

**Scotland Excel**

**To: Chief Executive Officers Management Group**

**On: 8<sup>th</sup> November 2023**

**Report by:  
Chief Executive of Scotland Excel**

**Scottish Government Management Charge on National Collaborative  
Frameworks/Contracts from 2023/2024**

**1. Introduction**

- 1.1. As presented and discussed at the CEOMG meeting of 9<sup>th</sup> August, the Scottish Procurement and Property Directorate (SPPD) has taken the decision to introduce a Management Charge applicable to selected National Collaborative Frameworks/Contracts from 2023/2024.
- 1.2. The Director of Procurement and Property wrote to all Heads of Procurement on 26 June 2023 to highlight the rationale to support this decision.

**2. Consideration**

- 2.1. SPPD's letter raise two specific concerns for Scotland Excel. The fact that SPPD:
  - has taken the decision to introduce a management charge without any detailed discussion with stakeholders across the sectors; and
  - has referred to growing the SP portfolio, again without any detail of what this could mean and whether this might conflict with and/or cut across work already going on within the local authority sector.
- 2.2. In light of SPPD's decision and Scotland Excel concerns, Scotland Excel was instructed by the CEOMG to garner the views of COSLA on this matter prior to any formal reply being issued to SPPD.
- 2.3. To inform this matter further and by way of illustration this paper considers the existing arrangements that are already available to Scotland Excel and its council members. This could lead to the possible withdrawal from the relevant SPPD frameworks in favour of Scotland Excel developing new arrangements for local authorities, or working in partnership with other framework providers to service the Scottish local government sector. This would result in the spend from councils being better recognised and the resulting income generated

from a management charge being utilised for the sector. Or, having done this work, this could be used as potential leverage for any subsequent discussion with SPPD.

### **3. Communication and Consultation**

- 3.1. Prior to SPPD's announcement on 26 June 2023 there had been little detailed communication at a national level on this matter, as such there was limited opportunity for stakeholder feedback in advance of this decision being taken.
- 3.2. Further information was presented by SPPD at the meeting of 12 September 2023 at which both COSLA and Scotland Excel were present. The meeting concluded with SPPD holding its position on sole retention of the management charge income and a commitment to revisit SPPD's proposal with the Minister.

### **4. Impact**

- 4.1. The local government sector contributes *circa.* 50% of the total spend across the totality of the SPPD's National Framework portfolio. Based on the data available from the existing frameworks SPPD has identified for management charging, the proposed income would result in income of:
  - *circa.* £780k per annum at 0.2% and *circa.* £3.45m at 1% being retained by Scottish Government; and
  - if SPPD continued this approach and extended this to all national frameworks (which has been identified as a possibility) this could potentially rise to *circa.* £1m at 0.2% and *circa.* £5m at 1%.
- 4.2. As SPPD recognises, all sectors including local government continue to experience budgetary pressures. However, SPPD fails to recognise that the local authority sector, in particular, generate significant spend on the frameworks in question and therefore a strong argument is justified that the sector should benefit from any proposed management charge linked to these arrangements.
- 4.3. The communication from SPPD also states that, as revenue is generated over time, they will look to grow their national portfolio offer to the Scottish public sector by developing new, value-added services, as well as extending their current portfolio of national agreements. However, the demand and market for this is unclear.
- 4.4. There is the potential for SPPD to cut across work which is already in development at Scotland Excel, creating a duplication of effort. It is not clear

what benefit any extension of SPPD activity would bring to the local government sector.

- 4.5. Feedback from many local government senior groups, including SOLACE, indicates that Scotland Excel is not alone in its discomfort about the introduction of the management charge and the possibility that SPPD will look to grow its portfolio. In particular where SPPD is looking to potentially grow their national framework portfolio into areas where Scotland Excel is already investing significant resource into meeting local authority demand.
- 4.6. Scotland Excel is also aware that other sectoral leads such as APUC (Advanced Procurement for Universities and Colleges) have written to SPPD to voice concern over the introduction of this charge.
- 4.7. It is the view of Scotland Excel that the issue of management charging and the potential growth of SPPD's portfolio should be further challenged and the subject of a deeper discussion at senior level before SPPD's direction of travel is taken any further.

## **5. Working in partnership: Crown Commercial Services (CCS)**

- 5.1 A commercial partnership agreement already exists between CCS and Scotland Excel to call off from the CCS Vehicle framework. This allows vehicle purchasing for Scotland Excel's customer base - councils and associate members on preferred terms.
- 5.2. This agreement also provides Scotland Excel with a [modest] income-share based on spend via CCS's vehicle framework. CCS and Scotland Excel have agreed a baseline of the total spend per financial year for Scotland Excel's customer base and income is received when spend goes beyond that point.
- 5.3. This agreement, which has been in place for a number of years now, is working well and acknowledges *"that partnering makes sense in situations where CCS and partners can achieve greater value for money (VFM) for the taxpayer by working together than any party could achieve working alone. The aim is to make optimum use of the parties' combined capability and resources; to improve public sector leverage and supplier management by reducing duplicate procurements in the interests of VFM and improved commercial outcomes for the public sector."*
- 5.4. Scotland Excel and CCS are keen to develop this strategic partnership model further and explore the current commercial agreement for use in other commodities where appropriate.
- 5.5. An initial desktop exercise was undertaken using councils' spend data from the latest financial year recorded on Spikes Cavell within the categories of Civil Engineering, Desktop Client Services, Electricity/Gas, General Office Supplies, Liquid Fuels and Water/Waste Water. This indicated that, based on Scotland Excel working in partnership with CCS and attaining an average of

the levy share currently applied to related CCS frameworks, an income value ranging from c.£1m to c. £2m could be generated (where spend patterns continued in the same way as 2022/2023). This is a conservative figure and is based on various high-level assumptions which would need to be investigated further to confirm the figures.

## **6. Options**

- 6.1. Scotland Excel has been instructed by the CEOMG to explore options to ensure that the proposed arrangements by SPPD deliver best value for local government:

Options may include:

Option 1: Accept the charge as proposed. This would set a precedent and may be difficult to claw back any ground lost once the principle has been established.

Option 2: Agree to the management charge but on the express condition that as local government is the significant user of the contracts/frameworks that they should receive a share of the income generated.

Option 3: Identify alternative collaborative solutions and partners that provide a percentage of the income generated (e.g., Crown Commercial Services).

Option 4: Scotland Excel to identify its own existing or new collaborative framework opportunities that would deliver optimum value for money for the local government sector. While at the same time providing income generation for the spend it commits.

Option 5: Hybrid of options 3 and 4.

## **7. Next Steps**

- 7.1 Once direction has been shared by the CEOMG on the options outlined, further work would need to be undertaken before responding to SPPD's intended approach to the management charge. This would extend to identifying collaborations with any new or existing partners; and to quantify the scale of the work and resources required for Scotland Excel to undertake any existing or new framework arrangements.

- 7.2 Once feedback has been received from SPPD's discussion with the Minister this will be shared with the CEOMG.
- 7.3 A further discussion with COSLA will be arranged to ensure they have all the information required for any political discussions.