement Strategy Implementation Plan

115. Having identified your objectives and targets, the next stage is to develop and agree initiatives that will help you achieve the outcomes you are seeking. The Implementation Plan will also allocate ownership of these initiatives, target dates for achievement, and include a progress review meeting schedule.
116. This document is a live document that will require regular review and updates as the procurement landscape shifts in response to the demands of the organisation, although it is critical not to stray from continuing to deliver against the strategy objectives. To successfully implement the objectives set will require top-down buy-in the process, strong leadership and empowerment of key personnel to overcome the natural resistance to change and the initial inertia that will be encountered.

Expanded Definition of Best Value

117. The potential conflict between the objectives of achieving ‘Best Value’ and ‘spending locally’ can be overcome relatively simply by clearly expanding the definition of Best Value to include as a mandatory requirement the wider ‘quality’ aspect of local social and economic benefit. It would also be helpful if the policy included examples of what these wider aspects should include - for example sustaining local employment, uplifting local skills and retaining revenue flows on-island through taxation, social security contributions, and the local multiplier effect of spend and re-spend within the local economy.

Measuring Social Value

Tailored National TOMs Framework

118. Measuring Social Value (including Local Economic Benefit) has always been a challenge for public sector bodies. However there has been a significant amount of work carried out to bridge this gap. In 2016 the National Social Value Task Force was founded in order to establish a good practice framework for the integration of the Public Services (Social Value Act) 2012 ('Act') into the UK public sector and business. It is an open network and welcomes any organisation that wishes to get involved. They operate through the Social Value Portal and in 2017 the National TOMS (Themes, Outcomes, Measures) Framework was launched. The aim of this Framework is to provide a minimum reporting standard for measuring social value that is an easy to use solution that is immediately available and may be applied to any project.
119. The National TOMs Framework has been designed around 5 principal Themes, 20 Core Outcomes and 48 Core Measures:
- Themes – The overarching strategic themes that an organisation is looking to pursue
 - Outcomes – The objectives or goals that an organisation is looking to achieve that will contribute to the Theme.
 - Measures – The measures that can be used to assess whether these Outcomes have been achieved. For the National TOMs Framework, these are action based and represent activities that a supplier could complete to support a particular desired outcome.
120. The 5 Themes are as follows:
- **Jobs: Promote Local Skills and Employment:** To promote growth and development opportunities for all within a community and ensure that they have access to opportunities to develop new skills and gain meaningful employment.
 - **Growth: Supporting Growth of Responsible Regional Business:** To provide local businesses with the skills to compete and the opportunity to work as part of public sector and big business supply chains.
 - **Social: Healthier, Safer and more Resilient Communities:** To build stronger and deeper relationships with the voluntary and social enterprise sectors whilst continuing to engage and empower citizens.
 - **Environment: Decarbonising and Safeguarding our World:** To ensure the places where people live and work are cleaner and greener, to promote sustainable procurement and secure the long-term future of our planet.
 - **Innovation: Promoting Social Innovation:** To promote new ideas and find innovative solutions to old problems.

121. Most importantly, the tool provided can be tailored to **reflect any local environment** with chosen outcomes being applied and weighted as required. This therefore would enable the IoMG to adopt whichever of the elements of the tool they felt appropriate, tailor the measures to reflect the IoM environment, and provide a standardised, effective measure for Social Value. Full access can be found here: [The National TOMS Framework](#).

Local Multiplier 3 (LM3)

122. Another tool worthy of consideration is the Local Multiplier 3 (LM3) methodology for monitoring the local money supply to assess the IoMG local economic impact through corporate procurement supply chain spend. LM3 was developed by John Maynard Keynes in collaboration with other economists in the early twentieth century. Although not without contention it is a widely accepted model that is still in use today when producing evaluations of the economic impact of investments, initiatives, and trade. The theory is relatively simple - economies are comprised of money entering, being exchanged, and leaving. The more people spend money on other people and businesses in their local economy, the more income is generated for people in that local economy.
123. Whilst the Government cannot set targets for LM3 as this may discriminate against non-local bidders, it can monitor annual supplier spend and include this as a contract condition.

Sustainability and the environment

124. To support the Government's drive to minimise and where possible to reverse the harmful impact we have on the planet it is appropriate to link the procurement process to the Climate Change Delivery Programme. One approach could be to mandate that all tenders should be required to have a Climate Impact Assessment. Typically the assessment will consider:
- a. **Carbon in the production process** - Products that are known to be energy/carbon intensive in their production, and practical steps to reduce consumption.
 - b. **Carbon and energy consumption** - Energy-using equipment (e.g. ICT, laboratory equipment, white goods, audio-visual and others) or the use of energy in the delivery of a service that is being procured (e.g. FM, printing, professional services).
 - c. **Climate change adaptation**- Supplies and services that may be vulnerable to the effects of climate change and for which climate resilience is important e.g. construction projects, supplies sourced from areas known to be vulnerable to climate change impacts in the lifetime of the contract.

- d. **Vehicle emissions** – The use of vehicles in delivery of products or service delivery.
 - e. **Scarce materials** - Products or services that contain materials that are known to be scarce or unsustainable.
 - f. **Waste and Efficient Resource Consumption** – Carbon Emissions resulting from flying. Products or services that may result in the production of waste and minimising that waste, and the use of resources in accordance with the waste hierarchy and legal requirements.
 - g. **Biodiversity** - Products or services that have potential negative impacts on biodiversity or there are opportunities to enhance biodiversity.
125. The objective is to encourage all vendors to think about sustainability in their wider business. As such, supplier engagement before the procurement process begins will be essential to allow the market to understand and prepare their response to tender requirements.
126. Also key is the approach to the selection of suppliers, the inclusion of relevant and proportionate sustainability requirements within each specification, the evaluation of relevant and proportionate award criteria, and an effective contract management process.

Forward Planning

127. The Procurement Policy clearly states, “To conduct procurement activity in a transparent manner publishing: Annual tender plans in order to provide greater notice of potential contract opportunities.” To meet this objective the Procurement Service seeks input from Departments each year, but from this point forward management of the Plans seems to fall away. As a consequence the plan rapidly becomes out of date and loses credibility with the supplier base. At the time of writing, the current Tender Activity Plan (TAP) available on the IoMG website was last updated at the beginning of December 2020.
128. It was President Eisenhower who said, “Plans are nothing; planning is everything”. Forward planning is crucial to good management, producing better services and greater efficiency. It delivers a clear view about where an organisation, Department or service is heading, and how it will get there.
129. The annual TAP should have three significant roles:
- Enable the Departments to effectively prioritise, seek early advice, and manage budgets.
 - Enable the Procurement Service to allocate sufficient resources and time to the Department’s procurement processes to ensure their success.

- Enable the supplier base to identify key opportunities and plan their resources accordingly, including building in time for tender activity
130. With a clear view of upcoming procurement requirements, Department senior management will have an improved ability to:
- effectively prioritise procurement processes to ensure contract outcomes are aligned to the Department's strategic vision
 - allocate sufficient resources and time to procurement processes to ensure their success
 - ensure compliance with IoMG policies, procurement processes requirements and relevant legislation
 - seek early advice from the relevant procurement support function on the procurement strategies that will best allow a procurement process to meet its stated objectives whilst complying with relevant policies, processes and legislation; and
 - manage budgets with visibility of future spend requirements.
131. Given the value of forward planning to Departments and recognising the fluidity and likelihood of change to requirements, it is recommended Departments retain ownership and responsibility for maintaining and updating their own element of a consolidated, centralised annual tender activity plan. This needs to be a mandatory requirement with consequences (such as an adverse Audit comment) for non-compliance. Unless the plan is regularly updated its worth disappears and it becomes a pointless administrative burden that actually has a negative impact on the credibility of the Procurement Service, who are perceived by the suppliers as the owners of this information source.
132. A clear view of forthcoming activity will aid Procurement to move from being a reactive, administrative support service to a proactive professional-led service. An accurate, dynamically managed tender activity plan is essential to underpin their resource planning, particularly at the earlier stages of:
- market warming
 - planning the approach to market
 - compiling the specification; and
 - packaging the eventual tender offer

This could also enable active management of scarce resources throughout the year, to ensure sufficient support at the right level of experience and expertise is available for prioritised key projects.

133. Hence any changes will need to be coordinated between Departments and Procurement to ensure sufficient resources are available to support procurement projects as required.

134. Proactive management and updating of the TAP will build trust amongst the Supplier base and credibility in the document. The TAP will then be seen as a reliable source to take into account when suppliers build their own forward plans, helping to cement a closer positive relationship between IoMG and its suppliers. Consideration should be given as to how the information within the TAP is presented.
135. The two key strategic factors taken into consideration when planning are Time and Certainty. Given the dynamic nature of the marketplace and demands placed upon Departments, it may be more pragmatic to divide the TAP into sections to reflect both of these factors. For example they could have two time horizons, one twelve months out which is inevitably aspirational. Inside this in the six to twelve month space are tenders that are probable/confirmed, and within the six month timescale are tenders which are in the active planning stage.

Contract Management

136. Currently the procurement team do not provide any level of contract management. When asked about this role their response was *“we record the contracts that we have let placed from a full ITT. The information is used to populate our publication of awarded contracts as required by Policy & Fin Regs. No further action is taken with them [the contract registers] and we do not share them with Departments (that's not because we're maintaining any kind of secrecy, we're just not required or asked to). Departments should be responsible for maintaining their own contract registers and ongoing contract management as they are the signatories.”*
137. Contract management is the process that enables all parties to a contract to meet their obligations in order to deliver the objectives required from the contract, and the contract meets the optimum combination of cost, time and quality. It also involves building a good working relationship between the customer and the service provider. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise.
138. One of the key aims of contract management is to obtain the services as agreed in the contract and achieve value for money. Typically, Procurement should participate in this process to ensure that benefits promised are delivered. This means optimising the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the customer and service provider relationship. Contract management may also involve aiming for continuous improvement in performance over the life of the contract.
139. Provision for a kick-off meeting and regular minuted contract review meetings should form a routine element of all significant contracts. Procurement should be in attendance to explain to the parties what has been agreed to ensure that

what has been promised is what will be delivered. Timing of these should be agreed by all parties at the commencement of the contract implementation.

140. A critical tool to enable effective contract management is an up to date and accurate dynamic Contracts Register. We understand a register is manually maintained in an ad-hoc fashion on an Excel spreadsheet; ideally it should be a centralised electronic database that is both capable of being automatically populated from the e-tender portal and regularly manually updated as required.

141. We understand the IoM has purchased the Contract Management module to accompany the InTend e-tender portal, however this has not yet been rolled out. There are multiple statistics that indicate the financial benefits alone of good contract management:

- World Commerce and Contracting calculated that poor contract management practices are **costing businesses an average of 9% of revenues each year.**
- A KPMG survey of outsourcing suppliers found that without close contract governance, **businesses stand to lose up to 40% of a contract's value.**

According to procurement consultancy, The Faculty, **less than 50% of negotiated savings are typically realised over the life of a contact.**

- **Administrative costs associated with contracts are reduced by 25%-30%** through implementing automation according to Aberdeen Research.

142. The creation of a centralised electronic contract register would not negate the role of each Department in taking responsibility for managing its own contracts. According to InTend, key features of the module include total visibility of all contract information across the organisation, with at-a-glance indicators of dates and key metrics, as well as being able to manage contracts through a central team or devolved to Departments or stakeholders. This would offer a tool for Departments to manage this information and use it to better plan their procurement exercises.

143. We therefore strongly recommend that:

- a. the Contract Management module of the InTend system be rolled out as soon as possible, and
- b. that contract management be strongly promoted as a discipline across the IoMG, under the procurement services umbrella for oversight, but with delegated contract management responsibility to nominated contract managers in each Department.

144. The implementation of Contract Management should also be supported by Contract Management training designed to establish a robust and

standardised approach to this discipline across the public sector procurement. The training should consist of an initial module to address the fundamentals of contract management, with refresher modules being offered at a suitable periodicity to overcome natural skill-fade.

145. Contract Management would also play a key role in the management and issue of Performance Certificates that would enable past performance of bidders to be taken into account when new tenders were issued.

Revision of Evaluation Ratios

146. The strict application of limiting the quality scoring of bids to no more than 50% unless a waiver is applied for should be reviewed with the intent to empower subject matter experts to set higher quality ratios where justified, without having to resort to a formal waiver.
147. The task of the evaluation exercise is to select the bid or tender which will give the Best Value for money at best overall cost. This will most likely result from balancing cost, quality, delivery, performance and risk. The necessary criteria used in making this decision will include technical compliance, the capacity and capability of the bidder, the quality offered and the prices/costs of alternative bids.
148. Given the range and diversity of considerations that fall under the definition of 'quality' it is often difficult to apportion the correct level of weighting if constrained to no more than 50%. If Social Value is also considered as part of the quality evaluation and there is an appetite to strengthen this criterium then there is even less weight to be apportioned to the other elements and price becomes the single dominant factor in awarding contracts.

Improved Training and Communications Plans (internal and external)

149. For procurement to be effective all users and potential users need to be aware of it both from the benefits good procurement can deliver and as a service available to them.
150. Throughout the public sector, there is a lot of pressure on departments and individuals to save money. Although the mandate to save money is clear, it needs to be accomplished without degrading the quality of goods or services that are delivered. This combination creates a procurement challenge that is quite significant.
151. Since this type of procurement requires more than just cutting costs, procurement staff need to be problem solvers who can bring valuable ideas and solutions to the table. In order for someone to thrive in a procurement role, they need to be able to tackle very specific tasks. But in addition to that

requirement, procurement professionals also need the ability to look at certain issues in the context of a bigger picture. Given that the job requires a varied approach to work, it's something that procurement training should reflect.

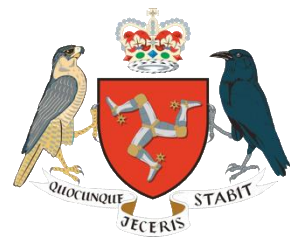
152. The best procurement professionals are those who have a commitment to lifelong learning. Because that approach can have lots of positive effects, it's something that public sector procurement training should be set up to support.
153. Procurement awareness training should also be considered. Those within the organisation who are not procurement professionals are unlikely to fully appreciate the range of benefits procurement can deliver to and for them; it is not just an administrative purchasing process with no added value. This message needs to be communicated to the organisation. Raising awareness that a well delivered procurement can deliver savings, added value, and robust contracts that protect the organisation from risk and contain effective contract management levers such as SMART KPIs is essential to gaining buy-in from potential users as well as procurement professionals.
154. Robust, reliable and dynamic communication plans with suppliers also need to be put in place to re-establish trust and ensure closer engagement with the local supply base is established. Departments should create and maintain their own plans, but these should also feed a single central plan that becomes the trusted source for future expected procurement activity.

Develop Supplier Engagement Programme

155. IoMG needs to rebuild trust with their supply chain, and then ensure it is maintained. Suppliers need to have faith in the information they receive with regards to tenders, and believe they have a fair and equal chance of winning business. Communication needs to flow both ways and the supply chain would benefit greatly from mutual knowledge of each other. Within a relatively small community as exists on the IoM replacing "faceless civil-servants" with people will have a very positive impact.
156. We recommend a Meet The Buyer event be instigated as an annual event, and that a rolling programme of workshops/presentations be set up with recognised industry bodies such as CoC at which relevant procurement issues are discussed and explored. The programme should be regular but not necessarily too frequent or it will lose attraction; we recommend quarterly as an acceptable interval. Content should be a mix of messages that procurement wish to get across to their suppliers on how to win business, and responses to issues raised by the suppliers, market activity, or policy.

Develop an Action Plan to Implement Agreed Recommendations

157. To achieve maximum benefit from this exercise IoMG should develop an Action Plan to drive forward the implementation of those recommendations

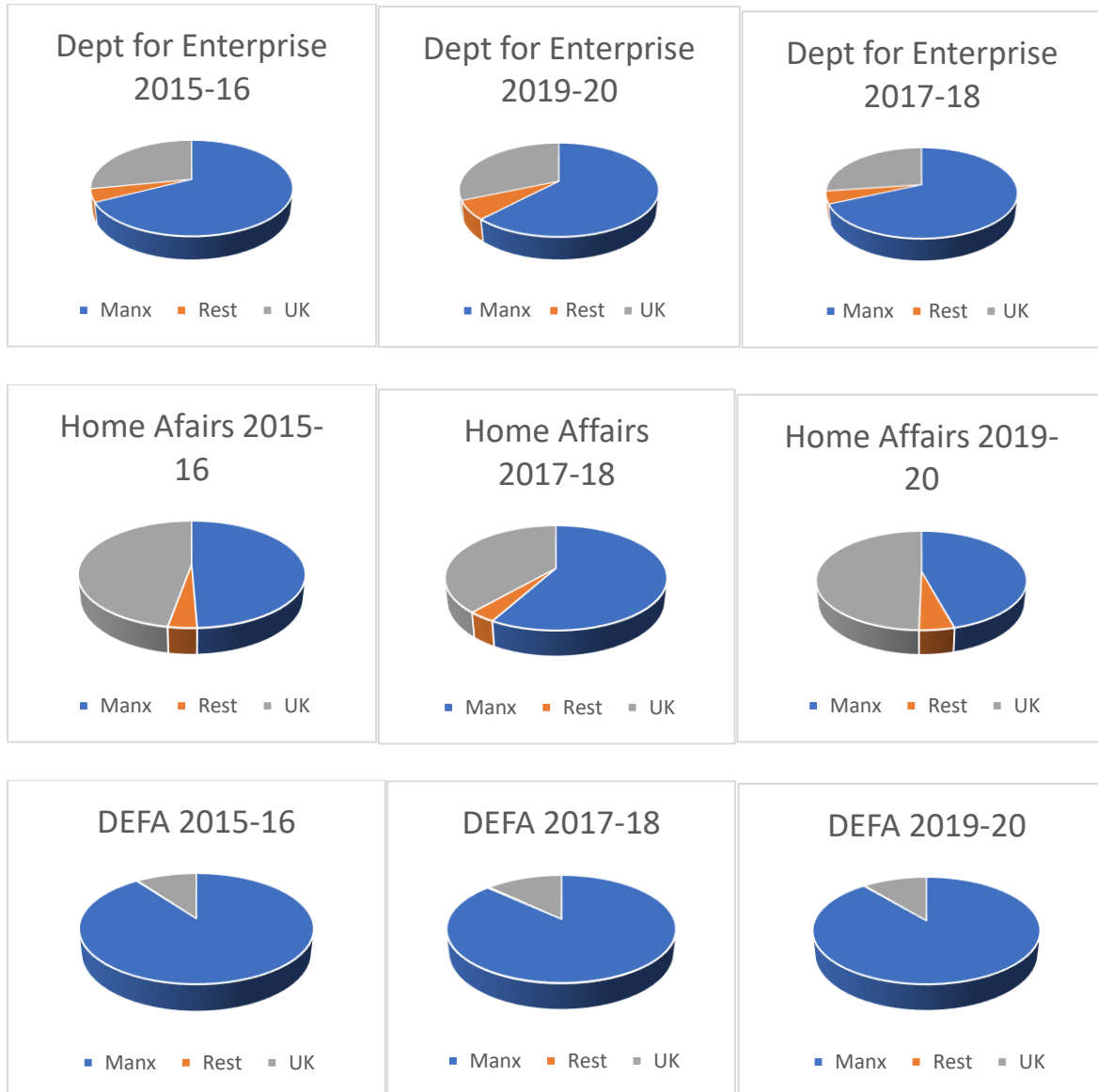


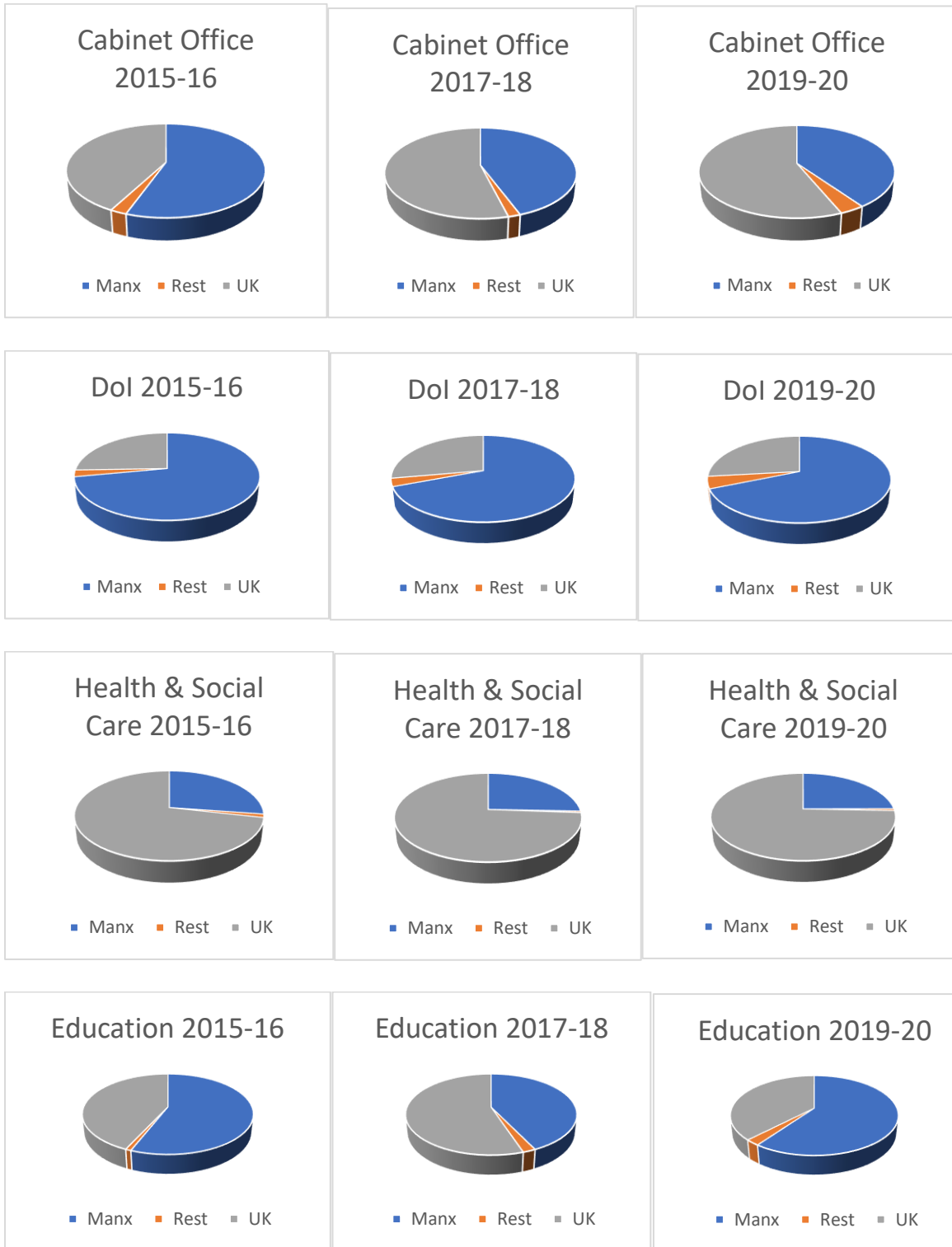
that have been accepted. The plan should identify and empower a named individual responsible for the successful delivery of each element, and a progress review should be included as a standing agenda item for the senior management team meeting, at which the key individuals should be invited to report.

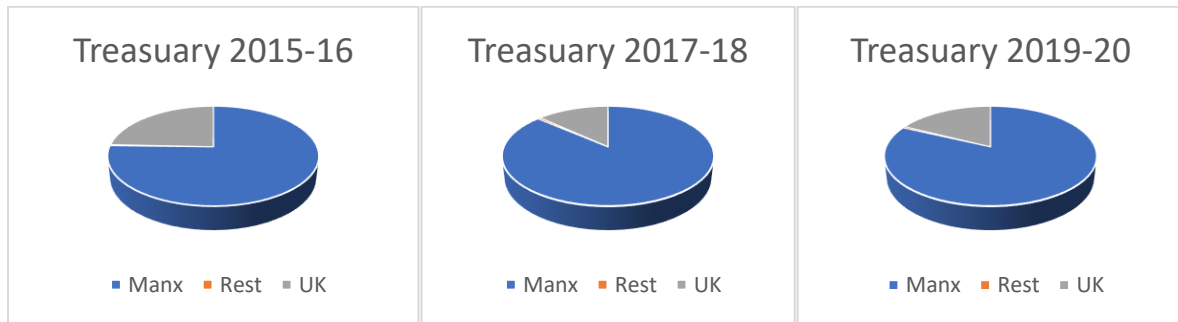
Appendix A

Financial Analysis of impact of Local Economic Benefit Requirement introduced in the Procurement Policy in 2017

As can be seen from the departmental analysis below, the requirement to consider LEB has made no impact on Government spending patterns.







The year on year fluctuations are illustrative of a normal tidal flow of expenditure.

They do not show the positive change that the Minister's remarks in the foreword to the Policy document aspired to when it was introduced.

Appendix B

Summary of interviews and workshops

Seven workshops were held: two organised through the IoM Chamber of Commerce for Manx suppliers and two through the Construction IoM Forum for Manx suppliers specifically in the construction sector. The final three were for IoMG staff, one for non-core procurement staff and two for other interested stakeholders.

All workshops and interviews were held on the basis of “Chatham House Rules”. We guaranteed anonymity to all of those participating in an effort to better understand the impact of the procurement policy and what actually goes on in practice and drill down to the truth, rather than being told what the participant thought was the correct thing to say.

There was a striking similarity of issues and concerns raised in the supplier workshops and interviews and a reflection of those same issues in the staff workshop and interviews. Sadly, the renewed lockdown restricted the “classroom workshops” to the two organised by the Chamber of Commerce. The first of the construction workshops occurred as the news of the imminent lockdown became known and was abandoned and reconvened online at a later date. This was one of four workshops which took place online. All workshops were conducted around the basis of a similar agenda and open question approach, although structured slightly differently for external and internal participants.

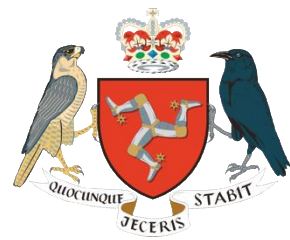
Interviews

There were twenty-seven interviews, a mixture of face to face, phone or online with a total of thirteen IoMG staff members (including all members of the core procurement team), and fourteen businesspeople, including four from the construction industry, and three from the third sector.

There was a universal view amongst the supply base that the IoMG is not easy to do business with. One supplier told us that it was “Easier to do business with the Government of Chile, than it was to do business with the Isle of Man Government”. All sides described a breakdown in normal commercial relationships. The size of the IoMG spend in the market protects it from the normal commercial consequences of many of its actions, “I would not supply to the Government if I could avoid it”, was a commonly expressed sentiment.

Vendors exhibited a sense of frustration and bewilderment that the introduction of Local Economic Benefit had not resulted in more business staying on the Island. Whilst those in procurement interpreted the financial regulation as encouraging the placing of business with off Island companies on the basis that that would have the most beneficial impact on the Island economy by introducing ‘new’ revenue. The situation was perhaps best summed up by a vendor who told us if I want to score maximum marks “I should sack my staff here and tell the government that I will fly in people from Scotland and put them up in hotels”.

Aside from this one issue, the Policy enjoyed a low profile.



The purpose of the introduction of the InTend Portal and Quick Quotes, was understood, but it was most frequently described by users as “clunky” and not user friendly. Participants describe it as poorly supported, although those that went out of their way to ask for help advised that the assistance that they received was satisfactory. Local vendors felt they were disadvantaged in the process and that there was no understanding of the additional burden it imposed on their business.

Some in procurement roles in IoMG exhibited a palpable sense of persecution, which drove a rigid adherence to, and the policing of the minutiae of the financial regulations as the primary purpose of their roles. Across Government, there was widespread dissatisfaction with the performance of the core procurement team, although the root cause was generally considered to be because they were inadequately resourced to deliver the volume of work expected of them. The function was seen as administrative rather than value adding, by both suppliers and other Government personnel we spoke with.

Appendix C

Summary Notes of CoC Workshop on 24th February 2021

Seven attendees from local businesses – mix of sizes and sectors (not every business is a current Government supplier)

Summary of the Key Issues raised

Disrespect for commercial norms - Commercial information shared with competitors. The Government will buy from someone else even if you have the contract. Procurement is an administrative function; the decisions are made in the departments.

LEB – Understood that the purpose of the LEB clause was to direct more business to Manx companies, but this is not the case in practice. How does the government score this element? Why is the weighting of this issue so low? The quality questions are window dressing. The Government shop on price, regardless of quality.

The Portal - The difficulty of using the portal is adding cost to business. It is neither simple nor straightforward to use, there is no recognition of the cost involved in putting together a bid. Having expended “hundreds” of hours putting a bid together, it is dispiriting to get a simple message saying that you have been unsuccessful. A “Quick Quote” is not quick.

Poor Communication - There is a lack of commercial experience in Government, “they don’t talk to us”. There is no awareness of the published procurement plan and the feedback offered to unsuccessful bidders was inadequate and that Government knowledge of what’s available in the market was not sufficient. Suppliers said they didn’t have a full understanding of how bids were evaluated and that Government often doesn’t appear to recognise the time involved in submitting a bid. .

Poor Specifications – The quality of the specification documents has declined. Often the specification lacks basic information and therefore accuracy, forcing the vendor to make his own assumptions.

There were perceptions expressed that Government focuses only on price, that Government has a preference for off-island suppliers. The group asked questions about how the price:quality ratio was decided, the objectivity of the scoring process, the accountability of civil servants and the meaning of local economic benefit used in evaluating bids.

The general consensus is the Policy seems okay, but it has been tweaked and allowed to morph into something else.

Appendix D

Summary Notes of CoC Workshop on 26th February 2021

Facilitated by the Chamber of Commerce, participants from the private sector.

Summary of the Key Issues raised

The process – one size does not fit all. It is more difficult to sell to Government than it should be. Communication and engagement with the market is frequently mishandled. Some felt that the cost of submitting a bid was sometimes more than the value of the work. They felt there was little experience of openness to alternative solutions, but said it varies by department. Asked about the proportionality of the process.

The Portal & Bidding –It is too costly to be worthwhile bidding on low value contracts. There is a lack of consistency in the quality and presentation of information. Government does not understand that costs incurred in its requests for creative pitches. Would like to see more notice of upcoming work.

LEB – Thought that this was designed to ensure that more work stayed on the Island and expressed frustration as their view was that this does not happen. If the questions were broken down identify what % of the contract value will be spent locally and what will be spent across. Some felt that off-island suppliers should be penalised. They said that reputation & good will is especially important on IOM and asked about the assumptions made in decision-making.

Poor Specifications – a lack of understanding and of engagement within the local market means that specifications are often incomplete. There is little openness to alternative solutions and asked that we consider flexibility in specifications and improved market engagement to better define a tender scope and understand the range of solutions available.

The policy is okay. But what goes on is purchasing not procurement; the Government gets sub optimal results from its procurement processes.

Appendix E

Summary Notes of Construction Sector Workshop 2nd March 2021

Summary of the Key Issues raised

Communication – Communication is generally poor. Staff are reluctant to engage. The bidding process has been made more difficult and costly. Relationships have suffered. The tender plan is not as useful as it could be as it's not kept up to date.

The Portal – “clunky”, adopts the same approach, regardless of its appropriateness, one size does not fit all. Some said experience of e-procurement elsewhere was good, but felt it was not always the right tool.

Specifications- often inadequate and not thought through, required timelines are often unrealistic.

Quality v Price - most competitions are awarded on price. Questionable competence of panels and of the questions asked, the procurement team perform an administrative role.

They felt that overall greater transparency has been achieved and public bodies held to account, that it had improved on increasing opportunities to sell to Government but that it had not made the process of selling to Government easier and had increased the administrative burden. They asked questions about political influence and the evaluation criteria.

Appendix F

Summary Notes of Construction Workshop 10th March 2021

Summary of the Key Issues raised

Quality v Price – Attendees highlighted perceptions that Government evaluates price first – so that only price matters, quality is window dressing and it's normal for the cheapest price to be the 'winner' regardless of quality. Questions were asked about how Government responds to prices that are 'too low and unrealistic'.

Communication – Attendees would like to see more openness and transparency in feedback where possible. Poor, feedback is inadequate. Relationships are adversarial.

Local Economic Benefit – attendees thought this was not seriously considered by the Government. Questions were asked about how local economic benefit is defined and scored, and the appropriateness of evaluating this on a project by project basis. They thought that scoring appears subjective. It was suggested that framework agreements could be better used.

Attendees said that recent tenders have been slightly better, and emphasised the importance of professional knowledge on both sides to make Government work attractive, and ensure there is profit in the local industry. Procurement is all about working together – it should be about good outcomes for schemes, projects, sector and Govt money and the policy could help to achieve that if delivered differently.

Appendix G

Summary Notes of Staff Workshop 1 - 11th March 2021

Summary of key issues raised

Procurement Process – slow and frustrating, not adding value, not properly understood, over regulated. Procurement is focused on process, not on outcome. The group highlighted that government siloes and a lack of visibility of other staff working on the same type of projects, and of the procurement service sometimes hinders their success in tender activity. A business partnering relationship might be welcomed, as could a move to a customer service culture.

Local Economic Benefit – as currently worded staff felt that it promotes the acceptance of off Island bids. Suggestions were made for guidance and scoring questions to separate out the benefit of on-island companies vs off-island companies.

Quality requirements – are undervalued in the scoring process. Some staff thought that IoMG is very focused on process not outcome.

Longer term frameworks could be useful, as could a clearer way of prioritising outcomes for Government and the department, instead of job-by-job. Education and training in and outside Government may help improve overall quality of specifications and responses by suppliers.

Appendix H

Summary Notes of Staff Workshop 2 - 11th March 2021

Summary of key issues raised

Current regulations are restricting and often inappropriate. The process is slow, cumbersome and reflects a lack of trust in Government staff abilities. Not reflective of commercial risks or realities. This group suggested an ability to increase the quality ratio would be welcomed.

Procurement staff feel isolated Departments work in silos and opportunities to share knowledge and to aggregate demand are missed. Central procurement support is lacking. The group highlighted a need to be able to easily find out about and understand what others in Government are procuring.

LEB – does not benefit Manx vendors. To be effective, it needs greater clarity and greater weight within the analysis

Poor procurement outcomes – our specifications are often lacking, the cheapest option is often selected regardless of quality. The group felt that the policy has not necessarily made it easier for Manx business to sell to IoMG. The process often directs staff to reject IOM companies as expensive compared to off island, and they highlighted the need to understand what local economic benefit is and to think about the island environment.

Supplier base – Some of the group expressed a suggestion that more market warming should be enabled, and for staff not to assume they can't talk to people because of unfair advantage. At present IoMG only gets best value from those that know about the opportunity – not the whole market.

Overall the group felt that the policy intent is good, but delivery does not always help meet the objectives. Understanding, communications and flexibility were key themes in the conversation.

Appendix I

Summary Notes of Staff Workshop 3 - 19th March 2021

Summary of the key issues raised

Local Economic Benefit – policy is worded against local businesses and in favour of off Island businesses

Lack of skills & experience – on all sides within the IoM market, there has been a decline in levels of communication. Many vendors struggle with the Portal. Staff are focused on “not falling foul of the rules”. The risk averse approach to procurement has made this sub optimal approach acceptable. Government has limited change capacity (all at one time). Suggested that perhaps IoMG should tender the right opportunities not just everything. UK skills are evident in the tender returns

Collaboration -A more collaborative approach might deliver better outcomes for the Government and for local Vendors. Good suppliers might enhance what we’ve asked for as they have better knowledge than we do but it takes them out the running for being too costly. Can be daunting for suppliers to respond – local suppliers disadvantaged. A collaborative strategic partnership could be more sustainable and help harness a stronger supplier base and third sector for the longer term.

Planning – Some of the group talked about Procurement not being the start of the process, and that Government should be more able to talk to market and carry out market warming. Early planning for procurement and a structured critical friend approach would be welcomed.

Appendix J

Example Notes of Staff Interviewee

Summary of the Key Issues raised

Core Procurement – solely administrative, reactive, focused on compliance with Financial Regulations.

Communication – poor, lack of interaction with the market

LEB – too narrow in definition, SROI should be considered

1. Lack of strategic direction and frameworks
2. Social value is misinterpreted
3. There is a misinterpretation of what the AGC Procurement function does /can do
 - a. It facilitates a process
 - b. Facilitate the contract
 - c. Is not active in specification development
 - i. Although sometimes some officers will ask for clarification,
 - ii. No contract management
 - d. They build the contract package
 - e. No contract management
 - f. Not involved post contract
 - g. Contracts generally are weak on KPIs and service levels
 - h. Concerned about risk
 - i. Don't add value
4. Commissioning is developing
5. Treasury directives are tightly focused
6. Within the procurement process
 - a. Don't listen
 - i. Frustrating
 - b. Lack of appreciation of the impact of decisions on the local market
7. The local supply base has a lack of skills and knowledge
 - a. No support or guidance is offered
 - i. Don't understand to ask questions / clarifications as part of the process
8. Benchmarking of bids is a local function (tender evaluation board)
 - a. Discussion of whether evaluators should see the cost component whilst benchmarking the quality component.
 - b. Difficulties of anonymising tenders
 - c. Can only evaluate on what is written in front of them
 - d. Likes to get board members together for Tender evaluations
 - i. Mark all the Questions 1s etc

9. He/she likes to give detailed feedback because believes that it is part of his/her brief. Others often just give a single line response
10. The stakeholder dept writes the spec
 - a. Based on history
 - b. And what information is known
11. Did an RFI for specialist community sector
12. The process forces third sector organisations to fight against each other
13. Wants to develop strategic relationships
 - a. More flexible approach
 - b. Existing procurement process is inflexible
 - i. Uses Waivers
 - ii. Thinks waivers are good
 1. Forced to set out his justification
14. Sees no difference between the £10k threshold and the £100k threshold
15. No mechanism which drives service model assessment
16. No development of requirements,
 - a. rely on history of what has been provided
17. 50:50 quality/cost split in certain sectors is inappropriate
 - a. Can't assess the true financial cost
18. Does development of local organisations belong in the Procurement Policy?
 - a. Strategic objective
19. The third sector can "help", because they can often fund additional activity through donations etc
 - a. Can't account for it within the procurement framework
20. Policy
 - a. Need more clarity about objectives
 - b. What standards
21. Believes MCIPS qualified – 5 staff. Skill level of procurement staff is an issue
22. Poorly defined issues within the policy document:
 - a. What is fitness for purpose (P4)
 - b. Risk (p4)
 - c. Social value (p5)
23. Bid writing service?
24. Economies of scale
 - a. Govt silos make this difficult to benchmark and to do

Appendix K

Example Notes of Business Interviewee

Summary of the Key Issues raised

Risk averse – limited scope means the government miss out on commercial opportunities. Procurement cannot do its job under the current constraints

LEB – not applied to advantage local companies. Social impact not considered

Intellectual Property – IoMG does not respect IP

Environmental policy is needed

Supplies products to a range of County Councils and Govts. It is easier to sell to the Chilean Govt than to the Manx Govt. Points to the development of a certain product which they developed for the Manx Govt and has been a massive earner for the Govt.

Hopes our report will be hard hitting and tell the truth. Suggests asking CFO and Minister what they want.

1. IoMG don't do commercial partnerships. Missing out on opportunities. His/her company would like to work with them in several spheres to develop solutions that they can scale and sell worldwide. But Govt is suspicious and won't consider it.
2. The creative process has long horizons.
3. Govt over reliant on competition to deliver outcomes. Precludes innovation.
4. Don't protect local suppliers.
 - a. No appreciation of local multiplier or trickle down
5. If we were told well in advance local companies could better prepare and bring in necessary skills
6. No way to engage in Discovery opportunities
 - a. GTS now regressing
 - b. Vested interests are freezing others out
7. Thinks the single legal entity is not so big a deal
 - a. The key is that the benefits need to be accrued in the same silo as the cost
 - b. Need to look at business cases outside the financial structure
8. The Treasury is leadership orientated, whereas the AGC is more focused on policing
 - a. Compliance driven by fear
9. Govt overall has no respect for IP
 - a. Routinely takes IP and describes it when it puts a service out to tender
10. No long term capability building
11. Manx Care change driven by a damning report.
 - a. Seeks to bring social care and health care together

- b. Confidence to bring in what we need to do
 - c. Previously the Health Dept marked its own homework
12. The local weighting is a joke, as is the 50:50 split between quality and price.
- a. I'd score more on local weighting if I fired a couple of guys here, rehired them in Scotland and promised to fly them over and for the bed nights
 - i. What about the carbon footprint?
13. The environmental element is light compared to UK when considering offers
14. Social Impact is also light compared to the UK when considering offers
15. Govt procurement has good people ground down by the process
- a. The process will win out
16. Govt has no respect for people's jobs
- a. His/her company provides some bodies to Govt.
 - i. They are out of contract but still working
 - ii. Govt apologises and says it will get around to contract renewal
 - iii. Will it go back out to tender
17. We reckon we have more than 20 out of time contracts with the Govt
- a. When he/she raises the issue
 - i. Govt is embarrassed and apologises saying working as fast as it can
 - b. The Govt expects good will from its suppliers but does not reciprocate.
18. What contract management there is driven by themselves not the Govt
19. Thinks Govt is anti-innovation
- a. No such thing as best of breed
20. Govt Technology should be more innovative
- a. Digitisation of Govt is marketable

Appendix L

Example Notes of Third Sector Interviewee

Summary of the Key Issues raised

Procurement processes – flawed, favour large organisations,

LEB – not really applied, no consideration of Social Value

1. A named colleague does a good job of contract management
 - a. Mostly through informal contact
 - b. Understands his/her sector (specifications)
2. Loses out to bigger national charities who have bid writing units
3. Govt procurement are poor at checking claims made during bids
 - a. Can't identify lies
 - b. Don't validate claims
 - c. An unknown quantity has an advantage because personality clashes still count
4. Govt procurement are poor at enforcing promises made during bidding process
5. Govt don't understand what they are managing
6. Feedback when requested is perfunctory
7. Who owns the process and the outcomes?
8. Govt does not do services well.
 - a. Too nebulous
9. There are some KPIs but they are not real
 - a. Govt does not understand
10. His/her organisation has a partnership with Govt
 - a. this works well
 - b. flexible
 - c. able to agree an approach
11. Govt don't understand how to apply their own rules
 - a. Don't allow advantage to be taken of speed with which a genuine IOM organisation can react.
 - b. No oversight of the grant they give to local third sector.
12. Most decisions seem cost (price) driven
13. Social Return on Investment
 - a. How they can spend to save / soft money
 - a. Govt don't understand the concept
 - b. Don't apply it
14. Example case studies were quoted by interviewee but have been removed to preserve confidentiality.
15. Tenders disappear from the Portal without explanation
16. What is the purpose of the Preferred Bidder registration on the Portal?

17. The integration of care is going to add a layer of bureaucracy.
 - a. Senior officers come and go
 - i. frequent
 - ii. Paid off?
18. XXXX (*Department name removed to preserve confidentiality*) are not very good. Don't understand specification writing
19. Generally, there is a lack of knowledge in Govt
20. "The hardest bit of my job is working with Government. They don't learn."