



Procuring the Smart City

A report-out from the 2018 Smart Cities
Procurement Think Tank

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Smart**Cities**Council® Liveability
Australia New Zealand Workability
Sustainability

About us



Smart Cities Council Australia New Zealand (SCCANZ) is part of the Smart Cities Council, the world's largest network of smart cities companies, practitioners and policy makers, embracing technology, data and intelligent design to accelerate liveability, workability and sustainability in our cities and towns.

Further information about the Smart Cities Council can be found [here](#).

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Why Procurement?

Today, it is expected that political leaders will look after the best interests of business and the community through competitive bidding processes that ensure they're getting the best value from investing public money.

As a result, governments have instituted procurement processes to ensure those demands are met, and that there is oversight and accountability at every step of the process.

However, there are smarter approaches available today that can streamline government procurement without side-stepping transparency and diligent stewardship of public funds.

To advance dialogue on this opportunity, Smart Cities Council Australia New Zealand convened a Smart Cities Procurement Think Tank.

This report contains the outcomes of that convening.

Challenges to procurement of smart cities solutions

The Think Tank commenced with a discussion on existing challenges, so we could define some of the key issues that would need to be overcome.

It was agreed that procurement practices work best on single transactions, and smart cities projects are much more complex.

Smart cities projects seek to achieve diverse outcomes (efficiency, safety, attractiveness to business, liveability for residents etc), involving multiple business units, with complex and long term delivery timelines. There were six (6) categories identified of specific challenges, including:

1. RULES

- Local Government legislation clauses related to procurement are written for a mature market - procuring a waste services provider, or landscaping contractor - not new-to-market technologies that require a more iterative approach.
- Legislation is written for councils by the state, and it is prescriptive but interpretable. There are different interpretations of the procurement guidelines by each council, and differences between States.
- The procurement guidelines of each council are lengthy and detailed (e.g. 142 pages long for one council). There is a disincentive to challenge the status quo or seek to do something new or iterative.
- There is often limited agreement on standards and interoperability, thus creating uncertainty, and therefore risk.

2. BUDGET

- Smart cities initiatives rarely have a logical budget owner, often cutting across multiple departments.
- Strategic priorities are set well in advance e.g. through 5 year strategic plans, which informs annual budget setting.
- Annual budget setting limits review of solutions presented mid-budget cycle that may provide a broader benefit. Where start-ups are involved, waiting until the next budget cycle is prohibitive.
- Budgets are universally tight - allocated to existing city services, that are difficult to wind back or reduce.
- Procurement thresholds discourage bold projects, and can encourage projects to be split into bespoke, small scale tenders, often fragmenting outcomes.
- Smart cities projects are often ongoing, but budget practices discourage commitments beyond election cycles.
- Significant time lag between contracts being awarded and projects commencing (creating barriers for small businesses and start-ups to tender).

3. RISK

- Risk aversion and concern about ICAC-type issues dissuades new approaches or subjective interpretation of procurement rules.
- Offers of free services or pilot projects (which the supply-side often rely on to improve products and offerings) are not immune to procurement rules.
- New technology solutions do not have sufficient evidence of successful rollout or outcomes, and thus favourable (traditional) business cases.
- Security and privacy concerns with smart cities solutions, and the lack of standard protocols to support security and privacy, are hurdles to procurement of new solutions.

4. EVALUATION

- “Value for money” / ROI requirements often lead procurement decisions, but don’t consider broader social benefits from smart cities.
- Contracting is often shaped by the lead party on a tender, who is not often incentivised to include new-to-market technology.
- Adoption of new solutions is ad-hoc or limited in Councils without an overarching smart cities strategy.
- Federal funding guidelines can drive criteria/timing/evaluation of suppliers, undermining overarching smart cities objectives.

5. COLLABORATION

- Disincentive / Disinclined to collaborate (particularly with neighbouring Councils) as long as councils want to be seen to lead on initiatives.
- The ecosystem is not leveraged to provide collaborative responses from suppliers: to avoid vendor lock-in, tenders are often split; and possible collaborators become competitors.
- Aggregation of demand by multiple councils is time-consuming and rarely facilitated by an intermediary (e.g. State govt or a ROC).
- Lack of processes to run multiple tenders for similar services across local councils drains significant resources and reduces widespread procurement of smart cities solutions.
- Lack of forums to share best practice and learnings amongst Councils delays replication and scaling of successful solutions.
- Co-design of criteria and project specifications with suppliers is more time-consuming than transactional procurement.

6. CULTURE/POLITICS

- Cultural norms within Council are not configured for moving quickly, trialing new ideas, or increasing risk.
- Appetite for technology initiatives is fickle and quickly abandoned if it delivers limited short term benefits.
- Achieving Councillor support for significant expenditure (contracts over \$150,000) can be difficult and/or time-consuming.
- Strong mayoral advocacy and a clear council road map is usually required for adoption of smart cities solutions.
- Departments within local government organisations are set up in silos with limited cultural, political or financial incentive to support projects with shared value.

Ways to improve procurement practices for smart cities

Following the articulation of challenges, participants in the Think Tank discussed a range of ways in which procurement practices could be more supporting of investment in smart cities solutions. The top issues included:

- Utilise current Federal funding (Smart Cities and Suburbs program) to improve/share best practices.
- Identify ways/occasions to aggregate procurement.
- Create broader procurement categories (e.g. that don't reinforce department silos).
- Advocate for, specify and embrace standards.
- Undertaken early engagement with suppliers.
- Align state and local procurement practices.
- Use language around "horizontal" technologies to ensure smart cities are not considered as a narrow subset of council priorities
- Develop a supply-side voluntary code of conduct to encourage a partnership approach to sales (from sales-focused to increase understanding the procurers perspective; share evidence and use cases).
- Suppliers could incorporate Task Appreciation methods .
- Develop consistent ways to vet and assure start-up's supplying into local government.
- Align regulation, legislation and policy across tiers of government.

Ways to improve smart cities outcomes without changing procurement practices

A more detailed discussion was then advanced by the group as they sought to identify opportunities to improve conditions for smart cities procurement, but without significant structural change. Some of the ideas identified included:

- Educate local government decision-makers on why smart cities matters.
- Remove/reduce silos within government organisations.
- Use Yes/No questions in procurement processes (does this tender do? YES/NO).
- Use pilots, but beware of “free” pilots.
- Use learnings from pilots to inform strategic priorities.
- Involve procurement team early and build relationships.
- Share best practices on pitfalls and tips for successful tenders, including the ideal organisational structure for smart cities projects.
- Develop an “Idiots Guide to Local Government Procurement” for suppliers and purchasers.
- Education around organisational structure for smart Cities.
- Opt for collaborative projects between council and universities, with the university responsible for procurement of any services.

Action plan

And finally, we finished the Think Tank with a summary of potential priority actions, as identified from each of the participants. The following was noted as part of this process:

1. Prepare a Smart Cities Procurement White Paper to further build awareness and engage.
2. Define the smart cities clearly for procurement stakeholders, to allow greater consistency in approach and scope.
3. Review contract models based on different outcome areas/verticals.
4. Ensure Interoperability standards are embedded within request for tenders/contracts.
5. Create a series of best practice procurement models based on core horizontal technology enablers.
6. Include procurement guidance in smart cities strategies.
7. Engage early with the procurement team and vendors in the creation of briefing documents/project scoping.
8. Encourage more cross-divisional team tendering.
9. Work with the Smart Cities and Suburbs team to refine their funding deed/requirements to embed key opportunities for procurement innovation in future rounds.
10. Ensure greater awareness and adoption of smart cities standards in the procurement process.
11. Prepare an Idiots Guide to local government procurement (for both suppliers and demand side).
12. Build more structure and awareness about assuring start-ups in the procurement process.
13. Provide greater education around best practices for structuring your Council for smart cities action and investment.
14. Align three tiers of government around smart cities procurement – policy created, funding requirements etc.
15. Plan a best practice procurement session at Smart Cities Week Australia in October.
16. Provide guidance to cities on how they can partner with third parties (ie. universities) to enhance smart cities procurement opportunities and experience.

Where to from here?

As Australia's peak body for smart cities action, the outcomes of this Think Tank will be used to inform a range of initiatives, including:

1. The work of the SCCANZ Policy and Leadership Task Force, which will take a lead on reviewing and actioning the items listed within this Action Plan on the previous page.
2. Identifying and forming new partnerships with aligned organisations who can support this important agenda.
3. Advancing SCCANZ's ongoing investigation of using the Australian Government's City Deals program as a vehicle for procurement refinement and reform.
4. The creation of resources, such as Guidance Notes, training programs, handbooks and case studies.

SCCANZ is continually identifying ways to improve its practices, and continually seeks feedback to help shape its actions. We invite anyone interested in smart cities procurement to contact us to discuss opportunities to accelerate this agenda.

CONTACT US

Adam Beck
Executive Director
+61 (0) 422 496 043
adam.beck@anz.smartcitiescouncil.com
www.smartcitiescouncil.com
[@smartcitiesanz](https://twitter.com/smartcitiesanz)

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