



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%