

## **Scotland Excel**

**To: Chief Executive Officers Management Group**

**On: 20 February 2017**

**Report  
by  
Director Scotland Excel**

### **Glasgow City Deal Procurement and Commercial Shared Service Proposal**

#### **1. Introduction**

The purpose of this report is to provide the group with the opportunity to review the proposal submitted by Scotland Excel to lead a procurement and commercial shared service for the Glasgow City Region City Deal.

#### **2. Summary**

In January 2017, a proposal was submitted to the Depute Project Director (City Deal) at Renfrewshire Council as attached in Appendix A. This document sets out the rationale for a City Deal Shared Procurement and Commercial Service hosted by Scotland Excel. The service would support the strategic objectives of City Deal through implementation of its agreed procurement and community benefits strategy and allow the sharing of scarce, skilled resources across member councils.

It is considered that a centralised team could provide and develop significant expertise in a number of areas, which would generate operational efficiencies as well as mitigating the potential for constraints within the procurement process if existing corporate procurement teams provide these services individually. In addition, this could provide development opportunities for existing member authorities' procurement staff through secondment, with the eventual return of these skills to members.

On a broader scale, other City Region Deals at varying levels of maturity across Scotland offer the potential for new collaborative regional partnerships, focused on long-term strategic approaches to improving regional economies. As such, it is anticipated that the development of an effective shared service to support the Glasgow City Region will provide a platform to continue to develop and share best practice across Scotland Excel's member councils.

### **3. Conclusion**

Members are requested to note and endorse the contents of the proposal submitted.

# City Deal Procurement and Commercial Shared Service Proposal

**Prepared by:**

Julie Welsh, Director, Scotland Excel

**Prepared for:**

Barbara Walker, Depute Project Director (City Deal),  
Renfrewshire Council

20<sup>th</sup> January 2017



## Summary and Introduction

The City Deal is an agreement between the UK Government, the Scottish Government, and eight member authorities across Glasgow and the Clyde Valley.

The partnership of eight neighbouring member authorities (East Dunbartonshire; East Renfrewshire; Glasgow City; Inverclyde; North Lanarkshire; Renfrewshire; South Lanarkshire; and West Dunbartonshire) has secured a £1.13 billion City Deal, one of the largest in the UK, which will drive economic growth in the Glasgow and Clyde Valley region.

Since the City Deal Agreement in 2014, a challenging programme has been undertaken to develop projects to deliver the objectives of City Deal. In order to support this development, a Legal and Procurement Support Group (LPSG) was set up to consider and manage the impact of procurement on the City Deal and to carry out a number of collaborative functions. The group consists mainly of representatives from the member authorities, but has no direct resource. The group produced high level procurement and community benefits strategies which identified a number of procurement challenges and potential benefits that could be gained through collaboration amongst the member authorities. One of the strategic objectives of the procurement strategy is to work in partnership and one of the elements identified to make this happen is to “...lobby Centres of Excellence to support our requirements with the creation of frameworks to meet City Deal programme schedules over the long term.”

Barbara Walker has recently taken over the chair of this group and has approached Scotland Excel to explore options to support the group in some of its' aims. During this discussion, Barbara's feedback on the functioning of the LPSG was that its' lack of dedicated resource and authority meant that many of the actions required to realise the strategic objectives in the procurement strategy were not progressing at any speed with no effective ownership. Barbara also noted that it was extremely difficult to source additional procurement and commercial support in the current labour market and that allocating the work load to existing procurement resource within the member authorities own procurement departments was already creating bottlenecks, many years before the bulk of spend and delivery on the ground is anticipated. It became clear that there may be merit in Scotland Excel developing a proposal to resource a dedicated and more focused shared procurement service for City Deal which can assist in achieving the Procurement and Community Benefits Strategy that the member authorities have signed up to and share skilled resource across the member authorities to support them at the appropriate time.

This document sets out high level proposals to develop a City Deal Shared Procurement and Commercial Service hosted by Scotland Excel to support the strategic objectives of City Deal through implementation of its agreed procurement and community benefits strategy and sharing of skilled and valuable resources across members to generate collaborative benefits and individual operational efficiencies.

## City Deal Procurement Strategy - objectives and plans

Analysis of the City Deal Procurement Strategy 2015 to 2020 identifies a number of key strategic objectives which is summarised as follows:

**City Deal Governance** – Working in collaboration; Programme Level Guidance and Best Practice; LPSG meetings and Sub Groups; Support PMO.

**Working in Partnership** – Aligned member procurement programme; collaborative market analysis; joint procurement of similar requirements; collaborative market engagement; lobby centres of expertise; share knowledge on use of frameworks; allow access to each others contracts; collaborate on contract management techniques and share lessons learned.

**City Deal – A Unified Approach** – early supply chain engagement, set high expectation in relation to innovation and sustainability; consistent and clear communications to all external stakeholder groups; use PCS and PCS-T under a shared City Deal banner with specific guides for tenderers; coordinate approach to supplier engagement and SME/third sector involvement; consider and implement contractual terms requiring first tier contractors to advertise subcontract opportunities, attend supplier engagement events and provide mentoring and training to ensure fair access to SMEs.

**Shared Policies** – establish clear shared policy areas to supplement internal governance to present a unified City Deal Procurement Programme to the market; focus on particular areas though sub-groups such as : economic issues; community benefit; terms and conditions; insurance and risk management; PQQ and ITT Procedures; environment and sustainability; Construction contracts.

**Shared Documentation** – share and review current procurement documents to drive consistency and best practice; develop and agree new policy based on sub-group research; strive for a lean; robust consistent approach to procurement documents; develop documents with consistent City Deal background, content and format; develop documents which allow the latest innovation and creativity from the market with flexible evaluation techniques which meet the latest legislation; consider creation/use of a shared toolkit platform which holds all approved City Deal procurement documents; common procurement risk register; agree and implement standard payment terms for contractors and ensure prompt payment in the supply chain.

**Sustainability** – challenge clients and suppliers to put sustainability at the forefront at the time of procurement; promote and support engagement with the supply chain to seek out and incorporate innovative approaches; develop life cycle /whole life costing models where appropriate; maximise recycled and reclaimed product usage; select fair and ethically sourced products; open opportunities to voluntary and not for profit organisations where possible; work with the Supplier Development Programme and other agencies to promote opportunities to SMEs to encourage bidding for City Deal tenders or subcontracts; utilise the Scottish Government Sustainability Tool where appropriate to identify sustainability opportunities; and maximise GVA by including community benefits in all applicable tender documents.

Discussion with Barbara has indicated that although there have been pockets of development in some of the areas above by members of the LPSG, this has been ad hoc

and adversely impacted due to resource restraints over the last 18 months. Consequently, without focused effort and dedicated resources, some of the opportunities identified may be late or missed completely with some significant knock on effects which will impact efficiency, particularly during the ramp up of the construction phase of the City Deal. Standard documentation and familiarity of process can provide substantial efficiency gains in terms of speed to market for buyers and substantially reduce bidding costs for contractors which eventually flow through to clients. It is no criticism of the procurement officers involved in the LPSG that members have not been able to follow through on many of the plans in the strategy. Scotland Excel has developed similar documentation and guidance over a number of years in many areas for its members, usually with dedicated staff and specialist advice, and the resource requirement goes far beyond what could be accomplished by members of the group alongside their day job.

It seems fair to say that if member authorities wish to deliver on their commitment to the procurement strategy as drafted then urgent prioritisation and ownership of the strategic objectives, as well as suitable resourcing of specific initiatives, is required in order to realise the benefits of the strategy in any reasonable time scale.

Scotland Excel could provide the leadership and ownership required to develop and prioritise strategic and implementation plans to realise and maximise the collaborative benefits identified in the procurement strategy, utilising existing relationships with its members and its' own internal expertise in a number of areas.

## **Shared Procurement and Commercial Service**

In addition to the high level strategic objectives of the procurement strategy, member authorities will require to invest significant resources in the operational tendering, contracting and commercial management of contracts to deliver the large number of high value City Deal projects required to realise its' potential. It is understood that member authorities have approached this in various different ways, however, the overriding approach has been to "borrow" from members existing procurement resource.

Whilst this approach may have sufficed while projects are being developed, it is likely that lack of engagement with procurement in the early stages of a project will lead to bottlenecks later. In addition, the resource requirements will only increase as projects progress towards construction phase. It is likely this will mean several different procurement officers being involved across a range of projects each having to understand and adhere to the City Deal Procurement Strategy and various policies and procedures developed.

The nature of contracts required across the member authorities is likely to be similar and require specific procurement and commercial skill sets related to large capital construction project which have traditionally been difficult to recruit and retain in corporate procurement units. It seems sensible to suggest that significant efficiencies could be generated were these similar activities carried out by a skilled centralised team, familiar with all of the standard documentation and City Deal Procurement Strategy, who could be shared across member authorities as requirements arose in their programmes, and that the same resource could be managed to fit the aggregated profile of delivery.

It is proposed that Scotland Excel could host a Shared Procurement and Commercial Service. As well as forming the team who could take responsibility for developing the initiatives required to meet many of the elements of the procurement strategy, the team could provide a number of dedicated specialist resources to specifically support City Deal procurement within councils including:

- Supporting lead officer/project managers in developing their business case and procurement strategy for particular project.
- Working with LPSG to ensure delivery of wider City Deal Procurement Strategy
- Design and hosting of joint/individual market engagement events
- Design and hosting of joint/individual elected member engagement events
- Development of contract documentation for specific contracts based on agreed standards
- Development of tender documentation for specific contracts based on agreed standards
- Tendering, evaluation, award and commercial management of contracts
- Maintaining library of City Deal contracts
- Hosting, capturing and feeding into future contracts of lessons learned
- City Deal contract spend reporting service
- Supporting PMOs through development of a Community Benefits reporting service.
- Assisting the production of related press and marketing material and seeking associated opportunities
- Ownership, administration and operation of any centralised IT systems e.g. PCS, PCS Tender
- Management of contractors, particularly in relation to:
  - Delivering and capturing community benefits consistently
  - Advertising of subcontracts if required and
  - Analysing programmes for joint purchasing opportunities and facilitating if appropriate.

It is considered that a centralised team could provide and develop significant expertise in these areas, specifically in relation to City Deal, which would generate significant operational efficiencies as well as mitigating the potential for bottlenecks within the procurement process if existing corporate procurement teams provide these services individually. In addition, this could provide exciting development opportunities for existing member authorities' procurement staff through secondment, with the eventual return of these skills to members.

Scotland Excel has procedures in place and experience of providing such shared services in a number of other areas as well as existing governance and financial arrangement with member authorities through their membership agreements, so would be ideally placed to host the service. It would also be ideally placed to share this service with its' other members across Scotland should they be successful in securing "city deals" in other areas of Scotland.

## **Key Considerations**

- Funding by member authorities
- Resourcing level and recruitment vs secondment options
- Interface/integration with members existing procurement procedures/standing orders



- Integration of City Deal and Scotland Excel governance

## **Resource requirements**

Resource requirements would be similar to that which each individual council may allocate, but with some benefit due to levelling of resources across the programme. It is estimated that each council would expend minimum resources equivalent to a senior procurement specialist and a procurement coordinator with the associated management, although this may be spread over a higher number of staff with a single council. There are likely to be some benefits of scale within a shared service.

A smaller team could be required initially to undertake much of the preparatory work to put required systems in place and to support the development of the various projects. It is anticipated that resource requirements would increase rapidly as the member authorities progressed towards tendering and through delivery of construction contracts and beyond.

An outline requirement based on current high level understanding of projects in development is suggested below:

- Lead Procurement & Commercial Manager (1 FTE):
- Senior Procurement/Commercial Specialists (3-7 FTE)
- Procurement Coordinators (3-7 FTE)
- Legal Resource (0.5-1 FTE)

It would be reasonable to propose a resourcing plan with a mix of secondments from member authorities and new recruitment to maximise benefits from existing knowledge, supplemented by specialist skills required.

## **Summary and Recommendations**

City Deal presents a huge opportunity for the member authorities to deliver growth across the region through collaboration on a scale rarely seen. This presents significant challenges which require new and innovative ways of working and real partnerships which benefit all of the members. A City Deal Procurement and Commercial Shared Service hosted by Scotland Excel could deliver significant strategic objectives, operational efficiencies and a skilled specialist team who can focus specifically on City Deal projects with the sole purpose of using procurement to support the delivery of, and improve the outcome of, City Deal.