
Report to Council

Date of Meeting: 12 August 2010

Subject: Membership of Scotland Excel

Report by: Director of Finance and Corporate Services

1.0 Purpose

- 1.1. The purpose of this paper is to provide the Council with the benefits and potential savings available from joining Scotland Excel in order that the Council can consider a view on participation.

2.0 Recommendations

- 2.1. The Council is recommended
- To join Scotland Excel in 2010/11.
 - To allocate an annual budget of £46,317.
 - To appoint one councillor to be our representative on the Scotland Excel Joint Committee. Scotland Excel operate on the basis of a joint committee, each member authority are entitled to appoint one of the councillors to be our representative

3.0 Considerations

- 3.1. The Review of Public Procurement in Scotland undertaken by McLelland recommended the establishment of Procurement Centres of Expertise, across the public sector. The Scottish Government Procurement Directorate undertakes the role of National Centre of Expertise. In April 2008, Scotland Excel was formally launched as the Local Government Procurement Centre of Expertise.
- 3.2. Scotland Excel plays a central role in taking forward the Scottish Government's Public Procurement Reform Programme. The objectives of the programme are to:
- Facilitate public bodies in improving their procurement capabilities in order to support delivery of better public services;

- Increase the cost-effectiveness of procurement, thereby releasing cash for use in other priority areas;
- Establish and embed appropriate procurement policy and best practice in order to ensure fair and efficient procurement practices and reduce commercial risk;
- Facilitate cross sector collaboration to avoid duplication of effort, maximise potential gains from collaboration, enable the sharing of experience and information and to ensure that common suppliers and markets are managed effectively; and
- Encourage suppliers to build effective and mutually beneficial relationships with the Scottish Public Sector.

3.3. Since its inception in April 2008, 31 Local Authorities have become members of Scotland Excel. Clackmannanshire Council are the only Council who have not yet joined. Stirling Council and Falkirk Council, who were members of the existing collaborative procurement with the Council, have recently joined.

3.4. PARTICIPATION CONSIDERATIONS

3.5. There are a number of both financial and non-financial factors to be considered in relation to participation, including:

- **Financial savings and costs.**
- **Contract portfolio.**
- **Performance and capability.**
- **Procurement capacity.**
- **Economic impacts.**
- **Joint Buying Arrangement (JBA).**

3.6. Financial Savings and Costs

3.7. The cost of participating in Scotland Excel is £46,317 in 2010/2011, which is based on the original business case figures at the inception of Scotland Excel. This fee has been confirmed, if participation takes place in 2010/11. However, if participation does not take place this coming year, Scotland Excel have indicated that there is no guarantee the fee will remain fixed in future years.

3.8. In terms of financial savings, it is recognised that the achievement of procurement savings by participating in Scotland Excel are dependant upon:

- The termination dates of existing Council contracts and
- The scope of Excel's contract portfolio

3.9. The opportunity has now been taken to update the cost/benefit appraisal for Clackmannanshire Council, taking into account:

- The current and proposed Scotland Excel contract plan;
- The potential opportunity for cashable savings and
- Our current contract portfolio and termination dates.

The analysis shows that total potential savings of £448,034 for Clackmannanshire Council over the next 5 years may be realised from participation as follows:-

	2010/11	2011/12	2012/13	2013/14	2014/15
Number of Contracts being utilised in Contract Portfolio	14	20	29	29	29
Annual Saving	£44,019	£134,291	£167,103	£167,103	£167,103
Annual Cost	£46,317	£46,317	£46,317	£46,317	£46,317
Net Annual Savings	(£2,298)	£87,974	£120,786	£120,786	£120,786
Cumulative Annual Saving	(£2,298)	£85,676	£206,462	£327,248	£448,034

**Average Net Saving
over five years**

£89,607

3.10. Taking into account the cost of participation during 2010/11 there is a financial deficit in participating of £2,298. This recognises that existing contracts cannot be terminated immediately and only part year savings can be realised in Year 1. However, savings are expected to increase in 2011/12, as more contracts are used or come to the end of the contract period. This leads to net savings of £120,786 in 2012/13 and going forward.

3.11. Over the first three years, the savings are achieved in the following key areas:-

Categories of Spend	2010/11	2011/12	2012/13
Transport	£15,439	£40,043	£40,043
Catering	£2,892	£42,319	£42,319
Building and Material	£13,827	£27,512	£58,401
Educational	£3,070	£15,625	£15,625
Miscellaneous	£8,791	£8,792	£10,715
Annual Saving	£44,019	£134,291	£167,103

3.12. In addition, there are further opportunities for additional savings which have not yet been quantified, as the contracts portfolio held by Scotland Excel increases. In the next 12 to 15 months, Scotland Excel anticipates including contracts for construction and care within its portfolio, which are two of the largest areas of procurement for the Council which are approximately £12m and £9m respectively.

3.13. Contract Portfolio

3.14. Council will recall from previous reports, that the Review of Public Procurement in Scotland identified 4 tiers/categories of procurement expenditure:

- **Category A contracts** – National Public sector contracts, issued and managed by Scottish Procurement Directorate. Covers areas such as Utilities; Office Supplies; Postages and IT hardware.
- **Category B contracts** – Public sector specific contracts, issued and managed by respective Centres of Expertise i.e.: Scotland Excel for Local Government sector
- **Category C & C1 contracts** – Specific sectoral and local contracts, issued and managed by individual public bodies or regional collaborations.

3.15. As at March 2010, Scotland Excel has established 39 different category "B" contracts, with a further 13 planned for 2010 covering a collective Scottish spend of over £128 million per annum. Contract areas include vehicle purchase and hire; catering supplies; building supplies and educational materials and equipment.

3.16. As mentioned above, the Scotland Excel contract portfolio is planned to expand in the forth-coming and future financial years. In particular, scoping and analysis is currently underway in relation to potential contracting opportunities within the social care sector, particularly in relation to specialist service provision and construction.

3.17. Performance and Capability

3.18. As outlined in paragraph 3.2 above, a key role of Scotland Excel is to improve procurement capability and performance across Local Government. As such, Scotland Excel is also delivering learning and development services to participating Local Authorities.

3.19. In addition, Excel is also leading on the Local Government Procurement Improvement Programme, as part of the Procurement Capability Assessment (PCA) process introduced in 2009. The PCA process is a tool for assessment of procurement process maturity across the public sector. It is designed to

identify areas of improvement to help public bodies move towards John McClelland's vision of "advanced and superior" procurement performance.

- 3.20. An action plan for improvement is being developed and the key areas highlighted in the PCA are as follows:-
- Stakeholder Management
 - Benefits tracking
 - Sustainability
 - Supplier and Contract Management
 - Governance
- 3.21. The Council underwent a PCA in January 2010. The indicators highlight that the Council's score is 18% and the Scottish average is 22.6%. The process has however identified areas of common improvement across all Local Authorities and as such Scotland Excel has established a series of work-streams designed to develop best practice in these areas, which can then be shared across the local government sector.
- 3.22. It is essential that the Council keeps pace with the improvement agenda, as the PCA will form a key element of forthcoming Best Value 2 audits. As noted above, Scotland Excel are funding and staffing a series of work streams designed to provide participating Council's with the tools, information and guidance to improve their procurement capability. If Clackmannanshire Council do not join we will not be able to access this resource and will need to consider how to resource effectively our own improvement plans. Improvement in practice and procedures developed nationally by Scotland Excel will also develop consistent and standard processes and procedures across Local Government.
- 3.23. Procurement Capacity**
- 3.24. Council will be aware that the Council's Procurement Strategy set out a vision for achieving "superior performance", as set out in the McClelland report. It is clear from the initial PCA assessments that whilst progress is being made, there is a need to increase the Council's procurement capacity, through a combination of collaboration and sharing expertise, together with additional dedicated professional procurement resources.
- 3.25. It is important to note that the utilisation of national contracts either through Procurement Scotland or Scotland Excel would enable current procurement staff to focus more effectively with the local supply base. Through the development of contracting strategies and regional collaboration on this type of expenditure, there is potential to realise further savings beyond those estimated through Scotland Excel.
- 3.26. Feedback from participating Councils also highlighted that the regionally based staff of Scotland Excel provided significant support and assistance to their own staff. In particular, they provided added value in relation to management information and contract management.

3.27. Economic Impacts

- 3.28. Approximately 20% of procurement spend is with local companies, which equates to approximately £14m based on 2008/09 expenditure. The proportion of local spend has remained relatively constant over the last few years, with the vast majority of expenditure relating to construction and care. This expenditure is mainly classified as Category C and would continue to be managed by the Council, should participation with Scotland Excel be considered.
- 3.29. One of the key themes of the procurement reform agenda is to help lessen the burden on SME's in participating in Scottish public sector contracts. Scotland Excel has established a series of supplier engagement programmes designed to help and facilitate SME and local businesses participate in their contracts.
- 3.30. A significant proportion of Scotland Excel contracts are also either based on framework agreements and regional lots i.e.: structured to increase spread of provision and encourage regional participation without requiring full national coverage. Feedback indicates that no negative local impacts have been experienced. However, the need to engage with local businesses to address their potential fears and provide them with the confidence and knowledge to engage in the process is essential. This is already and will continue to be facilitated through training sessions, Procurement Workshops and Meet the Buyer events in conjunction with the Clackmannanshire Business Forum.

3.31. Joint Buying Arrangement (JBA)

- 3.32. The Success of our Joint Buying Arrangement with Falkirk and Stirling Councils has proved successful since inception and has provided a sound platform for procurement improvement, collaboration and delivery of efficiency benefits for the partners.
- 3.33. The other Local Authority members of the JBA (Stirling and Falkirk) have undertaken similar analysis on the participation in Scotland Excel . Both have taken the decision to join this year.
- 3.34. These decisions will have a significant effect in the next year or two as there would be no JBA contracts that would be considered category "B" (the Scotland Excel category) and our previous position having three partners collaborating will not have the same leverage without Falkirk and Stirling Councils participation. Consequently the benefits of joining Scotland Excel will be greater.
- 3.35. It is anticipated that the JBA would continue to fulfil the role of contracting for the C1 contracts which are regional collaborations.

3.36. Options

- 3.37. There are two options available to Clackmannanshire Council in relation to Scotland Excel participation as follows and a more detailed appraisal is attached in Appendix A:

- Commit fully in 2010/11,

- Do not commit to participate at all.

4.0 Sustainability Implications

- 4.1. Consolidation and aggregation of contracts could potentially affect the ability of local companies/employers to win business. The Council is committed to a sustainable approach in all its activities. Wherever possible we endeavour to locally source materials to reduce transport impacts and support local employment.
- 4.2. One of the key benefits of increasing procurement capacity, will assist in the delivery of wider community benefits, such as employment and training benefits and local SME support and assistance.

5.0 Resource Implications

5.1. *Financial Details*

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing*

- 5.5. For any procurement exercise to succeed it is important that key stakeholders from across the council are involved in developing the strategy for the commodity to be procured. This will help ensure that the resulting contract meets the end-users' requirements and, as a result, should lead to greater levels of contract compliance.

6.0 Exempt Reports

- 6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities 2008 - 2011** (Please double click on the check box)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer

- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) Council Policies (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
 Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)
 Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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Appendix A

Options Appraisal

Options Available	Pro	Cons
Commit fully in 2010/11	<ul style="list-style-type: none"> • Quantifiable savings of £44,019 rising to £167,103 in 2012/13 • Access to increasing contracts portfolio potentially resulting in addition savings in the two significant areas of expenditure in care and construction • Access to additional procurement expertise and good practice, thereby reducing commercial risk. • Increased access to procurement capacity resulting in delivery of wider community benefits 	<ul style="list-style-type: none"> • Potential to receive a more generic and less specific and client defined contract.
Do not commit to participate at all	<ul style="list-style-type: none"> • No requirement to pay annual subscription of £46,317. 	<ul style="list-style-type: none"> • Very reduced access to immediate and future procurement savings, • Very reduced access to portfolio contract managers and expertise, • Very reduced access to good practice and operational improvements, • Continually increasing demands on officers in setting up pre contract and framework arrangements

