

Swimming

with the big fish

SCALING UP SME CHAMPIONS FOR LOCAL PROSPERITY

BARRIERS AND SOLUTIONS - A BALANCED VIEW

by
COLLABORATIVE PROCUREMENT IN THE SELLAFIELD
SUPPLY CHAIN GROUP 3



Good news stories and updates from Group 3

- Britain's Energy Coast Business Cluster Chair, Ivan Baldwin, is brokering an opportunity to present the Swimming with the Big Fish '*Challenges and Opportunities*' document to local MPs and council leaders
- The Industrial Solutions Hub at Leconfield Industrial Estate, Cleator Moor, has expressed an interest in exploring synergies with SWTBF concepts and their own work in West Cumbria
- Swimming with the Big Fish (SWTBF) Power 8 member Delkia won SME of the Year at the in-Cumbria Business Awards 2020 - a fantastic achievement
- Since the last meeting discussions with Cumbria Local Enterprise Partnership have taken place to consider the wider application of the SWTBF model across the county
- A number of discussions are underway between Power 8 members, and others, on possible collaborations on up-and-coming major projects such as the Moorside Clean Energy Hub and others further afield in the Northern Powerhouse region
- A draft MOU has been produced and is under discussion with one large Sellafield Tier 2 contractor, with the aim of becoming a framework that encourages further SME/Tier 2 synergy and collaboration
- Solomons Europe has been awarded a contract to provide services to KBR - potentially one success in the bag
- Our fresh approach to SME collaboration has gone east with the creation of TeesSMEs. Within two weeks of launch the group - which includes 10 SMEs - presented its case for greater SME involvement in the development of the huge Teesworks site to local MPs and the Tees Valley Mayor. We are currently working with them on models that allow this, whilst remaining OJEU compliant, to inform Tees Valley Combined Authority's approach to procurement and the Government's forthcoming Green Paper on procurement post-Brexit

This extremely positive and energising progress is just the beginning...

The ingenuity, creativity and drive of small businesses are the backbone of the world's most successful economies. They play a central role in driving job creation, sparking innovation and providing opportunities for collaboration domestically and abroad. With just over six million small businesses employing over 60% of the UK workforce, the success of small business is critical to the strength of the UK economy.

Richard J Gnodde, Vice Chairman of
the Goldman Sachs Group Inc and
CEO of Goldman Sachs International



Group 3: Our purpose and aims:
Demonstrate the capability, capacity and determination of Cumbrian SMEs to deliver true economic growth, prosperity and social value, through securing long-term contracts and frameworks for them to deliver this vision.

Short term aim: Secure two SME frameworks with Sellafield Ltd/Tier 2 companies by end Q2 2021 and prove the Swimming with the Big Fish model can work

Medium term aim: Secure a further four frameworks over a 12-24 month period and drive a shift in SME procurement culture at Sellafield

Long term aim: Put Cumbrian SMEs/frameworks at the heart of planned future developments in the region from the concept stage and helping to set the right strategies and culture from project inception

Group 1 Questions

Q1: What are the barriers facing SMEs when it comes to securing work at Sellafield?

Discussed in detail in this report

Q2: How can we help you?

- **We would like to see an independent SME Supply Chain Champion appointed to bring a greater sense of common purpose and encourage active participation across all tiers.** This person would be tasked with the mission to overcome delivery hurdles in procurement and propose innovations that achieve Sellafield Ltd's SME and social value commitments through both meaningful engagement and clear OKRs (objectives and key results)
- **Practical, tangible, visible, and accessible published plans for the procurement of SMEs – not just a high level 30 per cent target.** These would include clear timings and potential requirements so SMEs can consider, from an informed position, their options and possible alliances and collaborations
- **Consider procurement frameworks and alternative solutions which do not require disproportionate risk allocation for smaller businesses.** Consider proposals from SMEs, within governance rules, that could achieve project delivery with slightly different, less onerous contractual terms so they can compete on a level playing field



"A hand up
not a hand
out"

Group 1 Questions (cont'd)

Q3: How can we make a tangible difference right away?

- Ask “can an SME do this?’ at every stage of the procurement process, as per EDF Energy’s philosophy for Hinkley Point C
- Value the SME supply chain and what it can achieve as a major force in local employment and economic activity. SMEs often feel an inconvenience and a “means to an end” to the ‘Big Fish’ and anchor institutions when it comes to achieving the 30% spend target - rather than a valued partner delivering local jobs and prosperity
- Consider MOU type arrangements which can help forge long-term relationships with key contractors and Sellafield Ltd - and encourage SMEs to grasp opportunities to demonstrate excellence and value through regular, structured reporting of successes and innovations
- Empower procurement teams and allow appropriate time in the procurement programme to engage with and build a network of capable SMEs, rather than assuming they will not or cannot demonstrate capacity and capability
- Bring specific, specialist capability into major procurement teams to create innovative procurement routes and local supplier shortlists. Use this as an opportunity and catalyst to reinvigorate the supply chain to improve innovation and competition. Let the SME community have a voice and a seat at the table through Early Contractor Involvement - we might surprise you
- Sellafield Ltd is seeking to encourage entrepreneurship. What better way to do this than creating team collaborations with entrepreneurs and SME businesses?



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Group 2 Questions

Q1: Consider Cumbria Nuclear Solutions Limited (CNSL) as a successful case study of SMEs coming together as a legal entity

- We have looked into the make-up and operation of CNSL, which comprises James Fisher Nuclear Ltd, REACT Engineering Ltd, Shepley Engineers Ltd, Jacobs Stobbarts Ltd, Westinghouse Electric Company and WYG Engineering Ltd – and only one SME business
- Information at Companies House states CNSL does not have any of its own employees. The alliance turned over £4.8m in 2018 and £2.5m in 2019
- The inclusion of larger players has obviously been an enabler in this model, which an alliance of SMEs would find difficult to replicate
- We believe the models deployed by EDF Energy at Hinkley Point C offer greater opportunities for SME collaboration. The Somerset Larder catering alliance comprised entirely of local SMEs, while the Somerset Infrastructure Alliance saw a major player forge a partnership with four locally-based companies. But, as with the case at Hinkley Point C, it is vital that the “need” is both articulated and driven by anchor institutions and contractors when it comes to deciding the type of alliances that may be required on major frameworks such as PPP

Q2: What are the main barriers facing SMEs?

Discussed in detail in this report



"A hand up
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Addressing the entrenched social and economic inequalities closest to our sites cannot be solved by Sellafield alone. Nor can we realise all the opportunities by ourselves. Significant and permanent social change and economic resilience requires all stakeholders to work together, with intent and duration, in new ways and accepting we all have a role to play.

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- Sellafield Limited,
Supply Chain Strategy



The key hurdles and challenges blocking the way

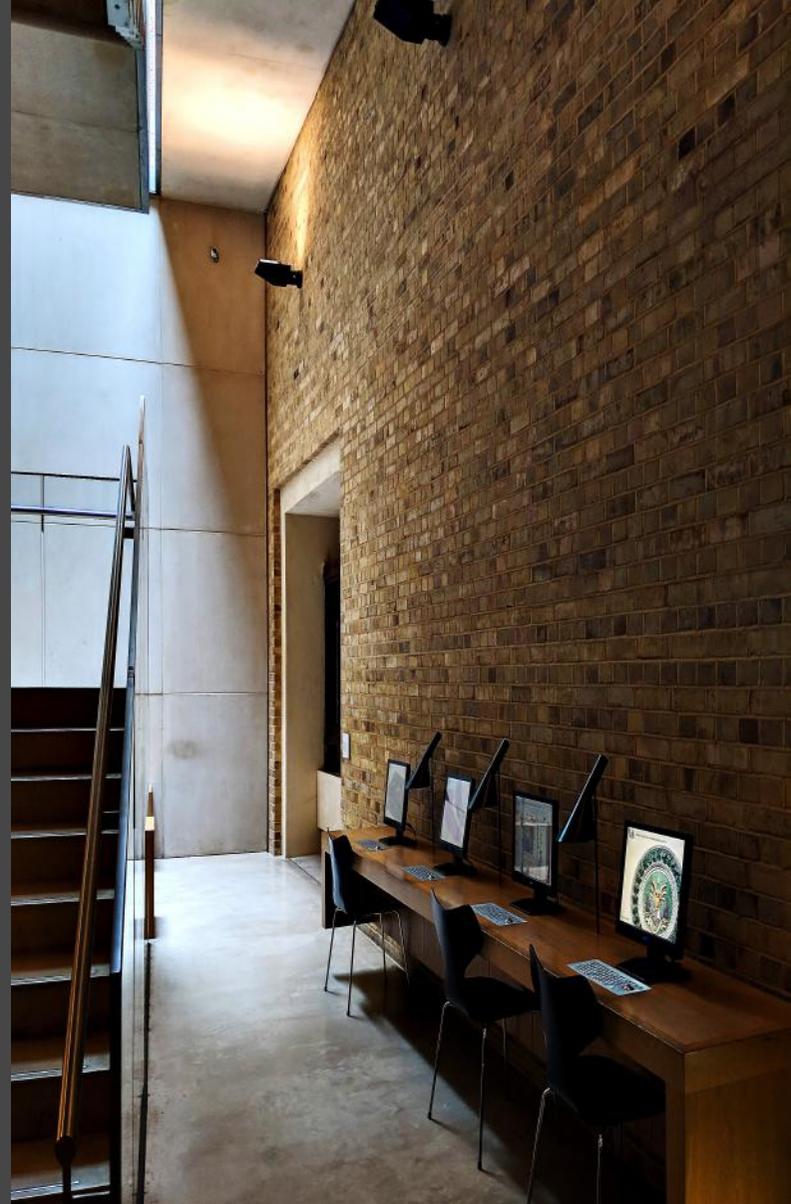
Group 3 has collected and collated the voices of a wide range of SMEs in Cumbria to build a picture of the barriers and hurdles they currently face when it comes to securing work at Sellafield.

- **A common theme throughout was the high and continually growing demand for people.** The workforce challenge in Cumbria is well known. But the “battle” for resources across a plethora of skills and industries, lies at the heart of the many of the barriers identified in this report
- **Longevity, size and delays to the award of contracts is another common theme.** A mixture of hand to mouth, short-term, "bitty" work, and the presence of 'Big Fish' consistently sweeping up larger packages, means SME's are denied long-term security of work to enable further growth and investment and can meant they tend to be left with the undesirable/difficult packages

As requested by the wider Collaborative Procurement in the Sellafield Supply Chain Group, the following pages provide further detail these barriers.

We are presenting these insights on the basis that this group provides a safe and confidential environment for opinions and ideas to be expressed honestly and openly, and, as such we hope these can be used as a positive step towards identifying, discussing and agreeing new and practical solutions.

Addressing the workforce challenge



Workforce - money talks

A high proportion of the SMEs consulted had seen a significant increase in in what they describe as staff "poaching" in the past year.

One business of 32 revealed that it lost six employees to the Replacement Analytical Project (RAP) project in the last six months alone. Another lost 20% of their team to PPP.

The relatively short-term contracts and piecemeal hand to mouth work offered to SMEs is a major factor (*see page 15*). But equally if not more damaging, is the chasm in wages that are being offered by the 'Big Fish' and the agencies they prefer to recruit through, compared to those being paid by SMEs.

'Big Fish' often use recruitment agencies as "in house partners". The agency will broker between the candidate and 'Big Fish' to strongly influence the salaries paid.

There have been numerous examples where the candidate and/or agency has stipulated an over inflated wage. Rather than push back, the 'Big Fish' finds a title and/ or grade that will enable them to meet the salary being demanded. In many cases this can be double the regional average for similar roles.

This can also mean the candidate is being placed into a position that is well above their skill and experience level, potentially leaving them exposed when it comes to meeting expectations.

SMEs simply cannot compete when it comes to this "war" for talent.

There is a belief among SMEs that the 'Big Fish' do not understand the value of people. SMEs spend considerable time and money developing employees to ensure they are not just competent but stand out. When they lose people, they then start the cycle of identifying, training and developing replacements. In the meantime, they lose time and money due to the inevitable lag between loss and replacement.

Local SME "From my team of 30, I've lost six staff to PPP over the last six months or so. These big PPP type frameworks work against local SMEs who just lose staff to the big boys who have deeper pockets".

Local SME "I've just lost a 25-year-old graduate with six years experience who graduated this year. I thought we were paying a good salary, but the person has gone agency on £40 per hour, which is nearly £80,000pa for a 45 hour week. We just can't compete."

Keeping "seats warm"

Even when opportunities arise for SMEs to provide an integrated team solution for a major project or framework, their experience has been that, in the eyes of both main contractors and Sellafield Ltd, they are viewed as merely a "temporary fix" until their own resources can be secured.

This leads to high levels of uncertainty for both the SME businesses along with the locally-based, highly qualified and pay-rolled resource they are providing – a talented individual whose role can be subject to termination at short notice and is constantly told they are keeping someone else's seat warm can find this situation demotivating and, at times, highly uncertain which leads to feelings of stress. This temporary approach to resourcing stifles innovation and poses a very real threat to SMEs, forcing them to think carefully about placing highly skilled individuals into such temporary, trouble-shooting roles due to the ever-present threat of them being lured away into the very permanent roles the main contractor is looking to fill.

In such situations, recruiters and team leads will often attempt to move this individual "in house" rather than lose a valuable resource from the team; their attempts further strengthened by incentivised staff referral bonuses that encourage the practice of poaching. The SME will be left to replace the skills and expertise lost to the 'Big Fish', which can be a significant challenge for those already struggling to recruit in a difficult market.

Local professional services SME

"We are finding that we bring on conversion candidates, start the upskilling process and after 12 to 24 months, the person gets poached for big rises to the big players. These organisations weren't prepared to give them a start in the first place, but once we've invested time and money in upskilling, their recruiters target them for roles."



The battle for apprentices

SMEs are being discouraged from recruiting apprentices.

As soon as one-year plus experience is recorded they become a target for recruiters supplying the 'Big Fish'.

SMEs have also raised the issue of apprentice "flipping". This is where an apprentice jumps between two or three employers, part completing different apprentice scheme training, and typically landing with a 'Big Fish' at the expense of the 'Little Fish'.

For SMEs the first two years of apprenticeships and other training positions is investment heavy and revenue light and is typically a significant loss making period.

They not only invest cash in training courses and recognised qualifications, but also take away senior members of staff from other work and projects to support for the apprentice or trainee on their journey.

For the 'Big Fish' apprenticeships can be a very low-cost initiative. Using the Apprenticeship Levy, minimal wage levels and vast publicity channels, a high apprentice intake draws huge attention and the majority of talented youngsters to them.

In contrast SMEs can find it almost impossible to find meaningful training positions on projects for their own developing talent when pitted against 'Big Fish' locked into long-term contracts and frameworks.



Addressing short termism and stifled innovation



SME-a last resort?

Anecdotal evidence gathered suggests SMEs can be the “route of last resort” when it comes to those managing Sellafield frameworks.

This is particularly true in professional groups where it has become clear to SMEs in these fields that the ‘Big Fish’ would rather take on agency workers, often fuelled by a desire to build a “tribe” of “badged and fleeced” workers to fulfil Sellafield Ltd commitments at bid stage.

Similarly, this “easy fix” can also be due in some part to contracting complications with regard to liabilities and the perceived requirement for a fundamentally different contracting philosophy behind the appointment of professional services SME versus an agency - whereby whereby corporate governance often requires a passing down the chain of main contract liabilities.

SMEs are largely unable to fulfil this whilst remaining commercially viable.

Tier 2 company

"For design support we would try to recruit, or look UK wide across our business for people . We would only really use local design SMEs to satisfy Sellafield, as that's part of their social impact requirements. We would then look for fixed price and the ability to pass liability down to the SME."

Hand to mouth

When the ‘Big Fish’ do appoint to these professional type roles, it commonly tends to be for distinct small packages of work, typically just a few months or weeks.

This is often on the basis of a fixed price, to ensure all of the risk sits with the SME.

Where a fixed price solution is not practical, the professional services SME may be engaged under a temporary agency contract, making it clear that the SME service provider is just an interim solution, but also including agency provisions which the SME cannot fulfil.

Both of these contracting methods leaves the SME with little if any opportunity to offer innovation or work collaboratively with their client.

Nor can the SME recruit confidently, as the limited fee security of short-term work places significant risk on its sustainability.

SMEs believe his tendency for temporary contracting is also fuelling frequent staff losses to long-term projects.

Local design SME

"We are always seen as the last resort, for bits and pieces of design. We get a scope and have to deliver a fixed price, often at short notice, and for a short two to three month duration. To be honest, it can be more trouble than its worth, and we cant scale up or recruit on bitty work."

Innovation at risk

SMEs say they are encountering frequent approaches from 'Big Fish' for problem solving or troubleshooting type work requiring bespoke innovative and collaborative solutions.

The SME can spend considerable time and effort formulating this response to the 'Big Fish', believing the efforts are acknowledged and that this will develop into a clear scope for delivery of the product or service and that somewhere down the line, it will translate into work.

Often there is no clear indication of the project's duration or scope, along with the potential contract size – the information typically required to allow the SME to make a fully informed decision.

The SME will take this risk to build relationships and demonstrate willingness to offer “value added”.

However, once this well-worked solution is taken to decision makers or to board level within the 'Big Fish', the response is typically “Why aren't we doing this ourselves? Why don't we recruit our own team to do this?”

The package of work is invariably taken in-house. The SME, which has invested both time and money in proposing the solution, finds itself excluded from delivery.

The frequency at which this scenario plays out can be a significant deterrent to future SME engagement.

By their nature the 'Little Fish' have a very different business model to the 'Big Fish'. They cannot afford to ignore the promise of the potential work.

This situation reinforces the belief of many SMEs that they are at the bottom of a food chain rather than a supply chain.

Work at risk

SMEs often scale up in preparation for impending work, taking on employees so they are ready to hit the ground running. However, some experience considerable delays between agreeing the work and commencement date with a 'Big Fish', to actual commencement and paying of fees. This paperwork issue for a 'Big Fish' can come at a considerable cost to the SME, in some cases amounting to many of thousands of pounds.

The skilled employee is in place, but they are left idle at a cost to the SME.

Not only does this knock the confidence of the exposed SME, but also the individual who has been recruited in a tough marketplace.

Their frustration is compounded by the fact that clients elsewhere have turned around paperwork much quicker, typically in one or two days.

Some SMEs have been left waiting several weeks for the 'Big Fish' working at Sellafield to dot the i's and cross the t's.

Falling foul of agency "top up" approach

While a key ask of this Swimming with the Big Fish is for long-term framework contracts, SMEs are aware that quick arrangements need to be put in place to support particular projects, primarily on a "top up" short-term basis, and to cover peaks between troughs - which can often be for 18 months or more.

Therefore, Sellafield Ltd and Tier 2s cannot function without flexible top up resources, which means contracting of SMEs as agency resource is common practice - but also common practice for longer-term work. It is essentially being used as an easy way to top up, which the added bonus being that this method of contracting is easy to deploy at short notice, without having to follow more complex procurement procedures.

'Big Fish' will, obviously, tend to use recruitment agencies and freelancers to obtain "badged and fleeced" agency top up resource, alongside SME professional services providers. However, SMEs find themselves lumped into the same bracket as agency resources when it comes to areas of concern for HR and finance teams, such as the mysterious 'two-year rule', and Agency worker rights. Due to the method of engagement, expertise from SME providers is lost due to focus on ensuring short-term secondments of less than two years, which can see highly motivated and skilled resources moved between projects so as not to trigger agency worker rights or employer National Insurance contributions. In reality, SME providers offering full time PAYE resources are out with these concerns and therefore this "pack shuffling" is unnecessary and merely inflicts loss of skill and legacy knowledge from projects. It is difficult for the SME to articulate this message to HR and procurement teams, meaning despite being distinctly different: the skilled people they are providing are PAYE, locally based, with their employment rights, and commitment to professional and personal development, met by the SME.

Not only do the SMEs lose out under this scenario - the associated impact of PAYE employees and their positive impact on the local economy and wider society is also lost.

Local civils SME

"We have to compete with other local civils SMEs every time. Its always lowest price wins. Then when a big player gets a three-year civils project, our guys jump ship because they see this as more secure work."

A closed shop

For some SMEs, securing work on the Sellafield site appears to be a closed shop.

The challenge of attempting to secure a contract, even short term, can appear daunting, in particular for those SMEs that have yet to secure work at the site and have no relationship with Sellafield Ltd.

These businesses - which span catering and cleaning to professional services - find themselves pitted against bigger players who often have a strong existing national relationship with the contract-awarding Tier 2 'Big Fish'.

This can give the 'Big Fish' procurement efficiencies and economies of scale, but in most cases has very little local economic impact as the products or services being provided are delivered mainly out of the county.

For the local SME trying to secure work, the door is closed and they do not have the time or resources to attempt to "break in" despite the long-term security a Sellafield related contract could offer.

The SME will inevitably turn their attention to other, more achievable and immediate opportunities elsewhere and focus away from winning work at Sellafield.

A potential opportunity to deliver a contract with greater local impact and often to a higher quality, due to the local focus regional SMEs can offer, is lost.

Having seen previous contracts awarded to bigger, typically big city-based, competitors outside of the county, many see a closed sign and turn away.

Local SME

"Securing work with Sellafield would help to bring a stable, year-round income for our business. But our experience is that it is a closed shop and that if you don't know anyone there you have no chance of being heard. I find it strange. We have a significant contract with BAE Systems in Barrow. They are extremely happy with the service we're providing."



Flipping the coin

It is clear that all tiers - Sellafield Ltd, Tier 2s and Tier 3 SMEs - need to work more openly and collaboratively to achieve our mutual goals for local growth, prosperity and social impact.

To achieve these shared ambitions there needs to be acknowledgement that fault does not lie solely with the 'Big Fish'. In some cases, SMEs can be the architect of their own demise.

While working on SWTBF, we have been told on several occasions, "we've been here before many times, but nothing ever happens".

For SMEs and supply chain companies this lack of progress has been down to the 'Big Fish'. These issues have nothing to do with them - they are not the ones who need to change.

SMEs and the local supply chain can sometimes be guilty of taking a laid-back approach to bidding. In some respects this is driven by habit - a perception that things are done in the same way they have always been done and therefore there is no reason, motivation or desire for change (this can equally be true on both sides of the coin).

There is an engrained belief that price is the only driver when it comes to submitting bids.

For most, coming in cheapest will win over all other assessment criteria and therefore cost becomes their only focus - and at the expense of giving proper attention to other detailed bidding requirements.

And the scale and timings of spend on frameworks can often mean that this lack of focus is never properly addressed. The ongoing pipeline of work at Sellafield at every tier means new opportunities come along regularly, so many deem improving bid quality unnecessary.

Flipping the coin (cont'd)

To further scupper chances of success, some SMEs do not acknowledge the clear requirements of a tender.

For example, a business with a 50-strong site team will bid for work that clearly requires a larger workforce.

While the SME's attitude is to recruit the additional bodies if successful, it is unclear to Sellafeld Ltd and Tier 2s that, based on the limited information submitted, they are able to fulfil the contract.

It is understandable in these cases that the work is awarded to a larger player. This lack of quality in SME submissions is a common point raised by Sellafeld Ltd and T2s when stating SMEs and local supply chain companies do not have the capability, capacity or even the inclination to bid.

This chasm between the attitudes and expectations of both the 'Big Fish' and 'Little Fish' creates a vicious cycle that needs to be broken and trust from both sides, strengthened.

However, it must also be acknowledged that bid enquiries are often released after weeks, even months, of development, evolution and negotiation of criteria involving multiple experts and departments at Sellafeld Ltd and Tier 2s. This fine-tuning process often means that an SME lacks the dedicated resources and expertise to interpret complex information, models and procurement approaches – running the risk of misunderstanding and misinterpretation.

Often bid enquiries can include insurmountable hurdles in the form of significant liability and insurance provisions that are way beyond the financial and legal capacity of the SME.



How do we fix this?

When considering how we can break down the barriers SMEs are facing, there are two key questions to consider:

- What needs to change to achieve a new regime of meaningful SME engagement and collaboration to act as an enabler to social value generation in West Cumbria?
- What needs to happen to secure long term frameworks and enable delivery of the social value commitments?

The following section contains a number of practical solutions that we believe would be relatively simple to adopt with the full commitment of both 'Big Fish' and 'Little Fish'.

The aim is to stimulate debate, explore how our proposed solutions could be developed further, and identify any other solutions that could be implemented to help unleash the full potential of the 'Little Fish'.



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It is the responsibility of the broader ecosystem to empower the small business community to not only survive, but thrive.

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GoldmanSachs.com (10KSB UK)

A bold champion for SME engagement

We started the SWTBF journey by analysing EDF Energy's approach to SMEs at Hinkley Point C.

And we return to the model once again to recommend **the appointment of a dedicated, unbiased, SME Supply Chain Engagement Champion to help drive forwards progress.**

This individual would need to be trusted, experienced and independent, understand the challenges of all parties, and be able to broker practical solutions: an impartial enabler with a focus on the bigger picture.

They would have awareness of the long-term pipeline needs at Sellafield and engage meaningfully with the local SME supply chain to help it both "gear up" and "scale up" to meet those needs.

We believe this engagement should take the form of 1:1 discussions with SMEs, 'Big Fish' and framework/ project leads with the aim of prompt forward planning and the facilitation of alliance options prior to bids being released to the marketplace. Targeted supply chain engagement events should also be held to support this process.

The launch event for Hinkley Point C brought together the project's entire supply chain. They heard the project's mission and vision and were asked to give their absolute commitment to a "one team" approach crucial to its delivery and positive legacy – to build a supply chain of expertise that could push beyond its immediate geographical boundaries.

This emphasises the need for a focused and energetic champion. This role would require significant support, commitment and engagement from Sellafield Ltd and Tier 2s, to help SMEs and the supply chain to understand this fresh approach and encourage them to invest both the time and money in developing the solutions needed. Honesty and transparency of pipelines, along with specific drivers for change, would need to be clearly and simply articulated to the supply chain so they fully understand the opportunities arising and their role in delivering them.

The breaking down of delivery packages into "lots" would simplify things further and help support frameworks more efficiently and cost-effectively – bringing with it skills, expertise and innovative ideas while at the same time creating jobs and delivering real social impact on the ground.

A catalyst for increased SME engagement

Proactive and effective supply chain engagement really matters, in particular when it comes to SMEs. The feeling that Sellafield is a “closed shop” needs to be tackled once and for all.

Communication will be key.

Sellafield Ltd has actively tried to address the communication barriers between SMEs and ‘Big Fish’. It has staged ‘Meet the Buyer’ events and, more recently, Directors Forum events, providing SMEs with the opportunity to engage directly with Tier 2 companies on potential opportunities.

Our recommendation would be to flip this format and stage SME showcases, with active engagement by the ‘Big Fish’ to learn more about the SME community and get underneath the skin of the companies, their ambitions, their people and targets for job creation and social impact.

This would allow ‘Big Fish’ to identify the relevant SMEs to support their project and be more open to ideas on collaboration and innovative procurement options - while reinvigorating the SME community.

Measuring social impact

Social value has, rightly, continued to be high on the agenda for Sellafield Ltd and its framework partners.

The recently launched SiX programme and its investment in the £2.2m Transforming West Cumbria fund to help West Cumbria’s most vulnerable communities, provides clear direction when it comes to where the priorities lie.

And while this work is essential, there needs to be a recognition of broader measures when it comes to social impact.

Our Power 8 alone has pledged to create 300 new jobs, introduce a minimum 50% local supply chain spend, implement a 50% reliance cap and create a local resilience fund. All of these are social as well as economic impact measures.

There is a recognition in PPP of the importance of these and other measures via Critical Success Factors and these can be optimised to achieve enhanced impact.

A more comprehensive set of Key Performance Indicators (KPI) for long-term Sellafield frameworks need to go beyond simply measuring the percentage of SME spend. This will ensure greater value from the current SME spent target of 30% A more strategic approach needs to be adopted rather than the current approach of it simply being a target that has to be met - one way or another.

Innovation at risk

The solution to the issue of innovation at risk is simple and easy to achieve: a very quick win if embraced by the 'Big Fish'.

Establishing an Early Contractor Involvement (ECI) arrangement between the 'Big Fish' and SME for these bespoke and specialist projects, would solve this problem overnight.

Using an ECI contract would clearly and contractually set out that the SME will be protected and financially rewarded for the innovative products or solutions it develops and presents to the client.

And they have the security of knowing that should one or more be progressed, they will deliver the product or service they have created and, again, be paid for it.

The end result has much bigger consequences than providing the SME with the type of security that really should come naturally.

It will encourage further innovative thinking and development among SMEs and supply chain companies, safe in the knowledge that the often vital work they are doing has this strong level of protection.

By its nature, innovation is central to helping deliver projects on time and saving significant sums of money – two key drivers for Sellafeld Ltd.

Work at risk

Another simple solution can be found to solving this issue – better management of the procurement process.

'Big Fish' procurement teams need to have a greater focus on, and visibility of, project pipelines.

Doing so will ensure they can effectively plan when an SME is engaged, when agreements will be signed and when the work will actually start.

If there is a delay, then the SME can adjust their scaling-up and other work in preparation for the commencement of work, accordingly.

They have at least the opportunity to manage the risk.

There is also an educational piece for 'Big Fish' procurement teams.

Put simply, they need to understand the financial impact delays could have for an SME.

There is evidence to suggest that delays hit other 'Big Fish'. However, they have the balance sheets and resources to deal with it in a way that SMEs cannot.

Improving management systems and communication with SMEs and other suppliers could eradicate this challenge relatively quickly.

Tackling the "war" for talent

When it comes to workforce barriers, there are a number of solutions that could be considered.

On the issue of "money talks", there needs to be some sort of rationalisation when it comes to wages being paid for particular job pools – for example project managers.

Firstly, a capability assessment of skills matched with analysis and benchmarking of salaries by Sellafield Ltd versus national trends would help to create bandings for wages to be paid for particular job pools.

The ultimate aim would be to achieve a banding between £X and £Y for each job pool which is then adopted by Sellafield Ltd and the 'Big Fish'.

Such an exercise would go a significant way to levelling the playing field and overcoming the costly situation of wage inflation and bidding wars in areas of skills shortage. It would allow SMEs to at least go some way to competing with the 'Big Fish' without restricting what is a free jobs marketplace, and also allow all tiers to work collaboratively in planning for and addressing key skills shortages in practical and meaningful ways, achieving local benefit in the process.

Sellafield Ltd and 'Big Fish' framework partners would be responsible for policing then banding structure, preventing current instances of candidates being placed into positions well above their skill and experience level, to meet wage demands. Elsewhere, PPP has made a "significant reduction in the number of agency workers across all levels of the employer's supply chain" part of its Critical Success Factor focused on employment.

A bold step would be a wider commitment across all Sellafield frameworks to completely eradicate the use of agency workers and freelancers who are essentially "disguised employees" in advance of the full impact of IR35 changes coming into effect in April 2021. This change has the potential to increase wages locally still further as freelance and agency hourly paid resources demand high salary roles to 'compensate' for the loss of day rate and less onerous tax and national insurance regimes. This would clearly demonstrate ambition to bring some standardisation to wage levels and ensure those working on the framework are directly employed on a PAYE basis, at market rates and benefitting from all of the employee benefits that brings.

As part of this exercise to bring harmony to the jobs market place, a 'people pledge' and 'apprentice pledge' could also be adopted...

A 'people pledge'

There are numerous examples of anchor institutions and 'Big Fish' creating charters with both suppliers and unions when it comes to procurement for construction projects.

The charters outline commitments to achieve the highest possible standards when it comes to issues such as direct employment status, standard of work and implementation of appropriate nationally agreed terms and conditions of employment. We propose developing a charter that would commit the Power 8 companies – and any others that may join the group – to uphold standards in a number of key areas.

Our ambition would be for the 'Big Fish' to follow suit and sign up. The major commitments would be:

- All project teams will – wherever possible – be directly employed on a PAYE basis and use of intermediary pay roll company will be avoided at all times
- Undertake specific training and awareness workshops to ensure physical safety and good mental health support for all their people
- Ensure all projects will be completed to the highest standards of service, so as to meet the aspirations of their clients, ensuring team members have the appropriate level of skill to carry out their roles
- Commit to addressing skills shortages in their industries by providing appropriate apprenticeships, including adult training and upskilling
- A commitment between SMEs and 'Big Fish' to mutually respect local training investments and to end the practice of active and passive employee poaching.

An 'apprentice pledge'

A pledge that effectively "locks in" apprentices to see out their apprenticeship period with their respective supply chain employer. This would have a twofold impact, ensuring apprentice recruits were committed and focused on the training route chosen and also giving businesses confidence to invest significant time and cost to enable apprentice skill levels develop. The apprentice would be free to move on elsewhere should they wish on completion of their training, but would not be encouraged to 'job hop', believing it is standard practice to try numerous careers in a short period of time.

A glowing lightbulb with a warm yellow light emanating from the filament. The text 'FRESH THINKING' is written in white capital letters across the middle of the bulb. The background is dark, making the lightbulb stand out.

FRESH THINKING

A bright idea on young people...

A jointly developed regional employer and community led evaluation of professional and skilled resources in Cumbria, and the formulation of an agreed common approach to upskilling the Cumbrian workforce for the next 20 years could be a solution.

The pulling in of resources from out of region and overseas, along with the 'just in time' appointments and poaching strategies currently in operation, are ineffective in plugging the very real gaps currently in evidence at this early stage of the PPP framework. The widespread and highly publicised apprenticeship programmes will require a 5-10 year gestation period to realise their potential in filling skills gaps, so a more immediate and practical solution is required to take existing skills up to the next level and entrench a programme of regional capability enhancement. If the Clean Energy Hub consortium at Moorside is successful in their bid to government, this additional drain on the current limited Cumbrian resource pool will exacerbate the problem further - reducing project capability and performance, as resources continue to be promoted beyond their skill level. This in turn will lead to a reduction in companies willing to offer vital training and mentoring, and ultimately likely increased burnout and accidents as individuals who are ill equipped to tackle the very real challenges and pressures of their roles feel the impact of an expectation to perform beyond their capability level. Another 'lost generation' in the making...

The SME community should be seen alongside anchor and Tier 2 players, as a vital part of the solution to these very real and emerging problems.

Alliances and MOUs

Throughout Sellafield Ltd and many other anchor, publicly funded institutions nationally, there is much discussion on the formation of partnerships and joint ventures to include SMEs and social enterprises in the procurement process.

Elsewhere, major players have continued to create their own paths.

EDF Energy actively sought to build alliances to support the development of Hinkley Point C. Major player Skanska joined forces with four locally-based companies to form the Somerset Infrastructure Alliance. Elsewhere an alliance of catering providers combined to create 'Somerset Larder', while accommodation providers joined forces to create 'Host'.

This approach achieved EDF Energy's goals of delivering the project and increasing SME involvement.

There is significant potential for alliances that completely comprise of, or are dominated by, Cumbrian SMEs when it comes to some shared framework services at Sellafield, such as catering, cleaning and accommodation.

These alliances and co-operatives could provide the scale of a bigger player and compete on cost given the long-term contract on offer, if given the chance.

They will also deliver on the economic and social KPIs that we believe should be developed further.

In addition, a select number of SMEs could be made to compete for small packages of work, with the 'Big Fish' ensuring work is spread as evenly as possible throughout this contained bubble of framework partners.

By adopting public sector reforms, splitting major projects and packages of work into smaller lots or packages, would enable greater SME participation in the tender process.

Another approach could be the adoption of Memorandum of Understandings (MOUs) between 'Big Fish' and SMEs, identifying the SME as its "go to" contractor to deliver particular services.

Some of these MOUs are already starting to be developed between 'Big Fish' and SMEs.

It would simplify things for the 'Big Fish' and allow them to develop a long-term relationship with the SME.

It would give the SME confidence to grow and invest.

Most of all, it would keep the SME motivated and left feeling valued.

A code of ethics for the 'Big Fish'

Several proposed practical solutions have been suggested in this document in an attempt to break down the barriers SMEs are facing when it comes to securing work at Sellafield.

As highlighted throughout this document, if there is to be success there needs to be a substantial shift in the cultures of 'Little Fish' and 'Big Fish' alike.

The Power 8 identified in the original Swimming with the Big Fish report have already made a series of ambitious pledges when it comes to job creation and social impact. They have also pledged to change the way they behave and operate by making commitments to the solutions contained within this report.

With this in mind, **we recommend the creation of a collective code of ethics or similar style agreement that commits the 'Big Fish' to adhere to an agreed set of behaviours.**

Work is required on developing these – an exercise that would need to involve all tiers of this Collaborative Procurement in the Sellafield Supply Chain group. And there would also need to be an agreement on the “policing” of these behaviours, with tangible consequences should they not be followed.

Collective agreement between the 'Big Fish' on this will be critical to the success of this endeavour. There can be no risk that 'Big Fish' who do not adhere gain individual advantage at the expense of those who do. The shared ambition for change will not be realised.

Given the spirit of collaboration surrounding the approach being taken in delivering PPP, we would hope that a collective agreement between 'Big Fish' would be a logical step to take and a step that would be embraced.

Discussion

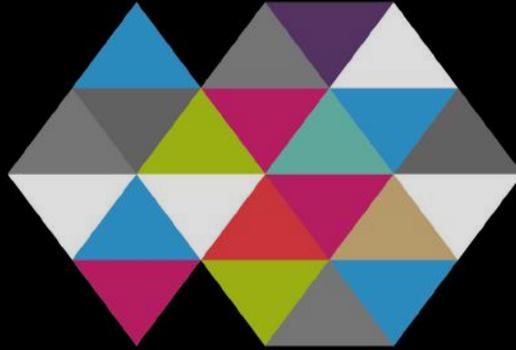
Are the proposed solutions acceptable and achievable?

Are there any other ideas to bring to the table?

What needs to be done to make them happen and who will progress?

How can we set the wheels in motion to help achieve this group's short-term aims of securing two framework contracts for SMEs by end Q2 2021?

What "quick win" opportunities are there to show progress and how can the other groups support?



Swimming

with the big fish

SCALING UP SME CHAMPIONS FOR LOCAL PROSPERITY