

REVIEW OF SCOTTISH PUBLIC SECTOR PROCUREMENT IN CONSTRUCTION

**Guidance on Collaboration and Linkages
Between Contracting Authorities: Synergies
in Programmes of Work**

Implementation of Recommendation 7

For CRDG Approval

July 2017

1. Extract from the Review of Scottish Public Sector Procurement in Construction

5.4 Co-ordination of projects and programmes

5.4.1 Large-scale infrastructure projects are under the control of different public bodies. It is important, when major projects are being contemplated, that sufficient linkages are made amongst these bodies to determine if it might be possible to achieve synergies. An example might be a major road project where water or telecommunications infrastructure opportunities may be identified in co-ordination with the road project thus potentially achieving a more cost effective outcome for the public sector as a whole.

5.4.2 In addition it is important to ensure that major projects are brought to market on a staged basis so as not to flood the market and risk inflating prices or creating artificial skills shortages. Such an approach will help the sustainability of the Scottish construction sector by promoting a more even flow of work. Audit Scotland said in 2008:

There is a case for additional leadership and more deliberate co-ordination and management of the investment programme across government to ensure that it matches market capacity and capability.

5.4.3 And as relates to major projects, the IIB has taken steps to strengthen the governance and oversight of the capital programme.

5.4.4 But this principle of co-ordination of spend may also be equally relevant to smaller projects; for example, a health centre allied with a new school or a community facility. Other scope for collaboration may be identified. It follows that, at the planning stage of any public sector construction project, consideration should be given to opportunities for synergies with other projects and our recommendations on pipeline will assist in enabling the identification of such opportunities. We recognise that much good work is now being done in this area by the territory partnering boards working with the hubCos.

5.4.5 Audit Scotland recommended further in 2013 that councils should:

“Actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement.”

5.4.6 Recommendation

Public sector bodies involved in construction projects should be able to demonstrate that sufficient linkages are made between them. This should include consideration of appropriate opportunities for collaboration and for synergies with other programmes of work in the planning phase of all infrastructure spend.

2. Guidance

As soon as a project need has been identified a contracting authority must consider whether there may be any beneficial opportunities for collaboration. All such opportunities should be examined with the potential benefits quantified and included as options in the Business Case prepared for governance approval. This closely mirrors the approach to Strategic Asset Management Collaboration being promoted as part of the One Public Sector initiative.

Authorities may wish to explore opportunities that may present themselves through: hub territory partnering boards; engagement with property and estates forums such as SHOPS and the NHS Capital Investment Network; reference to the Infrastructure Investment Plan and to the procurement strategy plans published by neighbouring authorities.

It is suggested that 3 main types of collaboration be examined. For each type a statement should be prepared which either identifies an opportunity or provides an explanation of why there may be none.

2.1 Geographic Adjacency Collaboration.

Example opportunities include:

- Shared use of buildings
- Joint procurement of similar buildings, eg schools
- Sharing of key, experienced, personnel
- Shared use of depots
- Road maintenance
- Regional frameworks

2.2 Synergies with other Authorities

Example opportunities include:

- NHS/Council joint occupation, eg social care
- Council/Emergency Services – shared space
- Council/Transport Scotland – road projects

2.3 Sector Collaboration

Example opportunities include:

- Street lighting renewal
- Renewable energy initiatives
- Sharing of key, experienced, personnel
- Bundled revenue funded projects

Figure 1, overleaf, illustrates a recommended approach.

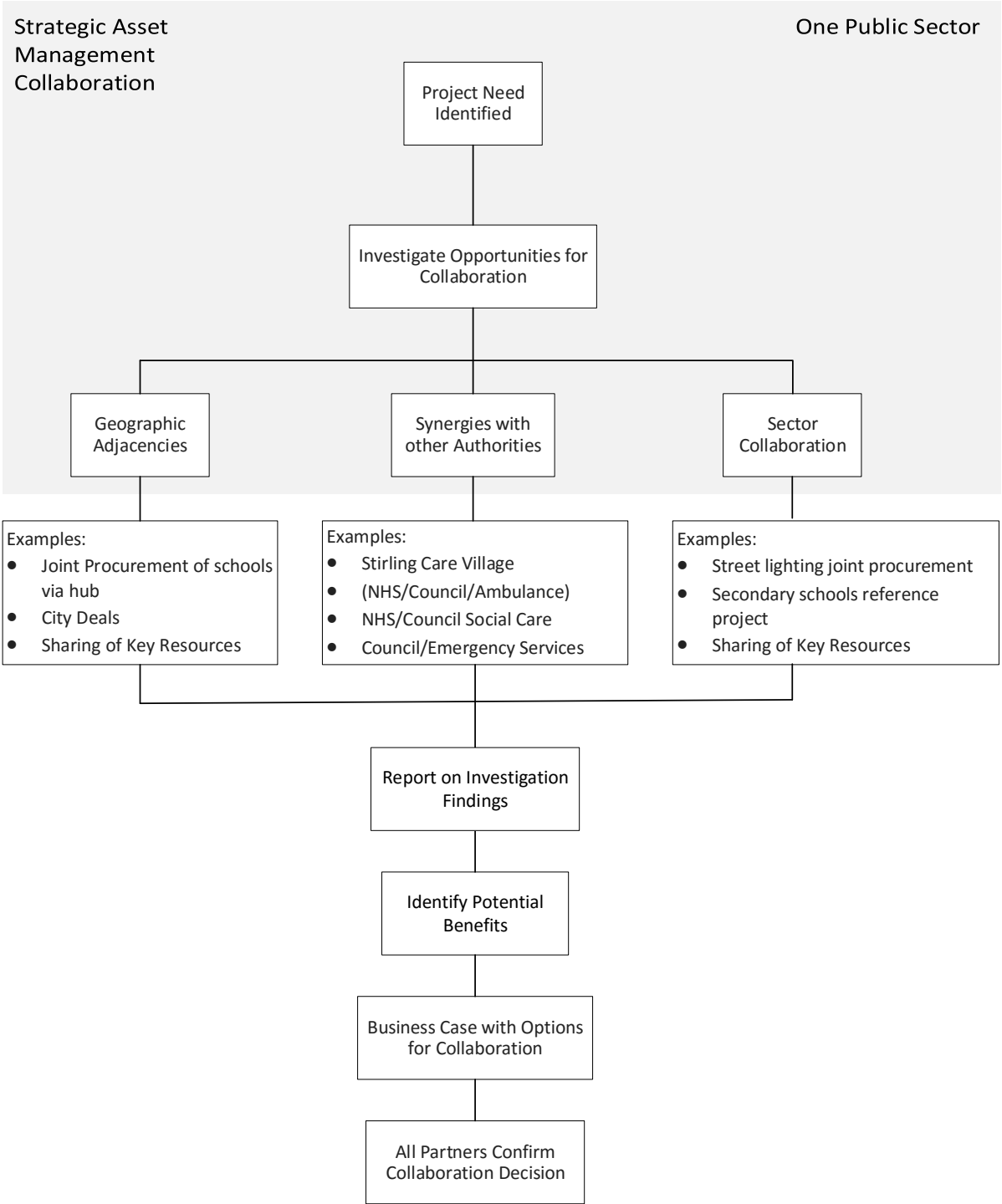


Figure 1. Opportunities for Collaboration

3. Potential Benefits

It is common for collaborative procurement to produce savings of between 5-15% compared to single projects. Areas to consider include:

3.1 Economies of Scale

These can be in the form of volume discounts on plant, equipment and materials; increased turnover leading to lower overheads and profit from the supply chain; more efficient project development processes leading to lower development costs; lower contract management costs.

3.2 Lower Procurement Costs

Joint procurements reduce the internal costs of conducting procurement exercises compared to a series of single contracts.

3.3 Sharing Best Practice Design Solutions

Joint project development teams will find it easy to compare design solutions across authorities, sharing best practice and lessons learned.

3.4 Spatial Design Efficiency

The shared use of buildings permits major space efficiencies to be realised in areas such as plant, catering, circulation, reception and meeting rooms.

3.5 Shared Expertise

The most successful projects are most likely to be led by the most experienced people. Not every authority can retain such skills if their new projects are infrequent. Sharing such resources is very cost effective and very beneficial to project delivery.

3.6 Reduced Contract Management and Inspection Costs

Managing a single, larger, contract will be more resource efficient than managing a series of smaller contracts.

4. Planning for Successful Collaboration

Once a decision has been made to proceed with a collaborative procurement figure 2, below, illustrates a recommended approach. Before the procurement of consultants and contractors sufficient time should be spent by all the collaborative partners to:

- Secure senior management commitment
- Align funding and capital budgets
- Align decision making – appropriate delegation to a joint steering group
- Agree strategies for future asset ownership and operational management
- Agree defined outcomes and benefits
- Form a steering group of culturally aligned managers
- Always create a single procurement team

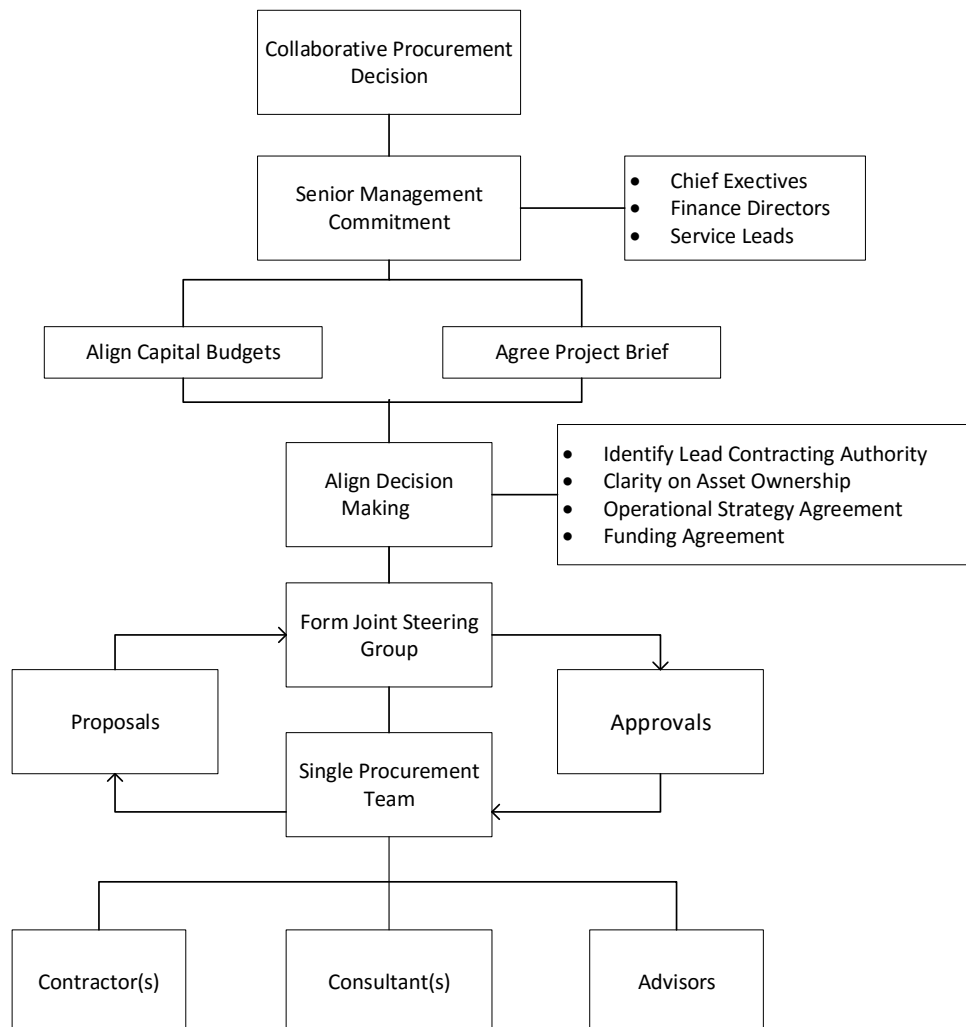


Figure 2. Collaborative Procurement Organisation

5. Overcoming Challenges

Most of the challenges encountered in collaborative procurement are caused by problems in governance arrangements, in misaligned decision making and by personality clashes. These issues should be considered carefully from the outset as part of a risk management strategy and plans created to mitigate their effects.

- Speak to those who have completed collaborative projects. Benefit from lessons learned.
- Anticipate issues that might arise. Create and action mitigation strategies.
- Put any legal agreements in place as soon as possible.
- Agree a protocol for quickly escalating any disputes between partners to CEO's
- Advice is available from Scottish Futures Trust which has extensive experience in facilitating collaboration and which can provide expert help. Templates also exist for legal agreements.

6. Feedback

All comments and feedback are welcome. Please contact Martin Blencowe at Scottish Futures Trust.

martin.blencowe@scottishfuturestrust.org.uk