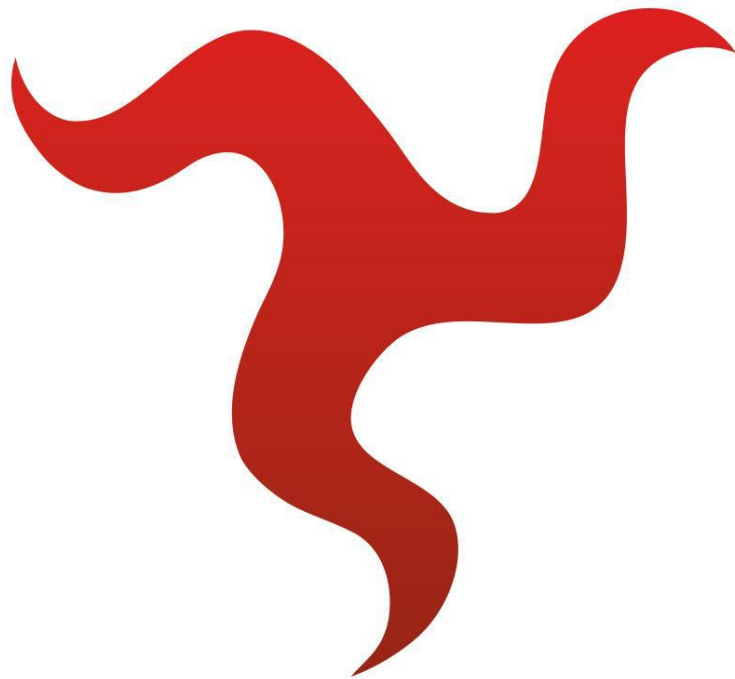


Treasury Procurement Policy Review
March 2022



Foreword from the Treasury Minister

An independent review of the Procurement Policy, which was established in 2017, was undertaken last year and sought to assess adherence to the policy's original objectives:

1. Achieving best value for the Isle of Man from Government purchasing whilst ensuring Government's purchasing power is used to spend locally wherever possible
2. Purchasing through fair and open competition
3. Making selling to Government as simple and straightforward as possible



Incorporating consultation and engagement with internal and external stakeholders, the review concluded that the policy had been partially successful in achieving its objectives; the policy principles and objectives remained valid and improvements had been delivered, but there was room for further improvement. It is promising to see that the policy has helped us improve in some areas, but there are challenges to overcome and more work to do to ensure we achieve the best we can for Island residents.

I welcome the outcomes of the review and Treasury looks forward to working closely with the teams involved in procurement to deliver its recommendations. These actions will now be taken forward by a multi-disciplinary team, looking at themes including supplier engagement, social value and local economic benefit.

Recommended changes to the content of the policy include:

- Expanded definition of Best Value
- Sustainability and the environment

Key recommendations to support the delivery of policy objectives include:

- Recognition of procurement as a profession
- Local Commercial Landscape
- Structure of IOMG Procurement – Centre-Led Activity Network and Partnering
- Development of supporting documents
- Measuring Social Value
- Review evaluation ratios (price and quality ratio criteria)
- Forward Planning
- Contract Management
- Improved training and communications plans
- Develop Supplier Engagement Programme

I'm grateful to everyone involved in the consultation process, for giving their time to share views and experiences. Thanks also to the Chamber of Commerce and Construction Isle of Man which both publicised the consultation with their members as well as participating.

ACTION PLAN

Ref no.	Recommendation summary	Detailed action under recommendation	IOM Government response
R1	<p>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.</p>	<p>R1.1 IoMG addresses the perception that procurement is an administrative process and empowers and elevates it to professional status</p> <p>R1.2 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.</p> <p>R1.3 An annual efficiency statement of “savings” should be formally captured and reported upon to improve the standing of the service within IoM Govt.</p> <p>R1.4 procurement should have an annual review of high value contracts to ensure that envisaged benefits are being delivered.</p>	<p>The recommendations in this section are broadly supported.</p> <p>There is a need to assign overall responsibility for the delivery of the improvements to an officer who can be held accountable for their delivery and has sufficient time and focus to do so. It is clear from the findings that this is not the case at the moment.</p> <p>At present there is no clear view on whether this role should sit within the AGC or within Treasury. The Financial Advisory Service (FAS) within Treasury is likely to have a role in facilitating, advising and enforcing departmental compliance with the requirements and in providing financial advice.</p>
R2	<p>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</p>	<p>R2.1 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’s, with representation from a “user” Department.</p>	<p>Broadly supported. The Head of Profession/ Procurement could work to bring together the various aspects. Greater communication and engagement with stakeholders can be productive in enhancing education and looking for improvements, which could be achieved by the proposed multi-disciplinary group.</p>

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	administrative burden and repetitive information gathering requirement imposed on SMEs.		Better co-ordination and communication with local contractors is an area that needs to be improved and resourced and if there is a Head of Procurement this could be achieved (whether by means of a board or by attendance at professional bodies etc.)
R3	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.	R3.1 explore development of a Centre Led Activity Network (CLAN) style of approach through, for example, a Procurement Business Partner structure. R3.1.1 requires procurement to learn and understand the specific needs and demands of a particular Department.	Broadly supported. The AGC currently implement this approach to some extent within current resources. Procurement / AGC have allocated officers to specific Departments and in some areas they have established a working relationship which is adding value. Additional staff resources would be required, as well as engagement with Departments as the customers of the Procurement Service, in order to implement it and develop the business partnering approach further.
R4	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	R4.1 Develop 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. Including but not limited to: R4.1.1 analyse your current procurement structure and find out if it aligns with the overall Government objectives. R4.1.2 benchmark important data such as current performance, resources used, the cost for departments and functions etc. R4.1.3 Identify skills gaps and areas for improvement R4.2 identify well-defined and measurable objectives	Broadly supported. The development of a strategy to deliver the objectives of the policy Management reporting to Treasury Board is an improvement already identified by the Attorney General’s Chambers so this recommendation is supported. Performance reporting / benchmarking is supported however Government needs to be careful that the collection of statistics and their reporting does not become more

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	<p>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.</p>	<p>R4.3 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. Value and performance should be measured. Introduction of a structured system 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.</p> <p>R4.4 Create an implementation plan The Implementation Plan will also allocate ownership of these initiatives, target dates for achievement, and include a progress review meeting schedule. top-down buy-in the process, strong leadership and empowerment of key personnel</p> <p>R4.5 regular review of implementation plan</p>	<p>important than delivery of the outcomes. The requirement to provide a “savings” report annually to Treasury and / or Council of Ministers could be included in the responsibilities of the Head of Procurement.</p>
R5	<p>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.</p>	<p>R5.1 clearly expand 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.</p>	<p>This recommendation is agreed. Understanding of best value concepts should be developed, including guidance and training for Government staff and external suppliers.</p>
R6	<p>Measuring Social Value (P2) – This is far more</p>	<p>R6.1 explore using national TOMS framework and LM3 to measure social value – decide if / which metric to be used.</p>	<p>Agreed</p>

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	<p>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.</p>		
R7	<p>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.</p>	<p>R7.1 mandate that all tenders should be required to have a Climate Impact Assessment (link this to the agreed action in the Climate Change Delivery Plan)</p>	<p>Agreed – Procurement activity should support Government objectives and align with other policies.</p>
R8	<p>Forward Planning (P3) - It is recommended Departments retain ownership and responsibility for maintaining and updating their own</p>	<p>R8.1 Actively manage and update forthcoming tender activity plans</p> <ul style="list-style-type: none"> • Enable the Departments to effectively prioritise, seek early advice, and manage budgets. 	<p>Agreed – Forward planning should be a priority and the senior teams within Departments and their Finance Business Partners have a role to play here in</p>

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	<p>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.</p>	<ul style="list-style-type: none"> • 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 	<p>ensuring the plans are up to date and meaningful to the market.</p>
<p>R9</p>	<p>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.</p>	<p>R9.1 create and maintain an up to date and accurate dynamic Contracts Register - ideally it should be a centralised electronic database that is capable of being automatically populated from the e-tender portal and regularly manually updated.</p> <p>R9.2 the Contract Management module of the InTend system be rolled out as soon as possible</p> <p>R9.3 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. Explore procurement role and resources for contract management.</p> <p>R9.4 Establish management and issue of Performance Certificates that would enable past performance of bidders to be taken into account when new tenders were issued.</p> <p>R9.5 procurement attend kick-off and contract review meetings</p> <p>R9.6 establish contract management training and refreshers</p>	<p>Agreed that generally Government needs to improve its approach to contract management although the details require further investigation.</p> <p>Departments are currently responsible for their contracts registers, however the actions under this recommendation could offer tools to departments to manage this more effectively and in a consistent way across Departments. Contract management training should be strengthened and provided across Government.</p> <p>Given the structure of Government, with each department being a separate legal entity, responsibility for contract management must rest with each department. However the provision of advice and enforcement of rigorous follow up and management can be delivered from FAS. Contract management technological</p>

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			<p>solutions need to be considered in the accounting system replacement project.</p> <p>Previous performance being taken into account – this could broaden the ability of Departments to exclude bidders but it would need to be carefully explored to ensure that this was fairly and objectively applied, with evidence for decisions about exclusions.</p>
R10	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.	R10 Review the price and quality ratio criteria	<p>Requires further investigation. The current Financial Regulations allow this to be exempted– i.e. any element can be changed if there is a good reason for it, just needs approval. The number of waivers shows that this flexibility is being applied, which can help ensure that the correct approach is taken for each procurement activity.</p> <p>For any price:quality ratio to be effective the services or goods being procured need to be adequately specified, however there is evidence that this is not the case at present. Whilst procurement officers are involved in specifications, the review indicates that their role tends to be more centred on ensuring basic compliance, due to time limitations and the volume of procurement exercises.</p>

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R11	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.	<p>R11.1 develop training plan for procurement staff</p> <p>R11.2 develop procurement awareness training for wider Government staff</p> <p>R11.3 develop communications plan with suppliers</p> <p>R11.4 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.</p>	<p>This recommendation is agreed. Internal and external training could be improved and expanded the AGC has also identified training needs as a priority.</p> <p>Agreed that procurement skills and experience across Government could be developed, within the teams who procure and more generally across Government staff. A range of resources could be developed and existing guidance and training materials refreshed. Forward planning for tender activity should be developed by the Head of Procurement in conjunction with customer Departments.</p>
R12	<p>Develop Supplier Engagement Programme (P1)</p> <p>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</p>	<p>R12.1 A Meet The Buyer event should be instigated as an annual event</p> <p>R12.2 A rolling quarterly programme of workshops/presentations to be set up with recognised industry bodies such as the Chamber of Commerce 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.</p>	<p>Agreed – Government recognises that there are opportunities to develop relationships with suppliers and industry representative bodies, and improve knowledge of procurement in all sectors and across Government.</p> <p>At present, Government is not able to fully benefit from market innovation and may be missing opportunities to access more flexible, bespoke or framework procurement routes.</p>

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	<p>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.</p>		
R13	<p>Develop an Action Plan to Implement Agreed Recommendations (P1)</p> <p>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.</p>	<p>R13.1 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 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.</p>	<p>Agreed. Treasury will lead this action and engage with stakeholders to develop this.</p>

Review of the Isle of Man Government Procurement Policy – April 2021

Prism Business Consulting

Condensed Executive Summary

1. 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 recommend policy updates to ensure that it is fit for purpose over the next 3-5 years.

Overall, the objectives of the Policy were found to be sound, but there was evidence they had only been partially achieved. However, the research indicated that further consideration was needed by IoMG as to what their approach and attitude towards Procurement will be going forwards.

2. The key priority recommendations are as follows:
 - a. Commit to the provision of a restructured professional procurement service that consolidates procurement across the IoMG and becomes the focal point for all public sector procurement activities across the IoM. This should be led by a qualified procurement professional who also acts as Head of Profession.
 - b. Clearly define Best Value to encompass local social and economic benefit, along with clear definitions of what is included under these terms. Adopting the National TOMs model will greatly assist this.
 - c. Review and refresh how Evaluation Ratios are applied. There is no fixed or definitive answer to setting these ratios; there will always be a necessary level of expert opinion required from both technical and financial viewpoints, combined with commercial/market forces input.
 - d. 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 function for oversight, but with delegated contract management responsibility to nominated contract managers in each Department.
 - e. Supplier engagement through the introduction of a pro-active communication programme should be instigated, to include regular engagement meetings (suggest initially monthly or quarterly) to be agreed with recognised bodies such as CoC, CIOm etc. This initiative should be launched at Meet the Buyer events at which the 'new look' procurement service is presented to the local Suppliers.

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 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.