

Procurement Policy for the States of Guernsey and the States of Alderney - 2014

Introduction

1. Throughout this paper where reference is made to the States of Guernsey or the island of Guernsey it applies equally to the States of Alderney or the island of Alderney.
2. Value for money is the over-riding factor that determines all public sector procurement decisions. However it is the emerging policy of the States of Guernsey to ensure that that value for money should include social and economic requirements when it is calculated. It is our intention that the outcome of any procurement process delivers the best overall benefit to the islands and their residents.
3. Under the Duty of Best Value the States will consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves. The States of Guernsey believes social value is best approached by considering what is beneficial in the context of local needs while still maintaining support for any relevant strategic objectives. However it must be remembered that social value is only one element to be considered, with best overall value being the overriding factor.
4. It is important that public money is used in a way that achieves as much public benefit as possible. This means money shouldn't simply be focused on paying for a service activity, but should attempt where possible to achieve a sustainable and wider impact.
5. This policy should be taken into consideration and applied whenever public sector monies are being utilised in part or whole as funding for a procurement project.

Aim

6. The primary aim of this policy is to ensure the beneficial local economic impact of public sector purchasing in Guernsey is maximised, and to promote the procurement of environmentally sustainable and socially responsible goods, services and works.

Background

7. Best Value is traditionally defined as a combination of quality and cost, however a third factor of benefit to the local economy is now being taken into consideration more regularly^{ab}.

^a For example the independent review conducted in August 2012 by John McClelland on behalf of the Welsh Government recommended that "the concept of linking economic development, specifically supplier support and development, to public procurement should be vigorously pursued."

^b Similarly in Northern Ireland policy developments around procurement have been driven by the principles of the 2011–2015 Programme for Government which is dually focused on growing the Northern Ireland economy and tackling disadvantage within the province. Key to this is the requirement to "include social clauses in all public procurement contracts for suppliers, services and construction".

8. The States of Guernsey recognises and strongly supports the need to ensure all public sector procurement within its remit should take account of the overall local economic and social benefits the successful solution will deliver to the island, as well as maximising the quality and minimising the costs when considering Best Value.

Policy

Approach

9. The States of Guernsey 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. This policy expands that consideration and definition of best value to include as a mandatory requirement the wider 'quality' aspects of local social and economic benefit. 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.
10. Quality is ascertained through examining a number of pre-defined criteria, and this policy introduces a number of new mandatory and optional criteria focussed on capturing and measuring local social and economic benefits; however this policy also introduces the requirement for positive and demonstrable pre-procurement activity, particularly for services, as this is where social value can be considered to greatest effect.
11. The pre-procurement stage is the stage of the procurement or commissioning process where services are conceived and are designed and specifications developed and engagement with partners, stakeholders and current and potential providers takes place. This period ends when the actual procurement process commences through advertising the opportunity or seeking formal responses from the market place.
12. This policy requires procurers and commissioners at the pre-procurement stage to consider how what is to be procured may improve the social, environmental and economic wellbeing of Guernsey, how they might secure any such improvement, and to consider the need to consult with trade sectors, voluntary bodies and other interested groups to better understand what further benefits might realistically be targeted for delivery, and how opportunities might be presented to the market to enable the maximisation of local economic benefits. It is presumed these criteria will be taken into consideration unless a justification not to is provided. It is accepted there will be cases where non-use will be entirely justified.
13. This type of engagement has three benefits. It enables the views of potential service users, potential suppliers and other stakeholders to be taken into account when designing the specification for the service to be procured. This can lead to more innovative solutions which take into account wider economic, environmental and social concerns. It also alerts the potential supply base to forthcoming procurements. If this is done early in the process it enables the supply base to "gear up" to meet demand and also may enable smaller organisations or those from the charitable or voluntary sectors to form a consortium or enter into other commercial arrangements to bid for contracts. Finally it encourages market feedback to influence how a procurement is packaged to ensure the maximum opportunity to gain local economic benefit.

14. Commissioners and procurers are therefore required to develop an approach that has a holistic view to procurement (an example of how this approach might be applied is at Appendix 1); they must also take account of whole of life costing, best value, and the best overall outcome for Guernsey whilst ensuring the needs that lead to the procurement being required in the first place are met.

Criteria

15. In keeping with the intent of this policy to deliver the best procurement outcome for the States of Guernsey, procurers and commissioners are required to make use of a number of mandatory criteria as part of their evaluation process. Appendix 2 contains a list of these criteria and details the minimum score that must be allocated to this element of the assessment process. There is also a list of optional criteria that may be applied at the responsible officer's discretion as appropriate.

16. The mandatory criteria are designed to take into consideration the wider implications for the Island of the outcomes of a procurement rather than just those directly related to the core specified outcomes. In particular the criteria will take into consideration aspects of the local multiplier effect, opportunities for skills transfer or enhancement, employment and best practice supply chain management.

Option for Exclusive Use of Local Market

17. Consideration should be given at the start of the procurement process to the buoyancy and capability of the local Guernsey market to meet the need being procured. Where there is clear evidence that there will be sufficient competition, capacity and capability to ensure value for money (which equates to quality and cost), authority may be sought from the Director of Corporate Procurement via the relevant Department Chief Officer to make a tender exclusive to Guernsey only.

18. Where appropriate, and where a tender is open to all including off-Island suppliers, consideration should also be given to including a requirement or a suggestion for any off-Island bidder to seek to work/partner with an on-Island supplier to facilitate skills uplift/transfer in one direction and local knowledge transfer in the other. The aim of this is to help close any skills gaps identified across the island and to break the circle of local companies not being able to bid for work as they lack skills which they'll never learn as the work always goes off-island because of the skills gap.

Conclusion

19. Procurement and Commissioning across the States of Guernsey must take into consideration the best overall outcome for the island as a whole as the meaning of Best Value.

20. Where Best Value can still be achieved through viable competition between on-Island suppliers, the option to restrict the bidders to Guernsey based companies should be considered; and where off-island bidders are invited, then consideration should be given to including the requirement for them to work/partner with an on-island supplier to facilitate skills and local knowledge transfers.

21. In order for the procurement process to legitimately and fairly take account of the best overall outcome for the island of Guernsey, a holistic approach to procurement and the use of the mandatory criteria at Appendix 2 must be applied. At the same time consideration should be given to the wider economic, environmental and social values that could be achieved.

Example of Holistic Approach to Procurement Delivering Wider Benefits

1. This example illustrates how social value can be considered at various stages of the commissioning and procurement process:

A public sector body is considering the provision of a meals on wheels service for elderly people. During the pre-procurement stage the contracting body decides that as this is a service which will be provided directly to citizens it will consult potential users and potential suppliers along with other interested stakeholders.

The results of the consultation suggest that many potential service users suffer from loneliness and social isolation. Feedback from a community group suggests that a service where people are collected and taken to a local community centre for their meals would help combat problems of loneliness and isolation. Feedback from the local clinical practitioners suggests that many potential users would benefit from contact with health professionals for routine medical services who could spot other medical and mental health issues at an earlier stage. In addition feedback from local people suggests the development of a new community centre would provide a valuable new community resource.

The body takes this feedback into account when designing the outcomes it wishes to see from this new service as wider economic and social benefit would derive from improving community cohesion for users of the service, in addition to improving user's health and improving access to care facilities.

As well as informing the specification of a service, considerations such as these may inform selection of economic operators. When considering a potential supplier's technical or professional ability a supplier's experience in delivering similar services may be relevant.

The public sector body decides to procure a meals on wheels service which is based on bringing people to a local community centre. When considering suppliers' technical ability to deliver this service experience in providing specialist transport services as well as catering is considered as well as experience of providing services to elderly people. The selection criteria that are established make it clear that suppliers can demonstrate their technical ability through sub-contractors taking on specialist roles in the delivery of the service, as part of a consortium as well as by a single supplier.

2. The important point of this example is that the public sector body had identified one particular issue and had initially thought to address it through a traditional solution approach. However following the consultation period it was discovered a number of overlapping issues could be resolved by a different, but single solution delivering a number of benefits.

Criteria

Mandatory Criteria Questions (Guernsey Only)

3. The following questions **must** be included in all Invitations To Tender (ITTs) following the implementation of this policy. The expected measures of the outcomes/responses must be agreed and recorded on a case by case basis before the ITT is issued to ensure a fair and equitable measure of responses:
 - 3.1. How many of the personnel engaged to complete this project will be paying local income tax and Social Security in Guernsey? Indicate the maximum anticipated total number resources in each category of managers, supervisors, employees and sub-contract staff that will be utilised on this project.
 - 3.2. Does your company offer apprenticeships/training schemes or graduate opportunities? If so, how is/will this policy be deployed in Guernsey?
 - 3.3. Describe your understanding and experience of working on Guernsey with specific reference to the market, laws, taxation, regulations, planning process, housing licenses, storage, etc. Provide details of any previous experience you may have had in meeting these requirements or details of how you would take these requirements into account.
 - 3.4. What percentage of your tender price will be delivered by Guernsey based resources? NB Should you be appointed any failure to comply with your response here may constitute a breach of contract and will be subject to the remedies included in the final Terms and Conditions of any contract issued.
 - 3.5. Where applicable, indicate the number of on/off island movements you anticipate to fulfil this contract, and indicate whether by sea or air.
 - 3.6. In not more than 400 words identify what benefits your company would bring to the Guernsey economy as a direct result of under taking this project.
4. Benefits for the local economy should be allocated either 10%, 15% or 20% of the Quality Criteria marks available on a case by case basis, based on an estimate of the availability of local resources capable of meeting the tender requirements. Where it is anticipated there will be a high level of local capability the minimum of 10% should be applied. Where there is very limited local capability the maximum of 20% should be applied. Where it is anticipated a balance of on and off island resources would be available a mid-point of 15% should be applied.

Mandatory Criteria Questions (Alderney Only)

5. To Be Advised

Optional Criteria – Examples for consideration

NB This list is non-exhaustive and use of other relevant criteria are encouraged

6. The following list of questions provides a non-exhaustive list of examples of a number of other types of questions that might be considered and applied at the discretion of the responsible officer:
 - 6.1. Indicate training opportunities for local apprentices which you anticipate will be available during this specific project.
 - 6.2. Please provide a schedule of the local suppliers / sub-contractors you plan to engage if your tender is successful? Indicate approximate value of each supplier and how you will demonstrate engagement has actually taken place and capture the value of each engagement.
 - 6.3. Corporate Social Responsibility (CSR) is about how an organisation acknowledges and recognises the impact of their operations on society and the environment in just the same way as their economic or commercial performance.
 - 6.3.1. Do you have a CSR policy? If not are you in the process of creating one and when do you anticipate it will be in place?
 - 6.3.2. Describe how you have implemented your policy, or how you plan to.
 - 6.3.3. How will you apply your approach to CSR in delivering this contract?
 - 6.4. The island of Guernsey is a relatively small landmass, and careful use of recycling and waste management is essential to the preservation of the island's wellbeing. How will you take this into account when delivering this contract?
 - 6.5. Describe any further added value benefits to the Guernsey economy you anticipate delivering as a result of winning this contract. Include how these would be captured and measured.