

DEPARTMENT FOR INFRASTRUCTURE
CATEGORY SOURCING STRATEGY

2017 - 2019

TABLE OF CONTENTS

1. Introduction	2
2. Delivering the Strategy	3
3. Dfl Spend Category	8
4. Category Spend Analysis	11
5. Supply Market Analysis	15
6. Strategic Aims and Objectives	19
7. Measuring Performance	21

1. Introduction

As part of the Public Sector Reform Programme the Department for Infrastructure (Dfi) is examining and reviewing the way in which it delivers services to the Island and is implementing alternative models of service provision in order to become more efficient and reduce expenditure.

Dfi recognises that the procurement function is key to achieving its strategic priorities, objectives and vision and have made a commitment to a more strategic approach to procurement within the department. The Procurement function is seen as key to instilling a commercial approach to the procurement of goods and services within Dfi. By delivering the best possible procurement outcomes through adopting a consistent and high quality category approach coupled with commercial thinking the Procurement function can help maximise opportunities and potential savings.

The Dfi Category Sourcing Strategy (the Strategy) sets out what the procurement function within Dfi is aiming to achieve within the lifetime of the Strategy and how these aims will be achieved.

The Strategy relates directly to and expands upon the objectives of the approved Strategy for Procurement 2016 – 2019 (the Corporate Strategy)

<https://soj/HowTo/Pages/CorporateProcurementStrategy.aspx>

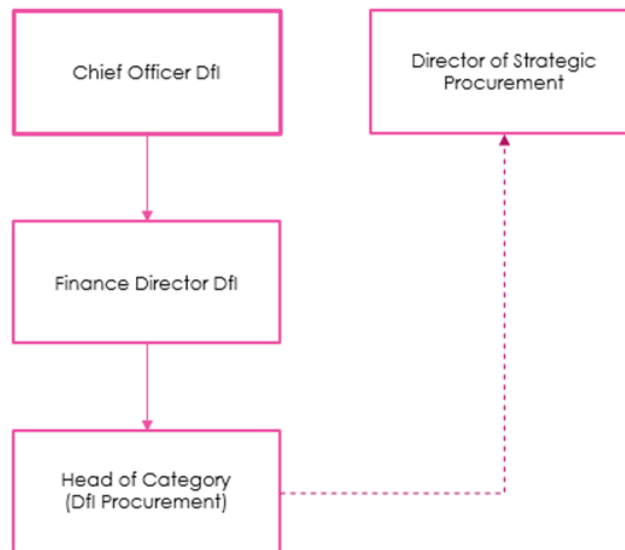
2. Delivering the Strategy

DFI PROCUREMENT FUNCTION

As of January 2017 Dfi have begun to establish a dedicated procurement function led by the Head of Category Management (Dfi Procurement) (Category Manager) to work within the department and be responsible for procurement activity. The Category Manager will own, communicate and ensure compliance with the Strategy as well as lead the modernisation of procurement activity, optimise operational efficiency, enable best value from all commercial and supply chain activity and embed good procurement practice within the department.

Diagram A. illustrates the reporting line of the procurement function within Dfi.

Diagram A.



CATEGORY MANAGEMENT APPROACH

Category Management facilitates a collaborative approach to programming and procuring goods and services within the department and will generate efficiencies in terms of resource and cost.

The approach aims to ensure commercial rigour and appropriate governance is applied and that a cross departmental view of procurement activity and key spend areas is taken.

The approach will also identify opportunities for a less labour intensive approach to commonly procured services and commodities and exploit the collective purchasing power of the department.

The Category Manager has the mandate to implement changes to procurement process and approach to ensure that the strategic aims of the department and the States of Jersey are met.

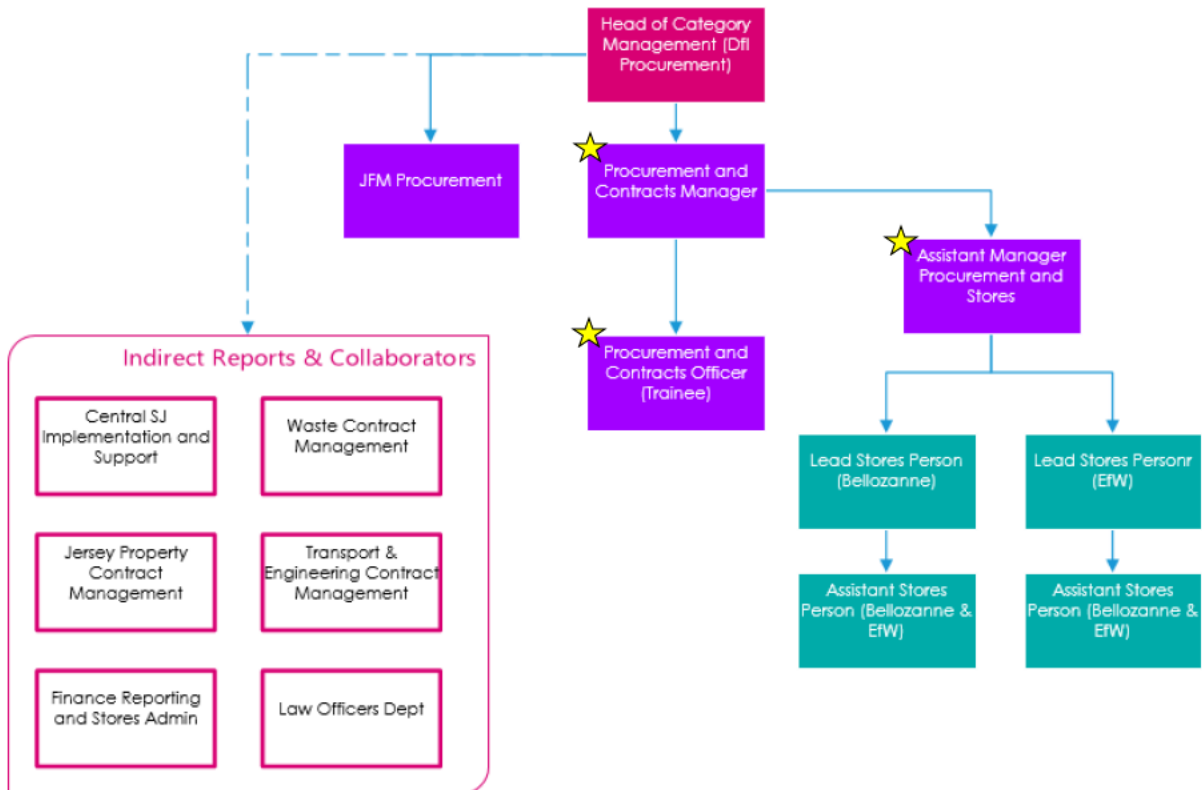
ORGANISATION OF PROCUREMENT WITHIN DFI

The Category Manager will be supported by a team of procurement professionals to implement and deliver the Strategy.

The procurement function has been arranged so as to deliver appropriate support to the department for all procurement related activity.

Diagram B. illustrates the organisation structure of the procurement function within Dfi.

Dia. B.



★ New Role

ROLES WITHIN PROCUREMENT

Job descriptions for procurement related roles under the direct control of the Category Manager are included within Appendix A.

Head of Category Management (Dfl Procurement) (Category Manager)

The Category Manager will lead the modernisation of procurement activity for Dfl in order to optimise operational efficiency, enable best value from all commercial and supply chain activity and embed good procurement practice. The Category Manager is responsible for the sourcing strategy and will own, manage and develop the commercial relationships with suppliers, develop capacity and capability within Dfl and work proactively with stakeholders and supply markets to achieve profitable and sustainable market solutions for the States of Jersey that support the delivery of cost effective public services.

- Responsible for establishing, planning and programming procurement activity across Dfl
- Lead and manage complex procurement activities
- Manage key supplier relationships
- Upholding the professional standards as set out in the Procurement toolkit and for ensuring that all procurement activity is delivered in accordance with these standards
- Communicating and disseminating these standards to their specific areas of responsibility
- Identifying procurement opportunities to the Director of Strategic Procurement for cross departmental working for example outsourced activity
- Sharing best practice and lessons learnt with counterparts and with the wider States of Jersey
- Reporting and performance management of efficient outcomes
- Representing the function at supplier events and other stakeholder initiatives
- Manage a team of procurement professionals to deliver effective procurement projects, processes and advice within Dfl

Procurement and Contracts Manager

The Procurement and Contracts Manager is responsible for supporting the Head of Category Management with all procurement related duties.

- Establish and maintain supply agreements for goods, vehicles and equipment
- Assist the Category Manager with the Design and implementation of Supply Jersey within Dfl
- lead on all aspects of sourcing and procurement activity across all areas of Dfl
- Produce Procurement Strategies in accordance with relevant FD that achieve best VFM for Dfl
- Establish and maintain supply agreements including but not limited to negotiations and relationship management activities
- Advise stakeholders on all aspects of the procurement cycle
- Available to support the Category Manager will all procurement related tasks within the function

Assistant Manager Stores and Procurement

The Assistant Manager Stores & Procurement is responsible for supporting the Head of Category Management with all stores organisational, staff and procurement related duties.

- Establish and maintain supply agreements for goods and equipment
- Implement the recommendations made within the Stores Service Review
- Ensure stores operations are compliant with the relevant Financial Direction
- Manage key supply relationships
- Design, strategize and conduct procurement activity for stores related requirements
- Work in partnership with key stakeholders to deliver procurement activity within the Department
- Assist the Category Manager with the Design and implementation of Supply Jersey within Dfl
- Available to support the Category Manager with all procurement related tasks within the function

Procurement and Contract Officer (Trainee)

The Procurement and Contract Officer (Trainee) will be trained to support the Head of Category Management in procurement administration related tasks as well as assisting stakeholders in designing and delivering procurement activity.

- Assist the Category Manager with the procurement of goods and services contracts as dictated by the Dfl programme
- Assist and lead on all aspects of sourcing and procurement activity across all areas of Dfl
- Produce Procurement Strategies in accordance with relevant FD to achieve best VFM for Dfl
- Establish and maintain supply agreements including but not limited to negotiations and relationship management activities
- Advise stakeholders on all aspects of the procurement cycle

FUNDING

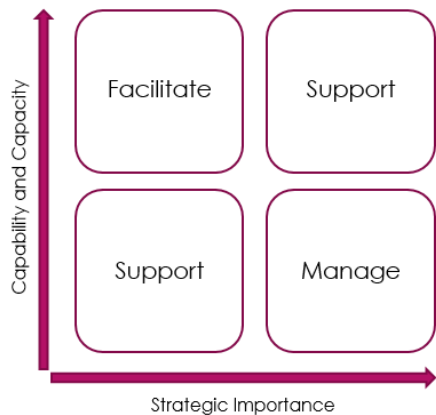
The procurement function will be funded using a recharging model.

OPERATING MODEL

Establishing an effective operating model for the procurement function within Dfl is key to meeting objectives and ensuring the success of the category management approach to Procurement.

A model that ensures involvement and influence of the Category Manager is achieved where most needed will contribute to the successful delivery of procurement activity within Dfl.

Dia D



The Category Manager will implement a Manage, Support, Facilitate model for the delivery of procurement activity. Diagram D. illustrates that the level of involvement of the procurement function with particular procurement projects will be determined by analysing the strategic importance to the department as well as in house capability and capacity to deliver.

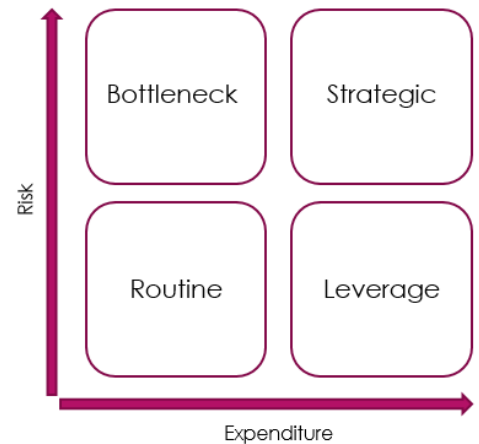
To understand the strategic importance of a project, the Category Manager will work with budget holders and delivery teams within the department to determine value and risk of the project.

Risk in the context of this exercise will be considered in terms of;

- Supply chain
- Reputational
- Operational

Using the Kraljik Matrix (Diagram E) the Category Manager will analyse each procurement project to determine its type, this will then inform the approach to the procurement exercise and the level of involvement required from the procurement team within the Manage, Support, and Facilitate model. An understanding of the procurement team's involvement with each project coupled with a programme will identify projects at risk of not being completed within the desired timescale or projects that the procurement team do not have the resources or expertise to support.

Dia. E



Appendix C sets out the operations within the procurement cycle to be fulfilled by the procurement team under the Manage, Support and Facilitate model.

SCHEME OF DELEGATION

The Dfl Scheme of Delegation Policy will be amended to support the Category Manager's role in managing the procurement function by requiring Category Manager approval of;

- All Procurement Strategies
- All Exemptions to FD5.1

The Scheme of Delegation will also be amended to take into account the use of Supply Jersey within Dfl.

3. Dfl Spend Category

CURRENT SITUATION

Dfl has been organised into sections to allow a management structure that is able to deliver services to best meet the needs of the Island.

Each section has its own hierarchical structure and although all procurement activity is governed by Financial Direction 5.1, most have developed their own culture and practice when it comes to the delivery of procurement activity including contract management.

A dedicated and defined procurement function has not existed within Dfl before. Instead procurement activity has been managed by officers within each section as needs arise or as determined by the programme of the project they are involved in.

Within Dfl there are different levels of procurement expertise and understanding within and between sections. This has led to differences in approach and success of procurement activity across the department.

The procurement function has not been represented at senior level and there is no data currently collected regarding procurement activity within the department.

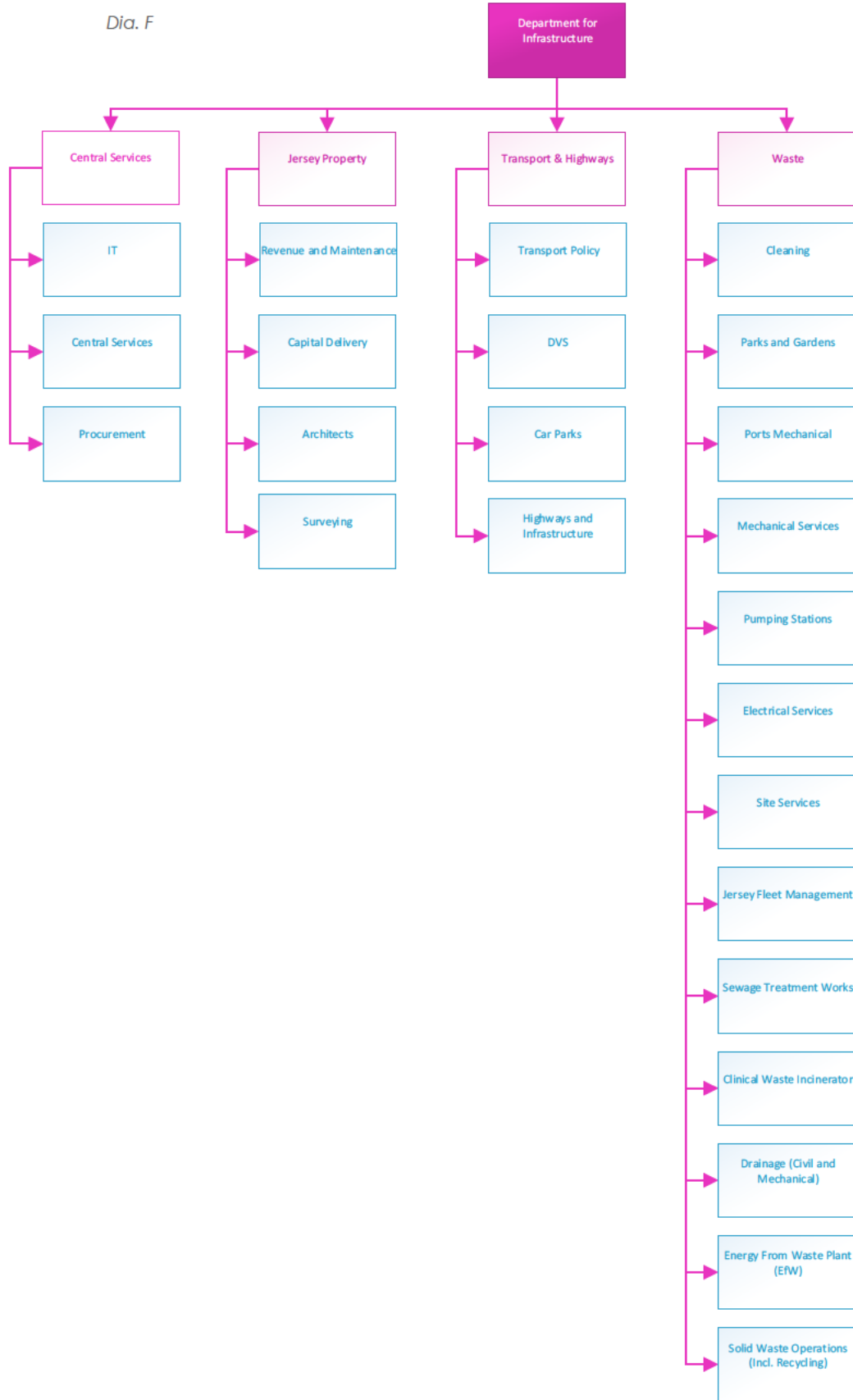
From 2015 Corporate Procurement provided a dedicated Procurement Manager to assist with the procurement of key contracts and offer advice on all aspects of procurement for the department. This case by case approach has been successful but has limitations due to lack of visibility of the department as a whole and also the lack of resource in order to achieve a more strategic approach to procurement within Dfl.

The Procurement Manager was generally called upon in an ad-hoc manner to assist with or deliver procurement activity in accordance with the department's programme of works. The Procurement Manager had little visibility of or influence over any programme of works within Dfl. This sometimes led to opportunities to achieve best value being missed.

COMPOSITION OF DFI

Dfl is arranged into four distinct sections each with a number of sub-sections as illustrated in Diagram F.

Dia. F



DFI KEY STAKEHOLDERS

DFI SECTION	SUB-SECTION	KEY STAKEHOLDER
Central Services	IT	[REDACTED]
	Procurement	[REDACTED]
	H&S	[REDACTED]
Jersey Property	Revenue and Maintenance	[REDACTED]
	Capital Delivery	[REDACTED]
	Architects	[REDACTED]
	Surveying	[REDACTED]
	Transport Policy	[REDACTED]
Transport and Highways	DVS	[REDACTED]
	Car Parks	[REDACTED]
	Highways and Infrastructure	[REDACTED]
	Cleaning	[REDACTED]
Waste	Parks and Gardens	[REDACTED]
	Mechanical Services	[REDACTED]
	Electrical Services	[REDACTED]
	Pumping Stations	[REDACTED]
	Site Services	[REDACTED]
	Jersey Fleet Management	[REDACTED]
	Sewage Treatment Works	[REDACTED]
	Clinical Waste Incinerator	[REDACTED]
	Drainage	[REDACTED]
	Energy from Waste	[REDACTED]
	Solid Waste Operations	[REDACTED]

CATEGORY MAP

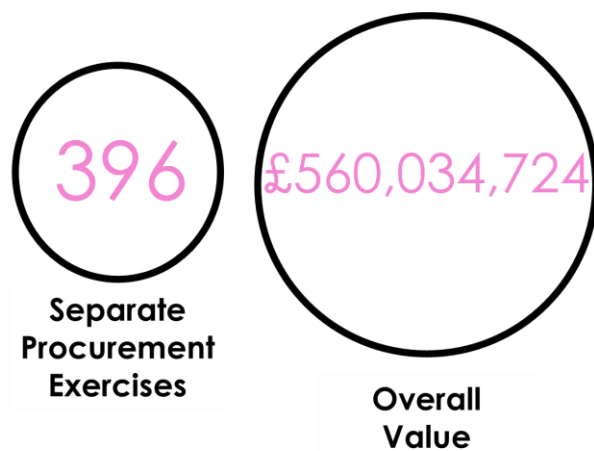
A map of all spend categories within DfI is presented within Appendix D

4. Category Spend Analysis

The procurement requirement within Dfl is large in terms of spend, volume and breadth, encompassing many service and commodity types.

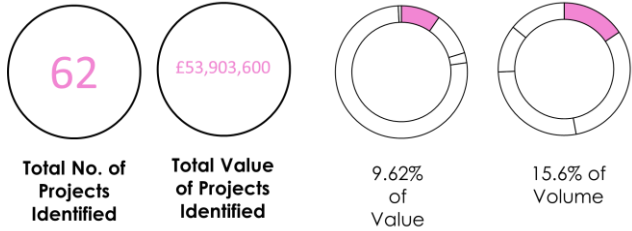
A survey was undertaken at the beginning of 2017 in order to establish the procurement requirement for the department. What follows is a summary of the findings broken down by section and where relevant due to scale or value, sub-section.

TOTAL VOLUME AND VALUE OF DFI PROCUREMENT REQUIREMENT 2017

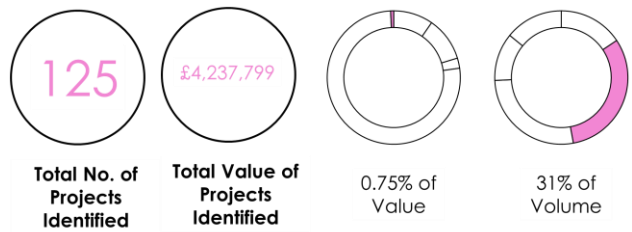


VOLUME AND VALUE OF DFI PROCUREMENT REQUIREMENT BY SECTION

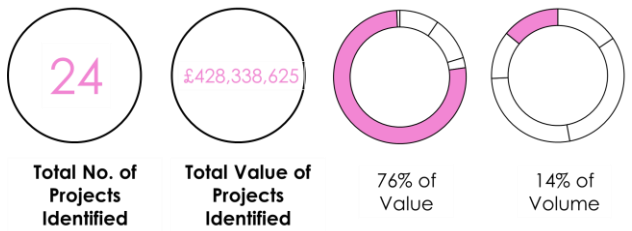
Waste



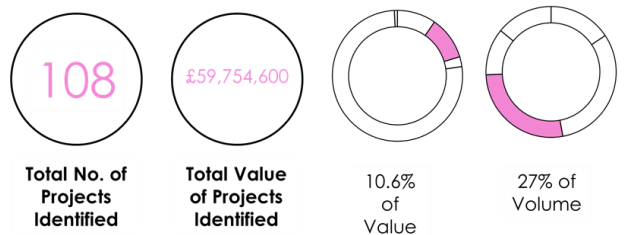
Jersey Fleet Management



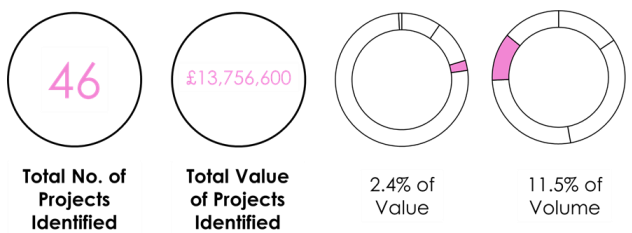
Jersey Property – Future Hospital Project



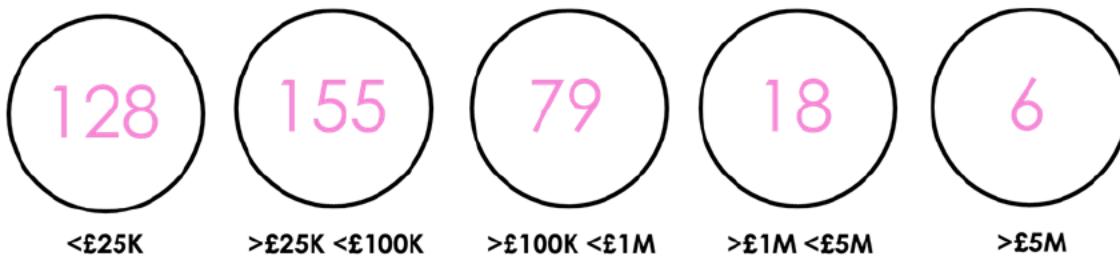
Jersey Property – Business as Usual



Transport and Highways



VOLUME OF PROCUREMENT PROJECTS BY VALUE



IMPACT ON PROCUREMENT FUNCTION AND WIDER BUSINESS

The figures presented in Table A illustrate the volume of activity required to execute procurement activity in accordance with the current Financial Direction governing the Procurement of Goods and Services FD5.1.

Table A.

Process	Volume
1 Written Quotation	128
3 Written Quotations	155
Procurement Strategy + Full Tender	103

Applying the processes described within the Operating Model the volume of activity required to execute procurement activity in accordance with FD5.1 has significant implications in terms of time and resource for the procurement function and wider business.



SPEND CATEGORY ANALYSIS

The Category Map shows that while there are distinct bespoke needs within sections which are not common to others, there are also large similarities between DfI sections in terms of spend category.

Common Spend Categories, volume and value are detailed within Table B.

Table B.

Common Spend Category	Volume of Projects	Value of Spend
Construction	68	* £ 86,852,400.00
Civil Engineering	48	£ 51,190,600.00
Maintenance	59	£ 6,563,500.00
Consultancy	65	£ 6,768,125.00
IT	13	£ 1,430,000.00

*Future Hospital main contract value has been excluded from this figure.

Spend over common categories accounts for 95% of total Dfl spend.

Further analysis of the volume of activity required to execute procurement activity in accordance with FD5.1 for Common Spend Categories across Dfl Sections (excluding Central Services) in Table C shows that a total of 86 full tender processes and Procurement Strategies are required in 2017.

Table C.

Common Spend Category	<100K	>100K
Construction	20	36
Civil Engineering	29	19
Maintenance	47	12
Consultancy	56	15
IT	6	4
TOTAL	158	86

5. Supply Market Analysis

CONSTRUCTION

SUPPLY MARKET SIZE

Well established supply market consisting of small to medium sized builders. Supply market is limited and there can sometimes be limited interest in small to medium SoJ projects.

SUPPLY MARKET PERFORMANCE

Supply market is prone to contraction and expansion depending upon demand. Market is slow to react to increase in demand due to operational and legislative constraints.

SUPPLY MARKET CAPABILITY

Limited number of suppliers able to undertake works of a value of £10m+ limited ability to form partnerships that enable companies to manage larger projects. Supply market availability dependent on demand. Off Island supply market reluctant to enter into the local market unless the project value and composition is attractive.

CURRENT PROCUREMENT APPROACH

The approach to procurement is dictated by the current Financial Direction for Purchasing Goods and Services (FD5.1). The approach largely suits Medium and Large projects however the approach can at times be time consuming for projects of a smaller scale, risk and complexity where the value alone dictates the procurement route. Pre procurement activity including the production of Procurement Strategies is determined by the value of the work alone. The nature and frequency of the type of procurement is not considered within the process at present.

CIVIL ENGINEERING

SUPPLY MARKET SIZE

Well established but limited supply market in terms of size of contractors. Supply market is limited and there can sometimes be limited interest in small SoJ projects. Road resurfacing supply market is dominated by a single contractor.

SUPPLY MARKET PERFORMANCE

Supply market size has broadly remained constant for many years and is less prone to contraction and expansion than the construction market. Road resurfacing supply market has changed dramatically in the last 12 months due to one of the two contractors ceasing trading. Due to the size of the supply market the effectiveness of competitive tendering can be compromised should one or more of the available contractors not tender.

SUPPLY MARKET CAPABILITY

Limited number of competent suppliers able to undertake works of a civil engineering nature. Limited ability to form partnerships that enable companies to manage larger projects. Supply market availability heavily dependent on demand as local management resource and specific expertise in this field is limited preventing contractors from resourcing from on-Island. Off Island supply market reluctant to enter into the local market unless the project value and composition is attractive

[REDACTED]

CURRENT PROCUREMENT APPROACH

The approach to procurement is dictated by the current Financial Direction for Purchasing Goods and Services (FD5.1). The value based approach tends to suit complex projects with a high degree of risk better than simpler projects of a high value. The approach can at times be time consuming and can often be regarded as a limiting factor when there are large volumes of projects to procure due to the time and effort required by Dfl and the supply chain. Pre procurement activity including the production of Procurement Strategies is determined by the value of the work alone. The nature and frequency of the type of procurement is not considered within the process at present.

MAINTENANCE

SUPPLY MARKET SIZE

Well established and large supply market in terms of volume of contractors. Contractor size varies with only a limited number of medium sized and no large contractors available.

SUPPLY MARKET PERFORMANCE

Supply market size has broadly remained constant for many years. Medium sized contractors have added additional maintenance disciplines to their offering in the recent past and informal research indicates that they are willing to expand their offering further should there be a demand.

SUPPLY MARKET CAPABILITY

Capability within the market to provide maintenance services is generally high with a few exceptions regarding specialist requirements.

CURRENT PROCUREMENT APPROACH

The maintenance category is wide-ranging with various approaches to procurement employed. Planned and mandatory maintenance services are broadly procured on a fixed term basis with reactive maintenance being procured by way of non commitment frameworks. Contract Management is improving but there are large differences in approach and competence across the department.

CONSULTANCY

SUPPLY MARKET SIZE

Well established and large on and off-Island supply market in terms of volume of Technical consultants but limited to very limited supply market for Specialist and Waste Management consultants on and off-Island.

SUPPLY MARKET PERFORMANCE

The on-Island Technical consultancy supply market size has broadly remained constant for many years. The supply market for Specialist and Waste Management consultancy is almost non-existent on-Island and therefore Dfl relies heavily on off-Island provision of Services.

SUPPLY MARKET CAPABILITY

Capability within the market to provide Technical consultancy in general is high although capability can become more limited in some areas of specialist requirement within this field. Recent procurement activity has identified that on-Island rates for Technical consultancy can be significantly higher than the same off-Island service. The capability of the off-Island supply market for Specialist consultancy is adequate in most cases. The Waste Management consultancy market capability is limited in most areas and identifying potential suppliers can often prove difficult.

CURRENT PROCUREMENT APPROACH

The approach to procuring consultancy of all types varies across the department. There are pockets of good practice within Dfl mainly within the procurement of Technical Consultancy where specification is often clear and defined assisted by established standard professional guidelines e.g. RIBA and ICE. Procurement process is established and consistent and the local supply chain attitude towards SoJ procurement approach has improved lately with participation on recent procurement exercises high. The procurement of Waste Management consultancy is often not supported by industry standard guidelines as Technical consultancy is therefore, Dfl have created ad-hoc procurement processes in accordance with FD5.1. The knowledge base within the department is less strong in some areas and the establishment of thorough tender specifications is often challenging.

6. Strategic Aims and Objectives

The Strategic Aims of the procurement function have been identified by the Category Manager as follows;

1. Support Organisational Requirements
2. Increase Procurement Capability and Capacity
3. Design and use of Proportionate Procurement Processes
4. Effective Supply-Chain Management

To achieve the Strategic Aims, a series of Spend Category Sourcing Strategies have been presented for approval in Appendix E.

To support the Spend Category Sourcing Strategies the following objectives have been identified in Table D for achievement during the lifetime of the Strategy.

Table D.

Ref	Strategic Aim	Spend Category	Objective	Commence	Complete
1	1	ALL	Establish the Procurement Function within Dfl		
2	1, 2	ALL	Recruit Stores and Procurement Manager		
3	1, 2	ALL	Recruit Procurement and Contracts Officers		
4	4	Const, Maint, CivEng, Con	Dfl Representation on Jersey Construction Council		
5	1, 4	Const, CivEng,	Design and communicate requirement for Pre-Procurement Workshop for high value construction and civil engineering procurements		
6	2	ALL	Work with Corporate Procurement to ensure adequate levels of E-Portal training delivered to Dfl staff		
7	4	Const, Maint, CivEng, Con	Set up regular meetings with Andium Homes, JECC, JDC and Ports of Jersey to understand the Island's construction and Civil Engineering Market		
8	1, 3	ALL	Establish standardised Tender Processes for use when procuring reoccurring services of a similar nature		
9	1,3	ALL	Establish standardised Procurement Strategies for use when procuring reoccurring services of a similar nature		

Ref	Strategic Aim	Spend Category	Objective	Commence	Complete
10	1, 3, 4	Const, Maint, CivEng,	Establish Dfl-wide list of approved contractors		
11	1, 3, 4	Con	Establish Dfl-wide list of approved consultants		
12	3, 4	ALL	Implementation of E-PQQ process to store supplier data and remove the need for repeating PQQ processes		
13	2	IT	Promote awareness of SoJ IT Procurement specific resource available		
14	2	ALL	Ensure that the Procurement function is trained in accordance with the CIPS Global Standard		
15	2	ALL	Design and implement procurement specific training programme throughout Dfl		
16	1, 2, 3, 4	ALL	Implement Stores Service Review recommendations		
17	1	ALL	Supply Jersey Implementation		

7. Measuring Performance

Continuous improvement in the performance of the procurement function will be pursued.

In addition to the achievement of the Objectives set out in Table A, the following key performance indicators have been identified;

Service and Quality Factors

- Stakeholder Satisfaction

Operational Performance

- Procurement cycle times
- Spend under management
- Number of procurement projects delivered
- Key supplier performance

Training, Development & Professionalism

- Number of people receiving procurement oriented training
- Number of people who have obtained Licence to Buy / CIPS membership

Financial

- Number, type and value of contract variations
- Incidences and impact of cost avoidance
- Savings