

Notice of Meeting and Agenda Scotland Excel Chief Executive Officers Management Group

Date	Time	Venue
Monday, 07 November 2016	14:30	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

KENNETH GRAHAM
Clerk

Membership

Annemarie O'Donnell (City of Glasgow Council): Joyce White (West Dunbartonshire Council):
Cleland Sneddon (Argyll & Bute Council): Angela Scott (Aberdeen City Council): Mary Pitcaithly
(Falkirk Council)

Sandra Black (Renfrewshire Council) - Chair

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at www.renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx

For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

Video Conferencing

Should any member wish to participate using video conference, please contact Lesley Jones on 0141 618 7444.

Items of business

Apologies

Apologies from members.

- 1 Presentation: Collaborative Procurement Landscape**
- 2 Small Value Contracts Team** **5 - 10**
Report by Director of Scotland Excel.
- 3 Shared Services**
 - 3(a) Procurement of Social Care Services Proposal** **11 - 16**
Report by Director of Scotland Excel.
 - 3(b) Affordable Housing Procurment Proposal** **17 - 22**
Report by Director of Scotland Excel.
 - 3(c) SEEMiS Proposal** **23 - 30**
Report by Head of Strategic Procurement, Scotland Excel.
 - 3(d) Crown Commercial Services Proposal** **31 - 36**
Report by Head of Strategic Procurement, Scotland Excel.
- 4 Care Update**
Verbal report by Andrew Richmond.
- 5 Associate Membership Strategy** **37 - 60**
Report by Director of Scotland Excel.
- 6 Sustainable Procurement Strategy** **61 - 74**
Report by Director of Scotland Excel.

7 Any Other Business

8 Date of Next Meeting

Note that the next meeting of the Chief Executive Officers Management Group will be held at 10.00 am on 20 February 2017 in Scotland Excel Meeting Room 1, Renfrewshire House.



Scotland Excel

To: Chief Executive Officers Management Group

On: 7th November 2016

Report by Director Scotland Excel

Update on the development of a small value procurement service

1. Introduction

This report provides an update on the previously presented proposal regarding the value that Scotland Excel can deliver to its members through the introduction of a *small value procurement service*. The proposal, if approved, would be implemented in fiscal 2017/18 and run for four years (the life of the proposed contract).

2. Background

At its Joint Committee on June 2016, members called for further investment in and wider recognition of the value of Scotland Excel. Whilst this is welcomed by the organisation, it is also vital to operate an efficient organisation that continually seeks ways to deliver further customer value.

Previously, as part of a review of funding operations in 2015, Scotland Excel considered the use of procurement rebates as a possible funding mechanism. After discussion with stakeholders, it was felt that **existing** rebates currently received by members should be left untouched. Subsequent to this agreement, Scotland Excel has recently implemented a framework for groceries with a **new** rebate attached, and this proposal seeks to utilise this new rebate, not currently utilised by members, to fund a new service based around low value procurement opportunities.

The initial proposal sought to return cash to members to provide a degree of requisition mitigation. However, extensive consultation resulted in a request for a value proposition rather than a cash return.

In terms of Scotland Excel's requisition for 2016/17, it is proposed that this will remain static.

As previously discussed, Scotland Excel has selected this contract for a number of reasons including timing, stability, predictability and availability of data. Appendix 1 shows the indicative source of rebates by council based on historical spend patterns.

3. Operating Model

Subject to approval, it is anticipated that the delivery team will mobilise from April 2017, and be active for the period of the relevant framework agreement of 4 years.

The contracts to be included in the delivery plan will be subject to agreement with local authority procurement teams and service users, and participation levels will drive contract inclusion. Given that contract delivery and mobilisation is likely to follow within 3 – 4 months of the team formation, it is likely that the detailed delivery schedule will be developed in the period January to March 2017.

Initial analysis based on various cumulative spend ranges would suggest that there are a number of contract areas that would be suitable for inclusion, a summary of which can be found in table 1.

Spend Range (£000k)	No. of contracts	Estimated value (£000k)
500 – 1000	x5	4,200
1000 - 1500	x3	3,400
1500 - 2000	x3	5,200

Table 1 : Contract range example

4. Benefits Assessment

Scotland Excel believe there are a number of benefits to members should this proposal be approved. The benefits are across three areas; cost avoidance, resources and contractual savings.

Cost Avoidance

The benefits of collaborative procurement are well rehearsed. Scottish Government estimate that each public procurement exercise costs on average £12k to complete. Using the example provided in table 1, this would represent cost avoidance as follows in year 1:-

Average no. of councils participating in the sample contracts areas: 26

Assuming that there is some collaborative activity currently in place, then assume that there are on average 5 procurement exercises taking place, per contract area (of which there are 11), per annum.

Cost avoidance: $5 \times 11 \times £12k = £660k$

Resources

Procurement teams across members, although currently under significant resource pressure, continue to deliver significant value. Recruitment of resources also continues to be a challenge. This proposal will help alleviate these challenges to a degree. Additionally it would be Scotland Excels intention to look to use this new area to develop staff and potentially afford an opportunity for a new modern apprenticeship and therefore encourage new talent into the procurement community.

Savings

Scotland Excel anticipates that based on a collaborative and more focused approach to these procurement exercises that financial savings should be sought. Savings delivered to date, excluding social care contracts, have averaged 5.5%. On this basis, again based on the examples in table 1, the forecast savings based on spend of £12.8m would be £704k, which is in line with the Scotland excel forecast return of c.£5 for every £1 invested.

5. Recommendations

The CEOMG is requested to note the contents of this report and support the presentation of the proposal to the December meeting of the Scotland Excel Joint Committee.

Appendix 1 : Rebate as a percentage of Requisition

STANDARD REBATE			
Council	Requisition	Rebate Value	Rebate %age
Aberdeen City Council	£140,607	£6,638	4.7%
Aberdeenshire Council	£156,621	£11,968	7.6%
Angus Council	£82,591		
Argyll & Bute Council	£67,842	£3,580	5.3%
City of Edinburgh Council	£276,829	£5,889	2.1%
Clackmannanshire Council	£48,605	£1,370	2.8%
Comhairle nan Eilean Siar	£36,111	£1,348	3.7%
Dumfries & Galloway Council	£100,395	£3,806	3.8%
Dundee City Council	£99,296		
East Ayrshire Council	£85,835	£3,304	3.8%
East Dunbartonshire Council	£77,160	£3,383	4.4%
East Lothian Council	£74,806	£2,146	2.9%
East Renfrewshire Council	£69,647	£2,472	3.6%
Falkirk Council	£103,989	£5,239	5.0%
Fife Council	£213,737		
Glasgow City	£333,882		
Highland Council	£143,652	£8,800	6.1%
Inverclyde Council	£63,793	£2,966	4.6%
Midlothian Council	£66,090	£2,524	3.8%
North Ayrshire Council	£93,410	£4,709	5.0%
North Lanarkshire Council	£198,471	£12,687	6.4%
Orkney Islands	£33,061		
Perth & Kinross Council	£99,076	£264	0.3%
Renfrewshire Council	£112,758	£5,795	5.1%
Scottish Borders Council	£81,351	£4,371	5.4%
Shetland Islands	£33,914		
South Ayrshire Council	£80,817	£2,200	2.7%
South Lanarkshire Council	£186,501	£10,745	5.8%
Stirling Council	£69,522		
The Moray Council	£71,138	£2,596	3.6%
West Dunbartonshire Council	£68,763	£3,468	5.0%
West Lothian Council	£113,930	£8,190	7.2%
Tayside Contracts	£0	£14,792	5.3%
	£3,484,200	£135,253	4.5%



Proposal

Procurement of Social Care Services

Prepared by:

Julie Welsh, Director, Scotland Excel

Prepared for:

Ainslie McLaughlin, Director of Procurement and Commercial,
Scottish Government

30 September 2016

Purpose

This paper sets out the business case for interim financial investment to expand Scotland Excel's social care procurement shared service. Funding of £350k over the next two years would allow Scotland Excel to deliver an ambitious work programme that will ensure procurement plays its part in supporting the Scottish Government's flagship reform of health and social care.

Background

Social care reform is becoming increasingly urgent, particularly with the demographic challenges that the nation faces from its rapidly ageing population.

"The growing number of people with complex health and social care needs, particularly frail older people, together with continuing tight finances, means that current models of care are unsustainable".

Audit Scotland¹

Scotland Excel has a proven track record of working with councils to deliver collaborative social care procurement frameworks which increase fee transparency, reduce duplication, provide enhanced monitoring of care providers, and support the delivery of social care and workforce policy outcomes.

Strategic context

Securing the value and financial sustainability of health and care services is embedded within in the Scottish Government's *2020 Vision for Health and Social Care*². This proposal has been developed to respond to the current financial environment and rapidly changing legislative and policy landscape:

- The integration of health and social care is one of Scotland's most important programmes of reform since devolution of powers from Westminster. Robust market facilitation and procurement strategies establish the foundations for successful strategic commissioning plans which make the best use of resources.
- Statutory guidance to the Procurement Reform (Scotland) Act offers greater procurement flexibility while increasing the focus on the principles of equity, fairness and transparency. However, many procurement staff remain unfamiliar with the flexibility and obligations required by this new statutory guidance.

The need for investment

An opportunity exists to extend the benefits of collaborative procurement to two further key areas of social care expenditure. Further benefits can be secured through the development of tools which support social care placements and by enhancing the knowledge and efficiency of practitioners responsible for social care procurement.

¹ [Audit Scotland Changing Models of Health and Social Care published March 2016](#)

² [2020 Vision for Health and Social Care](#)

Scotland Excel has identified two areas of significant public sector expenditure that would benefit from a collaborative approach to developing and implementing procurement strategies:

- **Adult supported living** – An estimated c. £450 million per annum is spent on adult supported living. Preliminary research indicates that a relatively small number of providers dominate this market, with very limited visibility of how fees compare between individuals, providers and localities. A national framework could increase transparency on fees and outcomes delivered for service users.
- **Care at home** – An estimated c. £400 million per annum is spent on care at home services. A deeper insight into this market is required to explore the sustainability of current fee levels and the opportunity to standardise costs, support outcomes-based service delivery, and provide a centralised resource for monitoring the financial sustainability and workforce practices of providers.

While national frameworks increase efficiency by eliminating the need for local contracts, the process of contacting providers to find the right placement can be onerous. The efficiency and effectiveness of this process could be improved through funding the development of a **national vacancy tool** which supports real time information on placement vacancies across the independent and third sector.

The effectiveness of social care commissioning could also be enhanced through the consistent dissemination of procurement knowledge and best practice. Additional investment would allow Scotland Excel to respond to identified skill gaps by establishing a new **commissioning academy** to deliver learning programmes including:

- **Health and Social Care Integration** - Procurement can play a clear role in the overall success of strategic commissioning plans. Scotland Excel would research and establish a range of practical tools and templates for use by local partnerships.
- **Procurement of Care and Support Guidance** – Scotland Excel would develop a learning programme for contracts, commissioning and procurement staff to ensure knowledge of the new Scottish Government guidance is embedded across local authorities and related partners.
- **Self-directed Support** – Many procurement staff remain unaware of their potential role in relation to self-directed support. Scotland Excel would deliver a learning programme to help practitioners create a flexible and creative procurement environment which helps individuals to meet their personal outcomes.

To pursue all of the above opportunities, Scotland Excel would need to increase the size of its social care procurement team. As there is no scope for this within the organisation's current funding model, additional investment must be secured.

Benefits assessment

While further work is required to quantify benefits, based on our previous experience of similar projects, we believe that investing in the proposed programme has the potential to deliver the following benefits:

- An opportunity to make costs savings against the c. £850m expenditure on adult supported living and care at home services which can be used to reduce budgets or invest in better services and workforce improvements.
- Potential efficiency savings of c. £768k from the development of a single national framework in place of 32 local authority agreements³.
- A national vacancy tool will improve the efficiency of practitioners by significantly reducing time spent finding the right placement for individual service user needs.
- Creating transparency and consistency within the social care market through national procurement frameworks paves the way for commissioning strategies which deliver innovation and service improvements.
- Centralised monitoring of social care provider financial stability can support continuity of care for vulnerable service users through early intervention
- A collaborative approach can help to standardise terms and conditions for social care employees and support positive workforce practices such as payment of the Living Wage and avoidance of zero hours contracts.
- A national commissioning academy provides a trusted resource that enables practitioners to keep up-to-date with best practice, policy and legislation in a changing landscape.

Return on investment

Potential **efficiency saving of c. £768k** would provide an immediate return on an **investment of £350k** during the lifetime of the project. Following completion of the two national frameworks, even a modest **cost saving of 1% could return c. £8.5m per annum** to reinvest in service improvements or other areas of public expenditure.

Timescales

High level timescales for delivering the programme are:

Year 1	<ul style="list-style-type: none"> • Project initiation and resource recruitment • Develop procurement strategies for national adult supported living and care at home frameworks • Specify, source, configure and test a national vacancy tool for social care placements • Develop learning materials and initiate pilot courses offered within the commissioning academy
Year 2	<ul style="list-style-type: none"> • Develop and implement national frameworks for adult supported living and care home services • Launch and roll out a national vacancy tool for social care services to practitioners and providers • Complete commissioning academy pilot courses and roll out to practitioners across the public sector • Project close and funding secured for business-as usual activities

³ Based on the Scottish Government cost estimate of an average procurement exercise at £12k.

Risks

Key dependencies and risks associated with the programme are:

- Securing provider engagement for a national procurement approach.
- Building relationships with new stakeholders within Integrated Joint Boards.
- Recruiting suitable qualified staff for the project team
- Securing ongoing funding for contract management and further development of the commissioning academy to respond to changing policy or skills requirements.

Scotland Excel has significant experience of resourcing similar projects and engaging with stakeholders across the social care sector. We are confident that any risks arising can be mitigated in partnership with the Scottish Government.

Next steps

Within three months of securing investment, Scotland Excel will agree a full project plan with the Scottish Government including expenditure, timescales and deliverables. In parallel with this, Scotland Excel will undertake a recruitment exercise to ensure a suitably qualified team is in place to resource the programme. Quarterly reporting will be provided to monitor progress.



Proposal

Affordable Housing Procurement

Prepared by:

Julie Welsh, Director, Scotland Excel

Prepared for:

Ainslie McLaughlin, Director of Procurement and Commercial,
Scottish Government

30 September 2016

Purpose

This paper provides a proposal for the role Scotland Excel could play in delivering the Scottish Government's aspirations within the Affordable Housing Supply Programme (AHSP). It seeks funding of £412k for a two year pilot programme to develop capability, implement policy and identify financial savings.

Background

In 2011, the Scottish Government produced its report on *Procurement in the Affordable Housing Sector*. The report undertook an extensive analysis of the sector and made a number of observations and recommendations.

Potential savings estimated at between £26 million and £42 million per annum were identified for non-development expenditure. One of the key recommendations from this report was that "*there should be a central procurement service for the affordable housing sector*".

The report suggested Scotland Excel as a preferred option for this. As the Centre of Procurement Expertise for local government, Scotland Excel has a proven track record of working with large and complex organisation with a local remit, as well as a growing portfolio of national construction frameworks.

Strategic context

The wider public sector has benefited from significant investment and focus in procurement reform since publication of *Review of Public Procurement in Scotland - Report and Recommendations* in 2006. The affordable housing sector has not been part of this national transformation programme.

The Scottish Government, as part of the AHSP, has committed to delivering at least 50,000 affordable homes by March 2021, backed by over £3 billion of investment. The sector will therefore be required to undertake considerable procurement activity in relation to this programme.

The need for investment

The 2011 report, and more recent work undertaken by Scotland Excel on behalf of the Scottish Government, has demonstrated that the affordable housing sector requires support to implement extensive legislative changes and adopt the Scottish Model of Procurement.

While Scotland Excel has the skills and experience to deliver this support, our funding model is focused on the delivery of procurement services to the local government sector. Therefore, investment in a two year pilot project is required to deliver the following activities to help the affordable housing sector to realise savings from collaboration and improve their procurement capability:

- Complete an analysis of the sector's current and future procurement activity to estimate the potential for savings through the use of national frameworks and/or further collaborative procurement.
- Develop a programme to communicate the immediate savings opportunities available through existing public sector collaborative frameworks and services.
- Undertake procurement assessments to benchmark current levels of procurement capability and identify opportunities for improvement.
- Identify the wider economic, social and environmental benefits that can be achieved through sustainable procurement.
- Undertake any 'quick win' collaborative procurement exercises identified where no existing collaborative frameworks are in place.

Turner and Townsend's report states that savings "*will be difficult to achieve in the short term, and will need a concerted change management effort from key sector stakeholders*". Scotland Excel believes that this pilot project will support this change and enable significant savings and benefits to be realised within a few years. It will also explore the potential for more immediate savings through the use of existing national frameworks.

Benefits assessment

Due to the limited availability of spend information for this sector, it is difficult to quantify benefits at this stage. However, the proposal will seek to deliver tangible and measurable benefits including:

- An indication of the immediate savings potential that can be realised through the use of existing national collaborative frameworks, and identification of further savings potential through future collaboration.
- Formal assessment of procurement capability across the affordable housing sector using a Scottish Government recognised methodology.
- Advice and support to help the sector develop and implement procurement improvement plans which underpin savings and efficiency at a local level.
- Advice on using sustainable procurement practices to deliver wider community benefits such as jobs and apprenticeships, SME opportunities, and workforce matters such as payment of the Living Wage.
- Support to help the sector realise collaboration opportunities within their sector and across the wider public sector.
- Advice and support on policy and the opportunity to participate in relevant learning and development programmes offered by Scotland Excel.

Return on investment

In 2011, Turner and Townsend estimated that £530m of procurement expenditure could be influenced by improved improvement practices¹. Even a modest 1% saving through the use of existing national frameworks could deliver **c. £5.3m cost savings** in the second year of the project against an **investment of £412K**.

¹ Now likely to be higher due to increased turnover and additional Scottish Government investment

In the longer term, collaborative procurement has the potential to return significant efficiency savings to the sector. For example, if half of Scotland's housing associations collaborated on a national procurement exercise, it could create **efficiencies of c. £1m²** by avoiding duplication.

Timescales

High level timescales for delivering the programme are:

Year 1	<ul style="list-style-type: none">• Project initiation and resource recruitment• Complete an analysis of sector spend and savings potential• Deliver procurement capability assessments for 40 high spending housing associations
Year 2	<ul style="list-style-type: none">• Develop and implement a communications programme to support the use of collaborative contracts across the sector• Develop and implement an advisory service to support the sector with their procurement improvement plans• Project close and funding model in place for further roll out of benefits

Risks

An initial assessment of the project risks has indicated that sector engagement is the primary risk that will be faced. Although work undertaken to date has achieved a positive reception from the community, wider engagement and adoption may be problematic. Scotland Excel is confident that, with the support of Scottish Government, this issue can be mitigated.

Next steps

Within three months of securing investment, Scotland Excel will agree a full project plan with the Scottish Government including expenditure, timescales and deliverables. In parallel with this, Scotland Excel will undertake a recruitment exercise to ensure a suitably qualified team is in place to resource the programme. Quarterly reporting will be provided to monitor progress.

² Based on the Scottish Government cost estimate of an average procurement exercise at £12k.



Proposal

Prepared by:

Hugh Carr, Head of Strategic Procurement, Scotland Excel

Prepared for:

Danny Gallacher, Chief Executive, Seemis Group LLP

6th October 2016

Purpose

SEEMiS Group LLP delivers an integrated national education management information system (MIS) for Scottish Local Government (education establishments and Headquarters) and associated supporting organisations (SQA, ScotXed etc).

Owned by its members, SEEMiS was initially established on behalf of the 12 Strathclyde Region councils. However, since 2014, SEEMiS offers a complete solution that spans all the essential requirements of an Education MIS geared to the needs of Scottish Local Authorities.

Since 2014 a challenging programme has been undertaken to review and stabilise SEEMiS's product offerings.

Whilst the products are now relatively stable it is clear that the current SEEMiS solution will become increasingly less fit for purpose over the next three to five years due to:

- The increasing inability to support the current product and the underlying obsolete software
- The inability to meet changing demands leading to users seeking alternative solutions
- A severe risk of increased maintenance resources being required to keep the product available
- The drive from the user base for more accessible and personalised digital solutions.

As the organisation pursues the delivery of a solution that will support an expanded operating model, a key enabler will be the implementation of a robust strategic sourcing model. As such, this proposal provides a high level overview of the benefits associated with partnering with Scotland Excel, with the associated outline cost model.

Procurement Route

Analysis of procurement options appears to have been undertaken already, ruling out a complete outsourcing and favouring a partnership approach. Some market research and engagement has been conducted. A key outcome of this was that a number of those consulted commented that there was significant risk in such a proposal which made it unlikely that they would consider bidding. It is also clear that there would not be a standard model for contracting for this type of arrangement and significant work would need to be done to specify the risk positions in the contract as well as deciding how to evaluate those complex financial elements during tender.

Preferred Options Appraisal

Competitive procedure with negotiation analysis

The new competitive procedure with negotiation has been suggested as a possible procedure to conduct the procurement. This may be appropriate and would certainly give some flexibility within the tender process to discuss crucial technical elements of the contract and refine tenders through several rounds of negotiation and subsequent tenders. SEEMiS have indicated that advice to date has indicated a 6 month timescale to complete this process, however, this depends on a number of factors and logistical challenges, which could represent significant risk. The following stages outline the high level plan for this type of procedure as may be applied to this requirement.

- **Preparation of the OJEU advert and the initial documents that accompany the OJEU advert**

This is key in order to be able to manage the procedure to its conclusion in a structured and compliant way. Whilst the process is designed to allow an element of flexibility, minimum requirements must be detailed at this stage and linked to the authority's needs. This would allow selection of suitable candidates to participate in the procedure. If there is the intention of reducing the number of candidates invited to participate in the initial tender it must be done at this stage in a way similar to scoring of a PQQ for a restricted procedure. If this is the intention, then those selection criteria and the criteria for reducing the number to be invited to participate must be defined carefully and included in the OJEU notice also as well as any methodology for reducing the numbers. This would also require time to evaluate and make recommendations as to who was to be subsequently invited to participate. This may require governance approvals within SEEMiS depending on individual/committee authority etc. It may be prudent to notify those not selected at this stage and manage any recourse from this process at an early stage to remove any residual risk, but specific legal advice would be required to confirm the best position in this regard. Advice would also be required around the level of detail that requires to be included in terms of contractual conditions which would need to be included at this stage and which could be left open to the negotiating process. This is crucial for setting out the scope and rules for subsequent negotiations.

Depending on the state of current documentation and whether the intention is to reduce the number of candidates, this stage of the procedure could take 2-4 months to arrive at a list of candidates to be invited to initial tender.

- **Invitation to submit initial tender documentation**

Carried out in accordance with the criteria in the contract notice. Whilst there are potentially some timescale reductions possible, the high risk and complicated nature of this procedure would suggest that at least the normal 30 days tender period was allowed. This

would need to be considered carefully as it may take organisations some time to prepare documents and obtain internal approval to make an offer. There would then be a period of tender evaluation and potential areas for negotiation identified.

It is possible to award a contract following the initial tender, but only if the contracting authority has indicated this in the contract notice. However, it is most likely that a round of negotiations would then be held to improve the content of tenders, discuss any technical/specification changes which may allow tenderers to improve their offers etc., however, crucially the minimum requirements and award criteria must not be negotiated. In this respect the CPN procedure is probably more limited than the competitive dialogue procedure. In addition to the negotiation and resubmission of tenders which can be conducted over multiple rounds leading to a final tender, the authority may reduce the number of tenderers to be involved in each subsequent round, substantially by applying the award criteria. Again, this would need to be set out fairly early in the procedure, ideally at contract notice publication and a procedure and relevant governance put in place for taking relevant exclusion decisions and informing candidates at a relevant time as per the selection discussion above to minimise risks of disruption to the process.

Depending on the number of rounds of negotiation, this stage of the process could take between 3 and 6 months

- **Submission of final offer**

The final stage is obviously submission of best and final offers (BAFO) with a period of evaluation and clarification that lead to the conclusion of the negotiation, and award of the contract. This must be based on the award criteria stated in the contract notice and must be a genuine competition (although the requirement to have three bidders to ensure competition in previous regulations is now largely removed, so two tenderers may be considered sufficient). It is also likely that there will be a complex financial model to apply in this case which may be based on life-cycle costing if complex financial proposals are made to take account of the inherent risk in the partnership for a commercial partner.

It is likely to take 1-2 months to complete the necessary procedural elements and there are likely to be considerable clarifications which need to be made and incorporated in to the contract with the successful partner in order to make a recommendation to award.

This recommendation would then be subject to SEEMiS governance processes for approval and regulatory standstill before final preparation of contract documents could be undertaken and the contract concluded successfully.

Summary and Recommendations

Whilst it is technically possible taking the minimum timescales within the regulations to construct a programme which appears to suggest 6 months as a timescale, the regulations broadly ignore time spent by the authority preparing and analysing documents and also require setting of some timescales based on the complexity of the subject matter of the contract. This coupled with likely governance arrangements, for both SEEMiS and potential partners tendering for high risk contracts suggests that a timescale of 8 – 10 months is more realistic and depends entirely on the level of negotiation required to get to BAFO stage.

In addition, some elements of the procedure depend on preceding stages e.g. if you spend more time on the initial stage and restrict the number of participants, you may have a simpler tender stage, on the other hand if you want to advertise quickly and not reduce number at qualification, you will potentially have more tenders to assess and subsequently negotiate and/or have to discount. These key procedural elements really need to be defined in strategy at least at the time of contract notice to ensure equal treatment of tenderers and a robust auditable process for a relatively new procedure.

Resource requirements & cost plan

Outline requirements most likely delivered by a procurement lead supported by a coordinator or equivalent. Based on the above summary, the exercise may last for up to 12 months, and as such the cost profile should reflect this. Outline resource and cost forecast as follows:

Procurement Lead (1xFTE):	Category Manager	c. £60,000
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Role: Provide advice on strategy and regulatory issues, design of procedure, design and drafting of contract/tender documents, manage tender/evaluation/negotiation/award processes.

Support (1xFTE):	Procurement Coordinator	c. £38,000
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Role: Administration of regulatory systems i.e. PCS, PCS-T. Administration of tender/evaluation process/queries, preparation of regulatory documents (standstill documentation etc.)

Legal support (0.2 – 0.5xFTE):	Senior Solicitor	c. £15-30,000
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Role: Essential legal advice to SXL on compliance. Potential contractual/procurement advice to SEEMiS if required. Managing formal legal processes for SXL e.g. service of notices for standstill etc.

Additional Expenses:	c. £22,000
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Outline total:	c. £135-150,000
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*Note: all sums are provisional and detailed cost breakdown will be agreed on agreement of the commission.

In addition, it is anticipated that throughout the development phase in year 2 there will be a requirement for procurement/commercial support. Requirements would be agreed as appropriate, and as such it is suggested that a nominal sum of £50,000 be allocated to this.

Dependencies/Assumptions

A significant number of assumptions have been made in developing this proposal, and as such, further detailed planning would be needed to identify and forecast relevant project management milestones. Prior to commencement of the procurement process, Scotland Excel would submit a project plan and risk matrix for review and approval.

In addition, the role that Scotland Excel would perform must be agreed at the outset in order to satisfactorily conclude responsibilities and therefore accountabilities. Legal responsibilities, and liabilities, will need to be agreed and documented prior to commencement, potentially through SEEMiS' existing associate membership SLA, or a bespoke agreement. Scotland Excel has professional indemnity insurance across the current activity delivered for member authorities. However, the provision and level of cover required will also need to be agreed prior to commencement.

The procurement route has been assumed based on the early work carried out by SEEMIS and this will need to be confirmed as the chosen procedure for the estimates above to be relevant

This proposal is based on initial discussions and will obviously require refinement in order to ensure that all of SEEMiS' requirements are addressed.



Proposal

Partnership with Crown Commercial Service
for the procurement of cars and light
commercial vehicles.

Prepared by:

Hugh Carr, Head of Strategic Procurement, Scotland Excel

Prepared for:

Julie Welsh, Director, Scotland Excel

26 October 2016

Purpose

This paper provides a proposal to work collaboratively with Crown Commercial Service as a partner in the adoption of their light vehicle procurement framework to replace the current Scotland Excel 0612 Cars & Light Commercial Vehicles framework for the purchase of cars and light commercial vehicles upon its expiry on 31 May 2017.

Background

Scotland Excel has had several generations of frameworks for light and commercial vehicles over the last number of years and the current framework with an annual forecasted value of £25m has been in place since 2013. It was advertised as a 3 year contract with an option to extend for a further year from June 2016. The option to extend for a year was approved by the Director of Scotland Excel and no further extension is available beyond 31 May 2017.

As the councils have an ongoing requirement to procure light vehicles beyond May 2017, there are 2 basic viable procurement options open to Scotland Excel:

1. Scotland Excel conduct a vehicles procurement exercise independently, or,
2. Scotland Excel work collaboratively with a public sector procurement partner of choice, i.e. Crown Commercial Services.

As the majority of vehicle types procured through this type of framework are in essence standard 'off the shelf' vehicle models available directly from the UK vehicles market, there is ample evidence to support that Scotland Excel and our stakeholders gain little advantage economically, strategically or in terms of increasing council efficiencies by conducting a further Scotland Excel procurement exercise of their own where an effective alternative public sector route to market already is in existence.

This proposal for a partnership approach with Crown Commercial Services was unanimously agreed in principal at a User Intelligence Group meeting held on the 12th September.

It is this partnership approach that is being proposed within this report.

Strategic context

Effective and efficient fleet procurement can enable Local Government to meet customer demands, reduce costs and address Public Sector Reform, by providing, better public services, better customer experiences and opportunities for collaboration to encourage a shared best practice.

Crown Commercial Service (CCS) is an executive agency, sponsored by H.M. Government Cabinet Office. It brings together policy, advice and direct buying;

providing commercial services to the public sector and saving money for the taxpayer.

By working in partnership with Crown Commercial Service with Scotland Excel directly contract managing the framework, more effective and efficient fleet procurement can be leveraged for Scottish Councils.

Benefits assessment

The proposal to partner with Crown Commercial Service will seek to deliver tangible and measurable benefits including:

- Providing a collaborative opportunity to be a key player within the UK's single largest light vehicles procurement exercise.
- Adoption of such a large value framework buying vehicles directly from manufacturers will maximise savings and maximise market attractiveness.
- Leverage on a significantly larger single UK vehicle procurement demand.
- Potential immediate savings from accessing an existing national collaborative framework, and identification of further savings potential through any additional future collaboration.
- Reduce duplication, reduce public sector costs whilst maximising savings.
- Pooling of talent resources and sharing procurement and fleet expertise on best practice.
- Increased opportunity for shaping the UK fleet market and having greater supplier influence.
- Help facilitate Scotland Excel pursuing additional strategically important areas of council procurement, for example, additional construction contract activity.

This proposed collaborative procurement model with Crown Commercial Services has the potential to return significant efficiency savings to both Scotland Excel and the Scottish local authorities in a wider context. For example, if through the greater purchasing power of a large and demonstrably successful framework a modest saving on vehicles of even 1% is achieved, this would result in an annual monetary saving of £250,000. In addition, Crown Commercial Services currently generate additional income via a supplier levy system, for this contract this represents 0.5% of turnover. Discussions are ongoing regarding the allocation of any sum generated between Crown Commercial Services, Scotland Excel and member councils. Additional savings are likely to result from the reduction in administration effort, due to the avoidance of duplication and process costs.

Through the adoption of an alternative framework, best value for Scotland Excel's stakeholders can be maintained and potentially improved upon and scarce and finite manpower resources within Scotland Excel may be maximised in other more strategically important areas of procurement.

Timescales

High level timescales for delivering this collaborative project are:

- Completion of Memorandum of Understanding between Scotland Excel and Crown Commercial Services – November 2016
- Formally inform the incumbent Scotland Excel framework suppliers of the intention to not tender under our own name
- Formally inform wider supply base (Communicated via Public Contracts Scotland)
- Formalise full transition plan, website development requirements, management information (M.I.) and contract management responsibilities with Councils and Crown Commercial Service
- Complete full end user training on CCS vehicle website functionality, vehicle ordering processes and framework familiarisation
- Full transition to be completed by 31st May 2017

Risks

An initial assessment of the project risks has indicated that there may be some limited incumbent supplier disappointment with Scotland Excel not conducting their own procurement exercise. The current Scotland Excel framework has a limited number of Scottish based vehicle dealerships directly contracted, whereas the CCS framework contracts directly with the vehicle manufacturers themselves whereby local vehicle dealerships are appointed on their behalf to simply PDI (Pre-delivery inspection) and deliver the vehicle to the end customer. This may remove a level of commercial attractiveness to the local supplier as their opportunity to determine their own commercial terms are diminished.

This issue can be mitigated by informing the marketplace at the earliest appropriate opportunity of the decision not to renew the Scotland Excel framework.

The other main risk is in effectively resolving any future contract management issues where issues may be disputed at either being at a local level (at dealership) or at the manufacturer level. It should be recognised that this is not purely reserved when partnering with another organisation to utilise another organisation's procurement framework and this issue can exist currently under Scotland Excel's own agreement. It can be mitigated by the ongoing close liaison between Scotland Excel and Crown Commercial Service's customer account team.

Next steps

Scotland Excel will agree a full project plan with the Fleet User Intelligence Group and Crown Commercial Services by holding a UIG early in 2017, including agreement on estimated future framework expenditure, end user training timescales/requirements and overall framework service level/contract management agreements.

Quarterly reporting will be provided to monitor progress.



ASSOCIATE MEMBER STRATEGY

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1 INTRODUCTION

This document contains the strategic direction and recommendations for operating Associate membership of Scotland Excel. This strategy should be read in conjunction with the organisation's corporate strategy 2015-18¹

Since the organisation's inception, governing members of the organisation were keen to ensure the focus of its efforts were fixed on its core membership. As the organisation has matured and in significantly more challenging financial times, Scotland Excel's Joint committee has been supportive of the organisation exploring alternative funding sources. A key caveat to this is that these sources do not conflict with the objectives of the organisation or dilute the support given to the local authority members

The aim of the strategy is therefore twofold:

- Explore the method of offering supplementary and complementary services to a second tier of members that generates potential incremental income whilst having no detrimental impact on our core members.
- Providing Additional value to the wider public family.

2 BACKGROUND

Scotland Excel was formed in 2008 as the procurement centre of expertise for Scottish local authorities. It is a leading non-profit organisation representing all 32 local authorities.

In addition to full membership offered to Scotland's local authorities, the organisation offers access to its frameworks and additional services through associate membership. Associate members pay a significantly reduced fee in comparison to full members and therefore play no formal role in the governance or strategic direction of Scotland Excel. As a public body however, Scotland Excel endeavours to return additional value to the wider public family and does so through its use of associate membership. A robust governance process is utilised to ensure that organisations that apply fit within the public and third sector and also fully serve a public purpose.

Although associate membership has been in place since the outset of the organisation it is now felt prudent to review the strategic direction of this customer segment, consider the current operational model and make a series of recommendations on how to proceed.

¹ [Scotland Excel Strategy 2015-18](#)

3 EXECUTIVE SUMMARY

At the time of publication, Scotland Excel had 32 Scottish local authority members and 47 associate members. Eligibility to join as an associate members is determined within the governance of Scotland Excel and derived from the 1970 Local Government (Goods and Services) Act, as amended by the Local Government (Scotland) Act 2003.

In addition to full members and associate members, a reciprocal agreement is in place which allows use of frameworks to bodies represented by the other 3 centres of expertise at no charge:

- NHS - National Shared Services (NSS)
- Advanced Procurement for Universities and Colleges (APUC)
- Scottish Government Procurement

The associate membership fee for Scotland Excel was reviewed in 2015 and a new three tier model implemented. The fees structure agreed was as follows:

- Contract spend up to £10,000 pay a £500 annual membership fee.
- Contract spend between £10,000 and £50,000 pay a £1000 annual membership fee.
- Contract spend over £50,000 pay a membership fee which represents a percentage of the spend. In this instance a maximum fee of £30,000 has been set.

Services offered by Scotland Excel that may be interest to associate members have been split into three broad categories; Collaborative Procurement, Capability services including consultancy, assessment and policy and provision of learning and development.

Scotland Excel has undertaken an analysis of the market and potential competitors to understand the opportunities and strategic direction for associate membership. Markets for associate membership include:

- Housing Associations
- Charitable Organisations
- Transport Partnerships
- Arms Length Organisations (ALEO)

It is the recommendation of this strategy that Scotland Excel focuses on housing associations as its primary market for development. There are approximately 170 Registered Social Landlords (RSLs) governed by the Scottish Housing Regulator (SHR). The SHR sets very clear and specific criteria for membership and these guidelines mirror the requirements for Scotland Excel to accept organisations as associate members. There are a number of reasons why this group of organisations fit well with Scotland Excel now and how the organisation can develop to support them going forward as associate members. These are covered within this strategy.

Scotland Excel, at the request of Scottish Government, has provided a proposal outlining the implementation of a small team of four people dedicated to the housing sector for a fixed period of 2 years. Future operation of this team would have to be self funded. This recommendation is based on the acceptance of this proposal.

Funding

Scotland Excel believes that all work related to associate membership should be self-funding. This recognises the challenging economic position its core membership currently face and likely to continue to face. Scotland

Excel will continue to seek alternative funding options similar to that discussed previously with Scottish Government and housing associations. It should however be recognised that in order to generate greater levels of associate member income resources and funding will be required. The main resource requirement areas are within business generation, account management and marketing. Any requirement for specific framework development would also require procurement resource.

Committee members may consider various funding options including re-investment of additional associate membership fees to generate greater returns or re-allocation of any budgetary surpluses. Scotland Excel recommends the creation of a robust business case for any resourcing and investment within this area whilst adhering to the self-funding principles.

Fees

The third tier membership is currently being reviewed and an alternative clearer method sought.

Reciprocal fee waivers are in place for a number of organisations:

- NHS trusts and organisations served by National Shared Services (NSS)
- All higher and further education organisations covered by Advanced Procurement for Universities and Colleges (APUC)
- All Non Departmental Public Bodies (NDPB) supported by Central Government Procurement

In addition to a fee waiver organisations utilising Scotland Excel frameworks may also earn a monetary rebate against their expenditure.

Options open to members include:

- Charging an associate member fee to these organisations and therefore terminating the bilateral fee waiver agreement.
- Retaining fee waiver as it currently stands.
- Retaining fee waiver but Scotland Excel retains any rebates earned by associate members.

It is unclear at this stage what extent local government makes use of framework agreements provided by the above centres of expertise. Understanding this and the potential impact to Scotland Excel core members is key to any future changes to this agreement. Further work is being undertaken in this area to consider the most beneficial route to core members and Scotland Excel.

The 19 ALEOs currently registered as associate members pay no fee. Recognising the significant financial challenges that members are facing and potentially also within their ALEOs it is recommended that implementation of any fee should be postponed to a future date. Guidance from members and committee is sought on this approach.

Scotland Excel is considering a more tailored fee structure for housing associations should this market sector grow to a reasonable scale. A number of ways are currently utilised by other member organisations in this sector and will be reviewed for suitability. The model that appears to be most accepted and utilised by housing associations is based on number of housing units.

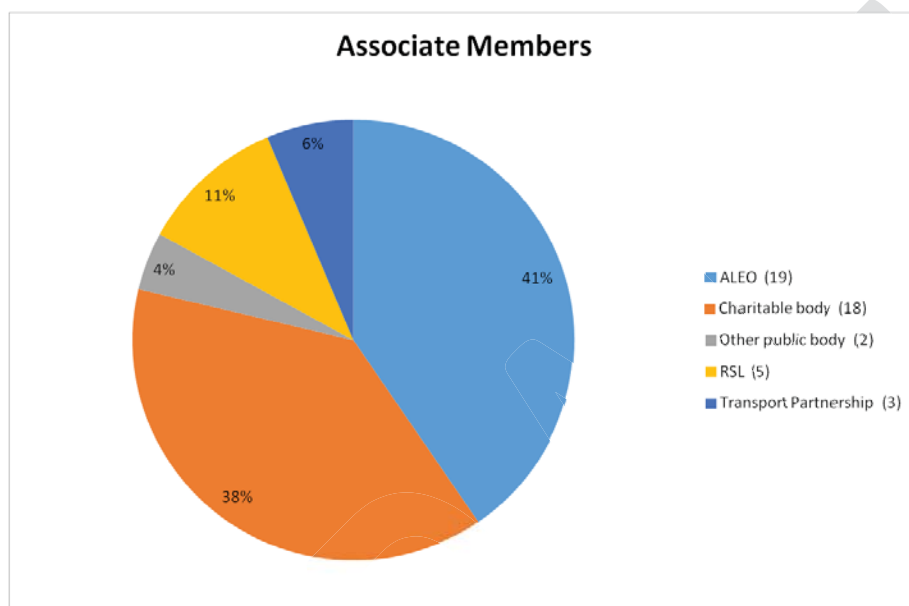
4 MEMBERSHIP AND SERVICES

At the time of publication Scotland Excel had the following membership profile:

- 32 Scottish Local Authorities.
- 47 Associate Members – (See <http://www.scotland-excel.org.uk/home/Aboutus/Ourmembers/Associate-members.aspx> on our website for a current list of associate members) A current list at time of publication is included in Appendix 1.

Associate members are split between various types of organisations which are represented in Figure 1.

Figure 1



Eligibility to join as an associate member's organisation is determined within the governance of Scotland Excel. "As a public sector procurement agency, Scotland Excel is restricted in the types of organisation which it can supply its services to. In order to become an associate member of Scotland Excel, the organisations Constitution, or Articles and Memorandum of Association must comply with the requirements of the 1970 Local Government (Goods and Services) Act, as amended by the Local Government (Scotland) Act 2003."

Non council bodies granted associate status typically fall under Part 1 Section 8(b) of the Local Government (Scotland) Act 2003. :

(c) a person who, in the circumstances set out in subsection (1L) below, enters into the contract in order to provide the local authority with goods or services, or with a person who, not being a public body, has functions of a public nature or engages in activities of that nature and the purpose or effect of the agreement is to facilitate discharge by that person of those functions or that person's engagement in those activities.

In addition to full members and associate members, a reciprocal agreement is in place which allows use of frameworks to bodies represented by the other 3 centres of expertise:

- NHS - National Shared Services (NSS)
- Advanced Procurement for Universities and Colleges (APUC)
- Scottish Government Procurement

The nature of this agreement has been discussed at a senior level to review its suitability. Each of the other three centres operate under a different central funding model affording this option.

4.1 Associate Membership Fees

The associate membership fee for Scotland Excel was reviewed in 2015 and a new three tier model implemented. The fees structure agreed was as follows:

- Contract spend up to £10,000 pay a £500 annual membership fee.
- Contract spend between £10,000 and £50,000 pay a £1000 annual membership fee.
- Contract spend over £50,000 pay a membership fee which represents a percentage of the spend. In this instance a maximum fee of £30,000 has been set.

The new fee structure works relatively well at the first and second tiers but has caused some difficulty at the third tier. Although one new third tier member was successfully signed up in 2016, the calculation process tends to be fairly detailed and not immediately available to the prospective customer. On a number of occasions, organisations that were felt to reside at this tier were confused by the inability to receive an immediate fee quotation. It is therefore recognised that a further review of this tier of associate membership and utilise a model that provides a clearer and timelier quotation to prospective members.

4.2 Service Offering

Services offered by Scotland Excel that may be of interest to associate members have been split into three broad categories:

- Collaborative Procurement
- Capability services including consultancy, assessment and policy.
- Provision of Learning and development.

Collaborative Procurement

Through collaboration with councils, suppliers, and partners, Scotland Excel has reached the point where we save Scottish local government in the region of £17m a year, while helping our members get the best possible value when it comes to sourcing the goods and services they need.

There are many factors at play in collaborative procurement - engaging, sharing, learning, benchmarking, agreeing, improving, and innovating - to name but a few. It is about achieving consensus not compromise. Scotland Excel procurement teams are committed to working with local authority colleagues to provide the best possible arrangements for all members.

Scotland Excel offers a number of frameworks to its members. Categories covered include:

- Construction
- ICT
- Education
- Social Care
- Fleet
- Corporate

The initial range of contracts offered by Scotland Excel was valued at circa £100m in 2008 and has grown to in excess of £700m today. While continuing to grow, the portfolio today embraces a wider range of goods and services with higher value and more complex contracts for technical and professional services. This increasing range of contracts has seen an increase in interest and in the use of the Scotland Excel portfolio by a wide range of organisations. Some of these are already associate members, some are not, and some gain access to the contracts through the principle of cross sector collaboration.

It is generally recognised that these organisations are making significant savings through the negotiated prices, economies of scale and the cost avoidance of having to run their own tenders.

The growth in the contract portfolio has resulted in a range of new opportunities for existing Associate Members and offers the potential to attract a wider range of organisations to join as associate members going forward

Capability Services

In addition to its extensive contract portfolio, Scotland Excel offers a wide range of services designed to support the ongoing development of member capabilities. In the local government sector, there was a real willingness to work together to deliver improvements. Scotland Excel developed a programme to facilitate this based on three phases – assessment, analysis and action – with priorities for the next phase agreed with councils at an annual event. These priorities informed a rolling programme of workshops, best practice initiatives and consultancy services delivered by Scotland Excel to lead and support change

One of the key mechanisms utilised by Scotland Excel is the use of a formal nationally recognised assessment tool. The Procurement Capability Assessment (PCA) tool has recently been redesigned and renamed the Procurement and Commercial Improvement Programme (PCIP).

To date Capability Services have only been offered to Scotland Excel's core membership however, a recent Scottish Government funded pilot programme for Scottish Housing Associations has demonstrated a potential new market opportunity. This market is covered later within this document.

Learning & Development

Scotland Excel is recognised as leading the way in learning and development across the public procurement sector. We are committed to supporting procurement capability to further develop the specialist knowledge and skills that exist within local authorities.

Our Enhancing Procurement Capabilities training programme for 2016 is well underway. This offers a range of courses for public procurement staff at all stages of their career, whether starting out or continuing their professional development. Our courses cover a wide variety of topics in procurement, legal, finance and supplier management, as well as specialist courses for construction, professional services and ICT procurement.

All learning and development services are open to associate members. To date little marketing of this has taken place with associate members.

4.3 Marketing and Communications

In general, very little specific marketing or communication for associate members is undertaken other than the page on the corporate web site. Associate members will receive general communications that are aimed at a wider distribution such as the quarterly newsletter.

More recently Scotland Excel has sought to increase visibility and awareness of the organisation and has attended external events such as the Chartered Institute of Public Finance and Accountancy (CIPFA) annual conference and the Chartered Institute of Housing (CIH) conference. This necessitated the need for associate member collateral and a leaflet was produced internally to minimise cost.

A significant increase in marketing and communication is required to increase the visibility to potential associate members.

4.4 Account Management

Scotland Excel provides dedicated account management to each of its 32 members from a pool of four full time account managers. At a minimum this involves a formal quarterly business review meeting with corporate procurement managers and their teams to review a number of elements including contract usage. Account managers provide core members with an extensive amount of information and work to ensure member satisfaction.

To date it has been the policy to only provide account management to core members. This has recently changed with the enrolment of an associate member paying the maximum £30k annual membership. In order to provide ongoing support to this associate member it has been agreed to schedule a quarterly account management meeting. The extent of this meeting is currently under development.

5 COMPETITIVE ANALYSIS

A high level competitive analysis has been undertaken utilising the three service categories identified above. In addition to the competitive analysis, this strategy attempts to identify the unique selling points of the organisation that provide competitive advantage and therefore enable a successful implementation of this strategy.

5.1 Competitive Services

Procurement frameworks

There are a wide variety of competitive products offered in the market. These products are offered by both public and private organisations. A full competitive analysis is beyond the scope of this strategy.

Organisations that provide a degree of overlap include:

- NHS National Procurement (NP)
- Scottish Government Procurement
- Advanced Procurement for Universities and Colleges (APUC)
- Crown Commercial Services (CCS)
- Eastern Shires Procurement Organisation (ESPO)
- Yorkshire Purchasing Organisation (YPO)
- Procurement for Housing (PfH)
- London Housing Consortium (LHC)
- Central Purchasing Consortium (CPC)
- North East Procurement Organisation (NEPO)

The above list is not exhaustive but does cover a number of the more prominent organisations. A recent review of overlap with regard to frameworks suitable for the housing sector indicated overlap in particular with Construction and Corporate framework categories.

Scotland Excel works extensively with its core customers to ensure that the frameworks being developed are appropriate and within the strategic direction of its members and therefore the organisation. Through the Collaborative Leads Group (CLG), the organisations works with the other centres of expertise to agree a common collaborative strategy.

Capability Services

Competition for the provision of these services occurs primarily within the private sector. The services delivered under the “Leading Change” banner mirror many of the services provided by private sector consultancy organisations. Scotland Excel does not have the breadth of resources available to many of the larger private sector competitors. In addition, the organisation does not have the financial resources to make the scale of investment often required at the outset of these projects.

Competition also exists within the public sector. It is recognised that a number of other public bodies provide similar services to their own customers. These customers all reside within the wider public family but in more recent months these customer boundaries have become more blurred. The growth ambition of the NHS National Services Scotland (NSS) has shown that more work is required to understand both boundaries and opportunities for collaboration. NSS, a centrally funded organisation, have much greater funding and resources and have an ability to invest significantly in change projects.

Despite these challenges Scotland Excel can and does still undertake competitive exercises on behalf of its members.

Learning & Development

Competition for learning and development provision resides primarily in the private sector. There are a number of organisations providing generic and specific face to face training on a multitude of subjects. Private provision of training is fairly disparate and typically does not have the insight into our customers' needs that Scotland Excel has.

5.2 Competitive Advantage

Competitive advantage may be viewed as offering better value to customers through better pricing or by demonstrating higher benefits at an equivalent or greater price. As a public body, the aim of the organisation is not to maximise shareholder returns but rather to return maximum value to its stakeholder members and ideally the wider public family. Its aim is therefore not to dominate a market but rather provide a cost effective and high quality service or product to its members. It is however important for the organisation to understand its competitive advantage and unique selling points to maximise customer value.

Procurement frameworks

Scotland Excel frameworks have a number of competitive advantages over other organisations.

As a public body driven by the requirements of its members and not shareholders, the organisation is focussed on delivering frameworks providing true member value.

Scotland Excel does not add any hidden rebate costs to fund framework provision. A number of the organisations listed above do not "charge" for membership but recoup substantial returns on less than transparent rebates.

Scotland Excel adheres to the Scottish Model of procurement and delivers substantial incremental social value within many of its frameworks. This includes living wage, community benefit, Scottish SME centred activities and a number of other sustainability criteria.

Many of the frameworks provided by Scotland Excel are within challenging areas that other providers are not able to tackle. These frameworks predominantly within the social care arena continue to grow and provide important services to members.

The organisation provides associate members with access to a dedicated web based Catalogue Content Management (CCM) system.

A number of competitive organisations have advantage over Scotland Excel through their extensive resources and ability to invest. The use of embedded rebates appears to be their main funding mechanism. Scotland Excel operates within a regime whereby members prioritise framework areas and gaps unfortunately remain.

It is also worth recognising the challenges associated with restrictions to associate members who join after frameworks have been put in place.

A number of areas of opportunity exist for associate members and frameworks. These opportunities tend to be based on the nature of the associate member.

Capability Services

The most significant challenge to Scotland Excel capability services lies in the ability of competitors to invest and in resource availability. The organisation does not have the bandwidth or funding to create services or offerings for future potential customers. This “loss leader” strategy is commonplace within private sector organisations to initiate customer engagement. Larger consultancy bodies also have a wealth of pre-created services and a breadth of talent that Scotland Excel cannot offer.

Competition also exists from NSS although has been limited to date. This situation is expected to change over the coming period.

Scotland Excel’s competitive advantage lies within its knowledge and experience of local government, its primary customers. With eight years of experience in leading capability development the organisation has built a wealth of knowledge and a degree of intellectual property that provides its advantage. In 2015 the Joint Committee agreed to permanent funding for three full time employees to provide these services. In conjunction with a number of other internal resources, the organisation provides this predominantly to its core customers.

An additional competitive advantage lies within the ethos of the organisation to serve members and not shareholders. This provides a financial advantage over private sector competitors.

Limited scope exists within the existing organisation to provide these services beyond core customers to associate members. This is solely due to financial and resource constraints. This situation may however be changed if appropriate opportunities arose and committee members were willing for this approach to proceed.

Learning & Development

Learning and Development services from Scotland Excel have generally sought to provide cost neutral or free courses to its customer base. The primary aim is to maximise value and cover primary costs associated with training provision. In the past this has not covered the cost of learning and development administration. In 2015 the Joint Committee agreed to fund two full time resources for the provision of Learning and Development.

This cost neutral approach has provided significant competitive advantage over private sector providers. In addition, the knowledge gained from delivery of a highly successful service over a number of years has served the organisation and its members well.

Scotland Excel believe there are potential routes to developing Learning & Development services which are currently being considered within its Learning and Development strategy. This will require further investment but will also offer better services to associate members and therefore provide a competitive advantage.

6 MARKET STRATEGY

In order to consider the market strategy for associate members an analysis of existing and future markets was undertaken.

6.1 Strategic Options

Scotland Excel utilised the Ansoff matrix² to consider the potential directions to take. Diagram X represents the matrix. The tool is a widely utilised specifically when considering market expansion.

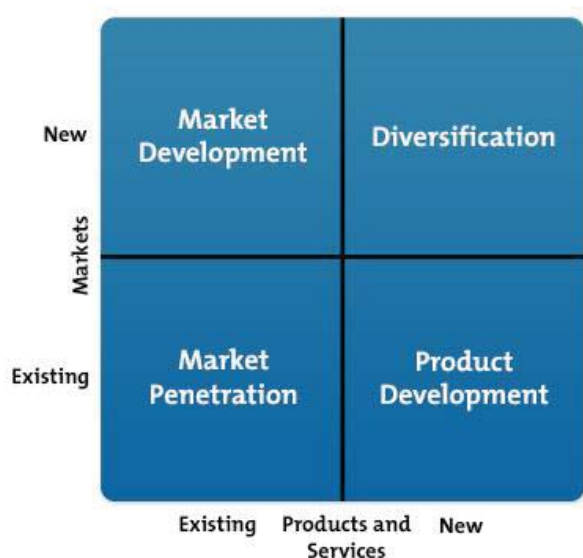


Diagram X

Market Penetration

This quadrant is where an organisation sets out to provide more of its existing services to its existing market.

Scotland Excel believe this is an important quadrant for the wider organisation. Growth of existing services to existing core members is an important part of our strategic direction and is covered within our corporate strategic plan. It is also equally relevant to our associate members.

The organisation has typically regarded its “market” as the wider public sector and made little effort to grow and develop this other than through an opportunistic approach. In addition to this, little effort has been placed on promotion of services to associate members once they join. Members once enrolled have little direct communication with the organisation and receive little support. Extensive work has however been undertaken with the organisational web site to provide a better “self-service” experience for members. A level of account management has also recently been introduced for third tier associate members and is outlined later within this document.

Market penetration may therefore be regarded as a “simpler” option where Scotland Excel seeks to develop its services and relationship with existing members with an aim to improve member retention and explore incremental revenue within this group.

² [Ansoff Matrix](#)

Market Development

This quadrant is where an organisation sets out to provide its existing core services to new customers within a new market

It may be argued that this is the quadrant that associate membership primarily resides. It is another important aspect to the organisations wider ambitions. Figure 1 demonstrated that the majority of associate members are currently arm's length organisations of our core membership.

In this quadrant we explore the division of our wider public sector market into a number of divisions. One example of this may be Housing Associations. At the time of publication there were 5 housing associations registered as associate members. This represents approximately less than 3% of the Scottish market.

Diversification

This quadrant is where an organisation sets out to develop new services and to provide them to new customers in a new market. This is typically the most radical and difficult market expansion for an organisation. With regards to Scotland Excel associate membership, it is felt that sufficient opportunities exist within other quadrants and that this strategic option be considered at a future date.

Product Development

This quadrant is where an organisation sets out to develop new services and provide them to customers within its existing market. Similarly to the diversification quadrant, with regard to associate membership, this strategic direction is less attractive than market development and market penetration. It should however be forefront within the wider organisational strategic direction where new services could potentially support existing members.

6.2 Target Markets

A number of potential markets that may be considered as part of the "market development" approach have been identified. The areas being considered do not encompass all potential areas available but provide enough opportunity for this strategic timeframe.

6.2.1 Housing Associations

The area which has been identified as offering the greatest potential opportunity for Scotland Excel to develop is that of housing associations. There are approximately 170 Registered Social Landlords (RSLs) governed by the Scottish Housing Regulator (SHR). The SHR sets very clear and specific criteria for membership and these guidelines mirror the requirements for Scotland Excel to accept organisations as associate members

There are a number of reasons why this group of organisations fit well with Scotland Excel now and how the organisation can develop to support them going forward as associate members.

Housing Associations are to be subject to procurement legislation, the Public Contracts (Scotland) Regulations, and as part of this the Scottish Government has stated that Housing Associations should undertake procurement assessments as part of the process to embed continuous performance improvement. These changes place a new burden on housing associations many of which have relatively small staff teams for whom the main task is providing and managing social rented housing and may have little if any procurement knowledge or experience.

Scotland Excel is in a unique position in the market place to become the partner of choice to housing associations to support them with the challenges that they face.

Scotland Excel offers:

- Compliant frameworks which enable organisations to easily and quickly access the goods and services they require (whilst recognising existing contract restrictions).
- An organisation which is based in Scotland, supporting the local economy with 70% of suppliers being SMEs.
- Promotes, as fully as possible, community benefits including the Living Wage, modern apprenticeships and training opportunities as part of contract delivery.
- Experience in reviewing organisations and assessing their procurement practices.
- Is a not for profit organisation with no shareholders or private partners.

However, there are specific new services that will need to be developed and offered to support the organisations and make membership an attractive option:

- Support to carry out tenders for specific goods and services which are not and would not be part of the Scotland Excel contract portfolio.
- Access to general procurement capability and policy services.
- A range of training for staff and management committees to allow them to understand procurement requirements and then specific training for staff carrying out procurement processes.
- Access to best practice to staff with technical skills but limited procurement expertise.

6.2.2 Transport Partnerships

Regional transport partnerships (RTPs) were established on 1 December 2005 to strengthen the planning and delivery of regional transport so that it better serves the needs of people and businesses.

RTPs are independent bodies defined in the Transport (Scotland) Act 2005. That legislation bases them on the local government model but they are not local authorities and they are not NDPBs. RTPs are like joint boards, bringing councils together to perform local government functions collectively and strategically over a larger area.

Three of the seven RTPs are existing associate members of Scotland Excel. Further work should be undertaken to engage the remaining four organisations.

6.2.3 Charitable Organisations

There are 24,122 different charities registered with the Scottish Charities Register (OSCR). Scotland Excel has eighteen (38 percent of current Scotland Excel members) that we regard generally as charitable bodies. This includes a wide variety of organisations by nature and scale. Scotland Excel can offer a number of attractive options to a number of these bodies and achieve bilateral benefits. These offerings and requirements are similar to those described above to housing associations in Scotland. The scale and diversity of charities is clearly however different and therefore will require a different approach.

6.2.4 Arm's Length Organisations

In recent years there has been a growing number of Arm's Length Organisations (ALEOs) set up by councils to deliver a range of services previously provided by the local authority. When the first of these were set up many years ago the argument was made that these were part of the council and as such should be given free associate membership of Scotland Excel. However, as the number and use of these has grown the nature of the relationship with the councils has changed and some organisations are almost completely separate from the council. Additionally, there is a growing demand from these organisations to have their own separate communication and engagement from Scotland Excel.

Currently there are 19 ALEOs which represents 41% of associate members. Governing members have questioned at committee on a number of occasions whether this group should continue to receive free membership. This is an area for further debate and consideration for committee members

6.2.5 Integrated Joint Boards

Legislation to implement health and social care integration, passed by the Scottish Parliament in February 2014, came into force on April 1, 2016. This brings together NHS and local council care services under one partnership arrangement for each area. In total 31 local partnerships have been set up across Scotland and they will manage almost £8 billion of health and social care resources.

At present procurement for IJBs has been undertaken through either local government or NHS budgets. Associate membership for IJBs should be discussed if further changes are applied to the IJB landscape.

7 RECOMMENDATIONS AND IMPLEMENTATION OF STRATEGY

This document has sought to consider the strategic direction for associate membership of Scotland Excel. It has considered; current membership, services offered and undertaken a high level competitive analysis. Utilising the Ansoff matrix, the potential strategic market direction has also been investigated.

This section of the strategy will now provide recommendations on the various options that are available.

7.1 Implementation of target markets

Potential markets for associate membership were previously identified in section 6.1.

7.1.1 Housing Associations

Scotland Excel has identified housing associations as the first group to be targeted for growth in associate membership.

A number of actions may be considered:

- Gain an improved understanding of the housing association market and segment to a suitable level. Initial recommendations are to target the top 40 in terms of revenue identified from the information available from the Scottish Housing Regulator.
- Agree a clear fee strategy for membership to allow effective marketing and discussions with organisations.
- Create appropriate marketing material specific to housing associations.
- Identification and provision of appropriate training courses covering an introduction to procurement, procurement legislation and then more specific technical procurement skills.
- Consider the development of an associate member user group to develop existing members, identify sector specific issues / solutions and to market services particularly training and consultancy.
- Consider a housing sector specific membership enrolment process. Rather than committee having to review and approve numerous reports submitted for housing association membership, provide delegated approval to officers to automatically approve if they are already members of the Scottish Housing Regulator.

Scotland Excel has previously worked with Scottish Government and housing associations to undertake a pilot project which investigated the procurement capability of the sector. This project was fully funded by Scottish Government and generated incremental income for Scotland Excel. In addition to the income it also allowed Scotland Excel to understand the market further and demonstrate its suitability as a partner of choice. Throughout this project it was made clear to all parties that no further work could be undertaken without additional funding. Scotland Excel, at the request of Scottish Government, has provided a proposal outlining the implementation of a small team of four people dedicated to the housing sector for 2 years. The team would provide the following:

- Resources to undertake procurement assessments. This would firstly focus on the 40 associations that are developing houses and then the remaining 130 or so over a longer period.
- Support for wider capability development in the sector.
- Support for implementation of procurement policy.
- A more detailed understanding of the spend profile of the sector.
- Undertake appropriate procurement exercises appropriate to the sector.

This proposal brings a number of benefits to our associate member strategy:

- Scotland Excel will gain a unique and detailed view of the housing sector spend profile.
- Promotion of Scotland Excel and benefits of associate membership.
- Increase spend on wider Scotland Excel frameworks hopefully providing further benefits to existing core members.
- Potential ability to create frameworks that will also benefit core members.
- A fully externally funded model.

The proposal has been presented to ministers by Scottish Government and Scotland Excel awaits a decision.

It is recommended that if the proposal is accepted by Scottish Government then this market should be the primary group for associate membership. Other groups may be considered based on resources required and opportunistic membership progressed when received.

7.1.2 Transport Partnerships

The remaining four transport partnerships have been identified. An initial analysis of existing transport partners will be undertaken to quantify benefits and understand which frameworks are currently being utilised. Once this is completed each partnership will be contacted and meetings organised.

7.1.3 Charitable Organisations

Rather than target each of the specific sectors within this market, it is recommended that a more specific product or service offering be communicated to enrol new members. This is more about targeted communication rather than provision of a new product or service.

This approach would be progressed once the work on the primary group (housing associations) is at a more mature stage in its development.

7.1.4 Arm's Length Organisations

The challenges regarding ALEOs was covered previously within this document and is also covered later when discussing fee structures.

The scale of arm's length organisations across the 32 local authorities and wider public sector is unknown and unquantified in general. Further work may be undertaken to add clarity to this landscape.

Limited support is currently provided to the local authority originating ALEOs.

Further work on this market would again be undertaken after the primary group is addressed.

7.1.5 Organisations utilising Scotland Excel frameworks who are not members

Scotland Excel suppliers provide spend data on a quarterly basis. This data lists organisations who spend on frameworks. Suppliers have provided data that indicates spend by organisations who are not fee paying members of Scotland Excel e.g. in the last fiscal year there were over twenty housing associations listed as utilising frameworks yet only five fee paying members.

This associate level data has not been investigated further for accuracy but it is proposed that this is done as part of this strategic implementation.

7.2 Funding and Resources

Scotland Excel believes that all work related to associate membership should be self-funding. This recognises the challenging economic position its core membership currently face and likely to continue to face. Scotland Excel will continue to seek alternative funding options similar to that discussed previously with Scottish Government and housing associations. It should however be recognised that in order to generate greater levels of associate member income resources and funding will be required. The main resource requirement areas are within business generation, account management and marketing. Any requirement for specific framework development would also require procurement resource.

Committee members may consider various funding options including re-investment of additional associate membership fees to generate greater returns or re-allocation of any budgetary surpluses. Scotland Excel recommends the creation of a robust business case for any resourcing and investment within this area whilst adhering to the self-funding principles.

7.3 Associate Membership Fees

Associate membership fees should be considered in a number of ways:

Third tier membership

As previously highlighted, the third tier membership is being reviewed and an alternative clearer method sought.

Reciprocal Agreement

Reciprocal fee waivers are in place for a number of organisations:

- NHS trusts and organisations served by National Shared Services (NSS)
- All higher and further education organisations covered by Advanced Procurement for Universities and Colleges (APUC)
- All Non Departmental Public Bodies (NDPB) supported by Central Government Procurement

Overall this fee waiver will cover over 150 organisations.

In addition to a fee waiver organisations utilising Scotland Excel frameworks may also earn a monetary rebate against their expenditure.

Options open to members include:

- Charging an associate member fee to these organisations and therefore terminating the bilateral fee waiver agreement.
- Retaining fee waiver as it currently stands.
- Retaining fee waiver but Scotland Excel retains any rebates earned by associate members.

It is unclear at this stage what extent local government makes use of framework agreements provided by the above centres of expertise. Understanding this and the potential impact to Scotland Excel core members is key to any future changes to this agreement. Further work is being undertaken in this area to consider the most beneficial route to core members and Scotland Excel.

Arm's Length Organisations

The 19 ALEOs currently registered as associate members pay no fee. This is a historic agreement that argues, as originally part of local government, their fee is covered within Scotland Excel's core requisition. ALEOs currently make extensive use of Scotland Excel frameworks and in one instance receive extensive rebate income from use of the contracts.

Recognising the significant financial challenges that members are facing and potentially also within their ALEOs it is recommended that implementation of any fee should be postponed to a future date. Guidance from members and committee is sought on this approach.

Housing Associations

Scotland Excel is considering a more tailored fee structure for housing associations should this market sector grow to a reasonable scale. A number of ways are currently utilised by other member organisations in this sector and will be reviewed for suitability.

The model that appears to be most accepted and utilised by housing associations is based on number of housing units.

7.4 Service offering

Service offering to associate members may be regarded as a subset of that offered to core members. Further work will be undertaken to understand how these services may be positioned to better reflect the market sector e.g. Housing or charitable bodies.

7.5 Account Management

Scotland Excel recommends an account management approach for associate members which is proportionate to their scale and fee. This will initially be covered by existing account management resource whilst numbers are below an agreed level. This account management will likely be quarterly and seek to be a bilateral meeting providing benefits to both organisations.

7.6 Marketing and Communications

In order to better "sell" associate membership to prospective customers a significant marketing and communications effort will be required. Scotland Excel will review its marketing and communications strategy to consider how this can be achieved. Prior to this a review of current member communications must be undertaken. Resources and investment will provide challenges in this area also.

Appendix 1

Organisation Name
Angus Alive
Church of Scotland Social Care Council
City Building (Glasgow) LLP
Cordia (Services) LLP
Culture Perth & Kinross
CultureNL
East Ayrshire Leisure Trust
Edinburgh Leisure
Fife Cultural Trust
General Teaching Council
Glasgow Life
Hanover (Scotland) Housing Association
Hayfield Support Services with Deaf People
High Life Highland
Highland Reserve Forces and Cadets Association
Inverclyde Leisure
Islay and Jura Community Enterprise Ltd
Jobs & Business Glasgow
Jordanhill School
Kibble Education and Care Centre
Live Borders
Lochalsh and Skye Housing Association
North Area Transport Association
North Ayrshire Leisure Ltd
North East Transport Partnership (NESTRANS)
North Lanarkshire Leisure Ltd
RegenFX
Renfrewshire Association for Mental Health
Renfrewshire Leisure Ltd
River Clyde Homes
Rossie Secure Accommodation Services
Safer Glasgow
SB Cares
Scottish Wildlife Trust
Seamab School
SEEMIS Group LLP
South Lanarkshire Leisure and Culture
Sport Aberdeen
St Roch's Childcare Services
Strathclyde Partnership for Transport
The Firhill Complex
The Royal Zoological Society of Scotland
Transport Scotland
Tron Theatre
Trust Housing Association
Turning Point Scotland
Wheatley Group

Scotland Excel

Sustainable Procurement Strategy

October 2016

Scotland Excel: Sustainable Procurement Strategy

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1 Introduction

Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment¹.

With the goal of achieving social, economic and environmental value from public sector spend Scotland Excel has, particularly over recent years, been a prominent first-adopter and practitioner of sustainable procurement. Our lead in the development of the sustainable procurement Flexible Framework self-assessment tool and our sustainable public procurement training to the public sector exemplify this approach. Our success in implementing sustainable procurement is clearly seen in our National GO Award for Sustainability Initiative of the Year, and the fact that around 70% of suppliers on our contracts are SMEs.

This strategy builds upon current practice and sets out how Scotland Excel will best address recent changes in legislation, implement the new sustainable procurement duty and will further incorporate/embed sustainability into all of its procurement activity.

Scotland Excel is committed to understanding how its procurement activity can contribute to national and local priorities. The Scottish Government's National Outcomes align with those of the United Nations Sustainable Development Goals. The Scottish Government's purpose is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth. Therefore, sustainable public procurement, covering all of Scotland and implemented and supported by Scotland Excel, will help the government achieve its overarching purpose and strategic objectives.

Scotland Excel is permitted under the EU public procurement rules and required under the Procurement Reform (Scotland) Act 2014's ("Act") sustainable procurement duty, to consider before it procures anything, how it can improve the social, environmental and economic well-being of the area in which it operates. There is a particular focus on reducing inequality. Scotland Excel is also required to consider how its procurement processes can facilitate the involvement of SMEs, third sector bodies and supported businesses and how its procurements can be used to promote innovation.

The purpose of this strategy is to set out how Scotland Excel intends to ensure that its regulated procurements (as defined under the Act ²) will be carried out in compliance with

¹ Procuring the Future (Sustainable Procurement Task Force).

² For the purposes of this policy, it is assumed that all of Scotland Excel's procurements are regulated procurements as defined in the Act, namely, any procedure carried out in relation to the award of a proposed contract / framework agreement with an estimated value equal or greater than £2,000,000 for public works contracts / framework agreements and £50,000 for other public contracts / framework agreements (assuming the contract / framework agreement is not an excluded contract / framework agreement).

the sustainable procurement duty. This strategy sets out how Scotland Excel will draft and / or revise its statement in its annual Procurement Strategy setting out its compliance with the sustainable procurement duty. This strategy, together with each year's Procurement Strategy, will detail a robust, achievable approach to sustainable procurement that is relevant and proportionate to the scope of Scotland Excel's procurement activities.

The sustainable procurement duty is roughly divided into three sections. It is sensible for this strategy to follow these sections, which are:

- Economic, Social and Environmental wellbeing
- SMEs, Third Sector Bodies, Supported Businesses
- Promoting Innovation

2 Economic, social and environmental wellbeing

2.1 What does this mean?

Under its sustainable procurement duty, Scotland Excel must, before carrying out a regulated procurement, consider how in conducting the procurement process it can improve the economic, social and environmental wellbeing of Scotland Excel's area and act, when carrying out the procurement, with a view to securing these benefits.

2.2 How Scotland Excel implements this

In general, we will consider how best our procurements can achieve the following:

- economic outcomes, including: optimal availability of suitable and high quality jobs; encouragement of local small businesses; efficient and effective transport links; lifelong learning, training and skills development; and the provision of infrastructure and new information and communication technologies;
- social outcomes, including: encouragement of the voluntary sector; satisfaction of the needs of children and young people (particularly the most vulnerable); and fuller access to education;
- environmental outcomes, including: improving the availability of clean air, clean water, and clean streets; improving the quality and safety of the built environment; protecting communities against the threat of climate change, including flooding; and improving and promoting biodiversity and accessibility to nature.

In particular, to ensure that Scotland Excel identifies and addresses how it can optimise these economic, social and environmental outcomes through its procurement activity (and so satisfy its sustainable procurement duty), it shall positively implement the methodology agreed by the Scottish Government's Public Procurement Reform governance structure.

First, each year in the preparation of its sustainable procurement duty statement in its annual Procurement Strategy (which outlines its proposed approach to sustainable

procurement), Scotland Excel will use the 'Sustainable Public Procurement Prioritisation Tool' ('SPPPT') to identify the best opportunities for sustainable procurement in relation to its anticipated procurement spend over that coming calendar year.

Second, during the development phase of each procurement exercise the 'Sustainability Test' may be used (alone, or using information derived from the SPPPT) to check the anticipated sustainability-related opportunities, outcomes and risks that an individual procurement might involve.

Third, during the development phase of each procurement, or at regular strategy development-related intervals, Scotland Excel may run the 'Life-Cycle Impact Mapping' exercise in order to identify sustainability-related (economic, social, health and environmental) impacts at each stage in the life of the works, products or services to be procured. The outputs of this exercise can then be used to best mitigate the potential for negative impacts, or further develop any positive impacts, in, for example, the design of the: procurement process; contractual performance clauses; or Scotland Excel's contractual management procedures.

Finally, Scotland Excel will continue to use the 'Flexible Framework' self-assessment tool for sustainable procurement to develop action plans, responsibilities and targets, to help it realise its intended sustainability outcomes. Note that in 2013 Scotland Excel was one of the first organisations to reach level 4 of the 'Flexible Framework'.

Some of the ways in which Scotland Excel will specifically promote economic, social and environmental sustainability are:

- Economic sustainability:
 - *Fair working practices*: Use our procurement processes to the full extent permissible to promote fair working practices by our suppliers, in particular, encouraging the payment of the Living Wage and discouraging the use of zero-hours contracts;
 - *Community benefits*: Further embed the provision by suppliers of recruitment and training and other economic community benefits into our future tender opportunities, and encourage current suppliers to provide these;
 - *Unfair commercial practices*: Continue to use and develop our procurement processes to the full extent permissible to discourage the use of unfair commercial practices such as blacklisting, corruption, bribery, fraud and anti-competitive practices;
 - *Local businesses*: Further encourage the participation of local businesses in our tender opportunities, for example, by strengthening our partnership with the Supplier Development programme, supplier / buyer events, training suppliers on our e-procurement platforms and by developing a model for engaging directly with local suppliers in partnership with our members' procurement and economic development teams;

- *Best-value*: Continue to make sure that all our procurement provide the opportunity for our members to achieve best value in their procurements;
- *Education and training*: Ensure that our education related frameworks provide the best products and services for child and adult education;
- Social sustainability:
 - *Ethical procurement*: Continue to design our procurement processes to offer fairly sourced, manufactured and traded products;
 - *Social Care*: Continue to ensure our adult and children care services deliver relevant national policy outcomes;
 - *Community benefits*: Fully embed the provision by suppliers of social-related community Benefits into our future tender opportunities, and encourage current suppliers to provide these;
 - *Our frameworks*: Continue to design our food-related procurement processes to offer healthy food options, such as organic products , and to ensure that all of our frameworks, and in particular our social care, food, hygiene and safety and safety and security frameworks, maximise healthy and safe outcomes;
- Environmental sustainability:
 - *Our frameworks*: Continue to embed in all of our frameworks, in particular, those specifically with environmental-related purposes, implementation of relevant Government environmental-related strategies (e.g. reduction of environmental impacts, waste, recycling and climate change) and, so, support, our members' compliance with legislation, climate change targets and efforts to recover value from waste;
 - *Community benefits*: Fully embed the provision by suppliers of environmental-related community Benefits into our future tender opportunities, and encourage current suppliers to provide these;

3 SMEs, Third Sector Bodies, Supported Businesses

3.1 What does this mean?

Under its sustainable procurement duty, Scotland Excel must, before carrying out a regulated procurement, consider how in conducting the procurement process it can facilitate the involvement of: SMEs; third sector bodies; and supported businesses in the relevant procurement process. This is particularly important for micro-businesses which constitute the majority of businesses in Scotland.

In brief, this means keeping the costs associated with submitting a tender as low as possible, and removing barriers to participation, in order to encourage the participation of small firms (including the self-employed), third sector bodies and supported businesses.

3.2 How Scotland Excel implements this

Scotland Excel already addresses the well-documented concerns regarding the participation of SMEs, Third Sector Bodies and Supported Businesses in its procurement processes, namely, transparency, simplicity of processes and facilitating access. A key driver of the sustainable procurement duty is to increase the transparency of procurement activity to economic operators and simplicity is the key to help facilitate access to public contracts.

Transparency

Scotland Excel already carries out a number of requirements that complement the sustainable procurement duty's aims of increased transparency, with the aim of assisting businesses to assess current spend areas, organisational priorities and potential future contract opportunities:

- Full use of Public Contracts Scotland ('PCS') to provide fully transparent tendering and award procedures;
- Using the Contracts Register on the Scotland Excel website to provide information on the scale and nature of procurement by a contracting authority (enabling the market to identify opportunities); and
- Fully debriefing of unsuccessful candidates and tenderers to help them understand in detail the relative strengths and weaknesses of their bids to provide them with a focus for developing their business.

Scotland Excel will continue to provide its transparency enhancing activities outlined above. In addition,

- Its annual procurement strategy will set out how it intends to conduct its procurements and its annual procurement report will set out the scale and nature of its previous year's procurements, both of which will enable the market to identify further opportunities; and
- Scotland Excel foresees that it will continue to develop and enhance its debriefing of unsuccessful candidates and tenderers to assist them in future tenders.

Simplicity

Scotland Excel currently aims to make the process of accessing its procurements by candidates and tenderers as simple as possible. For example, it strives to ensure that its selection and award stages are designed in as simple and as clear a manner as possible, and fully and clearly explained to candidates and tenderers via PCS, the procurement documents and tenderer information sessions. Further, we make no charges for participation in our procurement processes and have no intention to do so.

Scotland Excel will build upon its current systems to make the process of accessing its procurements by candidates and tenderers as simple and straightforward as possible. Furthermore, it will consider whether other models of procurement might suit its

procurement categories, for example, consider substituting the procurement of framework agreements with the procurement and use of the dynamic purchasing model.

Access

Scotland Excel currently strives to ensure maximum access to its procurements by SMEs, third sector bodies and supported businesses in the following ways:

- Using only selection conditions and requirements, award criteria and conditions of contract that are proportionate to the framework agreement being procured;
- Undertaking significant preliminary market consultations to ensure that the market is aware of Scotland Excel's requirements and procurement plans;
- Dividing framework agreement requirements into lots to permit access from smaller businesses;
- Flexibly procuring our social care framework agreements to the extent permitted by the procurement rules; and
- Encouraging its suppliers, via community benefit tender commitments or otherwise, to consider: using SME, third sector and supported business sub-contractors to fulfil the contract requirements; and providing / facilitating development activities within its supply chain.

In addition to its current access enhancing activities outlined above, Scotland Excel foresees that it will further develop the access of SMEs, third sector bodies and supported businesses to its procurements and plans to:

- take full advantage of the new public procurement rules to help participation of these organisations, such as: limited financial capacity no longer being a bar on being selected to tender; only asking relevant and proportionate questions and requiring the satisfaction of proportionate minimum conditions and requirements in the new ESPD (Scotland); and, limiting the qualification-related evidence required by bidders to the minimum necessary;
- take steps to encourage the participation of consortiums involving SMEs, third sector bodies and supported businesses;
- consider whether it is appropriate for certain framework agreements, or lots thereunder, to reserve participation, or certain contracts, to supported businesses;
- consider ways to further encourage its suppliers (e.g. legally enforceable community benefit contract commitments, or softer means) to consider: using SME, third sector and supported business sub-contractors to fulfil the contract requirements; and providing / facilitating development activities within its supply chain;
- consider how the flexible procurement regime for health and social care might encourage SME, third sector and supported business bidder, for example, by reducing for them any administrative burden barriers to participation; and

- continue to encourage participation by local companies in Scotland Excel's tender opportunities. For example, Scotland Excel will: continue to host supplier events and train suppliers on our e-procurement platforms; continue to strengthen our partnership with the Supplier Development Programme; engage with industry bodies, such as the Federation of Small Businesses and Chambers of Commerce, all to identify opportunities to improve access for SMEs.

4 Promoting innovation

4.1 What does this mean?

Under its sustainable procurement duty, Scotland Excel must, before carrying out a regulated procurement, consider how in conducting the procurement process it can promote innovation. This means Scotland Excel can influence the market towards innovative solutions. This might involve: innovation in the design and delivery of public services; the procurement of innovative goods and services; and innovative procurement processes and models.

4.2 How Scotland Excel Implements this

Not only do a number of Scotland Excel's framework agreements facilitate the purchase of innovative technologies by our members, but Scotland Excel has driven: the procurement of innovative goods and services; and, innovative procurement processes and models.

In relation to the former, Scotland Excel implements government policies through its procurements and thus drive demand for, and the development of, new goods / services available to our members. For example, the provision of a recycled furniture lot in our recent Domestic Furniture and Furnishings procurement process was driven by the government 'circular economy' policy. The desire for such a lot was only developed at the instigation of Scotland Excel via our preliminary market consultations.

In relation to the latter, Scotland has been at the forefront of developing novel ways to encourage its suppliers to pay at or above the living wage and provide economic, social and environmental community benefits to their wider community. Furthermore, we have helped establish and embed the development of e-procurement and the use of e-catalogues and e-invoicing through our frameworks.

Scotland Excel will continue to proactively monitor the legislative, policy, commercial and market place backgrounds in order to identify opportunities through which it can develop, or encourage its members or suppliers to develop new: ways to deliver public services; goods and services; and procurement processes and models, and contractual models.

Scotland Excel, in a spirit of continuous improvement, will also further build knowledge and understanding through collaboratively engaging with Scottish Government and Zero Waste Scotland, and by further developing relationships, it will actively participate in the development of new learning initiatives with other sectors including higher education.

5 Supporting our members

Scotland Excel actively promotes the sustainable “whole organisation” approach to procurement starting at the very beginning of the procurement process when customers (local authorities) begin to consider their contract requirements.

In line with this approach Scotland Excel are also committed to taking a lead role in the delivery of sustainable procurement through being an advocate of best practices, facilitating sharing knowledge and support, and building capacity and capability within local authorities across Scotland.

Where required, Scotland Excel will support its members with duties arising from the new procurement rules applicable in Scotland. We will work with partners and members to ensure that tools and guidance to support sustainable procurement are developed and used to maximise social, economic and environmental benefits.

6 Summary, Key Principles and Outcomes

Scotland Excel is totally committed to the on-going development of, and delivering, this Sustainable Procurement Strategy. As the Centre of Procurement Expertise for Local Authorities it is appropriate and suitable that Scotland Excel aims to be at the forefront of best practice.

For Scotland Excel, procuring responsibly and sustainably means adhering to our sustainability principles:

- We will deliver best value collaborative contracts which fully incorporate sustainability considerations and support the delivery of best practice sustainable procurement;
- We will ensure that the procurement decisions we take are full informed to so that resulting courses of action have the minimum possible impact on the environment, both now and in the future. We aim to increase knowledge and skills to evaluate and respond to conflicting demands;
- We will continue to further embed ethical and social issues into the procurement process including the Living Wage and Community Benefits, and will be proactive in addressing issues of broader human rights within the supply chain;
- We will demonstrate the highest possible professional standards, which we will underpin by providing effective training, development and support to all staff involved in the procurement process. We will fully meet the requirements of the Chartered Institute of Purchasing and Supply (CIPS) Code of Ethics;
- We will engage with suppliers across all the markets in which we work and simplify our processes wherever possible, helping to better equip them to compete for public sector business. We will work in partnership with suppliers to drive sustainability benefits from contracts;

- We will share expertise, best practice and engage with internal and external stakeholders to promote approaches to sustainable procurement. We will monitor our progress and publish outputs; and
- We will keep abreast of developments and take an innovative approach to sustainable procurement, ensuring that our decisions are based on prevailing best practice.

Successful implementation of this strategy will be demonstrated by delivery of the following outcomes:

- Procurements with potential for high sustainability impacts clearly identified and appropriate mitigation plans and actions determined;
- Specifications include sustainability considerations (including whole life costing) ;
- Terms and Conditions upgraded to include appropriate sustainability and corporate social responsibility provisions.
- Sustainability within the Evaluation Criteria appropriately weighted;
- Improved transparency of Contractors position regarding Workforce matters (in particular payment of the Living Wage;)
- Increased Number of Contractors paying the Living Wage;
- Reduced Number of Contractors using zero hours contracts;
- Provision of Community Benefits will be maximised;
- Improved assurance that goods on Scotland Excel Frameworks are ethically sourced;
- Raised production and process standards;
- Waste and environmental impacts will be minimised;
- Increased participation from small and medium sized local businesses, supported businesses and the third sector; and
- Higher consumption of healthy and nutritious food.

7 Change Control

Amendments to this document can only be authorised by the Author and in accordance with approved processes and procedures.

The electronic version of this document held by the Custodian is the only true version – all printed copies are uncontrolled.

8 Document history and version control

Document Title	Sustainable Procurement Strategy.
Document File Name	Sustainable Procurement Strategy draft v0.3
Revision No.	Draft v0.3
Author (Business Owner)	Procurement Coordinator (Policy) (Procurement Development Manager).