

EAST AYRSHIRE COUNCIL

CABINET – 26th MARCH 2008

ADOPTION OF SCOTLAND EXCEL COLLABORATIVE PROPOSAL

Report by Depute Chief Executive/Executive Director of Corporate Support

1. PURPOSE OF REPORT

- 1.1 To apprise Cabinet of the ongoing developments in the National Procurement agenda and to seek approval to join Scotland Excel for an initial 3-year period to assist the Council in delivering procurement savings and to meet the requirements of the McClelland Report on Public Sector Procurement and the National Policy Framework.
- 1.2 To highlight the benefits and risks associated with becoming a member of **Scotland Excel** and to make recommendations to Cabinet on the Council's commitment and sign-up to the collaborative project.

2. BACKGROUND

- 2.1 Prior to its formal constitution in 1996, East Ayrshire Council along with all the unitary authorities that were to replace Strathclyde Regional Council, founded by Joint Committee the **Authorities Buying Consortium (ABC)** that would act as the Collaborative Procurement Function for the twelve west of Scotland Councils and other authorities such as police and fire.
- 2.2 The current arrangements for procuring contracts is that ABC provide mainly common "supply" contracts (e.g. utilities, office supplies and equipment, office and school furniture and general supplies to education establishments and other common commodities), usually by way of Framework Agreements (call-off contracts), with Local Corporate Teams procuring largely "service" and specific "supply" contracts and Technical Services and Roads procuring construction and highway "works" contracts. The local Corporate Procurement Teams in the three Ayrshire Councils routinely collaborate where there is a common local requirement and opportunity.
- 2.3 On behalf of the Scottish Executive, John McClelland completed a review of Public Procurement in Scotland in the Spring of 2006 and amongst the many improvement recommendations was the creation of Centres of Procurement Expertise, both Nationally across the Public Sector and Sectorally for Local Authorities, NHS, Universities & Colleges etc. The main plank of the recommendations was to secure substantial and ongoing financial savings primarily through the use of Nationally-procured contracts and frameworks.
- 2.4 To this end a **National Procurement Centre of Expertise (NPCoE)**, now known as **Procurement Scotland (PS)**, has been established within the Scottish Government Procurement Directorate, which is responsible for procuring all the cross-public sector National Contracts for the range of commodities and services known as Cat A (attached as Appendix A to this report).

- 2.5 At the sectoral level, East Ayrshire Council was a sponsor of the successful bid to have ABC resources and functions incorporated into Scotland Excel (SE), who would be responsible for procuring collaborative contracts on behalf of the 32 Local Authorities for commodities and services known as Cat B (attached as Appendix B to this report). The original Scotland Excel bid was submitted on 31st March 2006 and was supported by 21 partner organisations including the existing 12 ABC Member Councils, the 4 ABC Associate Member Councils, the Highland Council, Dumfries and Galloway Council, Strathclyde Police and Strathclyde Fire and Rescue Services.
- 2.6 ABC is to be wound-up on 31st March 2008 and be reconstituted as Scotland Excel.
- 2.7 The proposed structure of Procurement Scotland and Scotland Excel is shown as listed in Appendix C.

3. THE PROPOSAL

- 3.1 The Director of Scotland Excel produced a costed Business Case and further work is ongoing by the consultant (Spikes Cavell) appointed and funded by the Scottish Government to undertake categorising and reporting on spend by supplier/commodity using the IT tool now known as the "Observatory".
- 3.2 The business case projected financial savings across the 32 councils of circa £5M in 2008/09, £19M in 2009/10 and £30M in 2010/11 with savings to East Ayrshire Council of circa £790,000 over the same period. However, after consultations with Legal, Procurement, Finance, Technical Services and Roads & Transportation a view was reached that the projected level of savings were not realistically achievable in the case of East Ayrshire Council. This is partly due to the age of the source data (2005/6), partly due the assumptions made on procurement maturity and partly due to the fact that the council has medium-term contracts already in place, which for contractual reasons will take precedence over any new national contracts. Only when the council has completed the implementation of its electronic purchasing system PECOS along with the establishment of the Central Purchasing Unit will robust detailed financial information be available and improved controls be in place to monitor, control and manage spend.
- 3.3 According to the Business Case, the cost to the council for the first three years of participating in Scotland Excel is £80,736 in 2008/09, £82,890 in 2009/10 and £84,995 in 2010/11. These figures represent an increase of approximately 100% of the current East Ayrshire Council contribution rate.
- 3.4 Scotland Excel is seeking commitment for the first three years (April 2008 – March 2011), during which time the arrangement would be regularly reviewed for satisfactory performance. It is noted that a full years Notice is required to withdraw from the arrangement.

- 3.5 Scotland Excel is actively promoted by the Scottish Government and at its inaugural annual conference on 28th November 2007 in Edinburgh the key note speech was delivered by Ruth Parsons, Head of the Scottish Government's Public Service Reform and Efficiency Group. Within the speech Ruth Parsons stated "*There are clear benefits to working collaboratively at sectoral and national levels. The Scottish Government's expectation is that all local authorities will engage positively with the Centres of Expertise.*"
- 3.6 It is intended that Scotland Excel will procure common commodities and services on behalf of the 32 Scottish councils with the current list attached as Appendix B, which also shows details of the potential financial savings as identified by Scotland Excel. In terms of the proposed minute of agreement which the Council would be expected to sign there is effectively an obligation on member authorities to use the product range and services procured by Scotland Excel. The exception to this is when any particular product or service is not available or when use of same would not represent best value. With reference to these provisions, member authorities may be called upon to provide reasons for making any alternative contractual arrangements.
- 3.7 Scotland Excel would also be responsible for acting as a conduit between the councils and Procurement Scotland ensuring that councils' interests are reflected in the procurement of Cat A commodities and services.
- 3.8 Scotland Excel's Head Office is to be located at Anchor One, Lonend in Paisley from 9th February 2008. Three other "regional" offices are to be located in Inverness, Aberdeen and Edinburgh.
- 3.9 As at 17th March 2008, 20 councils have formally agreed to join Scotland Excel, 7 others (including East Ayrshire Council) are seeking Council approval during March 2008 and 5 councils are still considering their position. The five councils are:-
- Falkirk Council
 - Stirling Council
 - Clackmannanshire Council
 - Orkney Islands Council
 - Shetlands Islands Council

4. ADVANTAGES

- 4.1 Membership of Scotland Excel would address the council's commitment to improved collaborative procurement, as recommended by McClelland and would be in compliance with the National Policy Framework where "procurement" has been identified as a principle driver and facilitator to deliver the required and ongoing financial savings.
- 4.2 In tandem with the implementation of the Central Purchasing Unit and the roll out of the PECOS e-purchasing system, membership of Scotland Excel may improve the amount of on-contract spend.

- 4.3 The contracts and frameworks procured on our behalf by Scotland Excel may bring some financial savings in the longer term.
- 4.4 Scotland Excel is likely to offer a forum, along with Procurement Scotland and the Council's Corporate Procurement Team, where best practice can be shared between the 32 councils and the public sector in general.
- 4.5 Scotland Excel would act as a hub for the vast majority of the 32 councils and would represent councils' interests at the Procurement Scotland Cat A Forums.
- 4.6 Scotland Excel would also coordinate and provide CIPS/CIPFA training, although this is to be charged as an extra to the annual fee.

5. RISKS

- 5.1 The business case is based upon all 32 councils signing up to the national contracts and paying their contributions. Should not all Councils join Scotland Excel, there would be a funding gap that the participating councils would have to fund, or alternatively Scotland Excel would require to review its structure.
- 5.2 Should Scotland Excel fail to attract the calibre of procurement staff, which is acknowledged to be at a premium, there is a danger that it would be unable to deliver the programme and the anticipated financial savings.
- 5.3 Should Scotland Excel opt to seek winner-take-all National Contracts for all commodities, local **S**mall **M**edium-sized **E**nterprises (SME) will not be able to compete for council business and those who currently do supply goods and services would lose that revenue stream.
- 5.4 Should Scotland Excel continue the ABC practice of appointing multiple suppliers/service providers on Frameworks, it could undermine the purpose of the project. The number of suppliers/service providers to be included in Frameworks requires to be restricted in order that supplier adoption into e-Purchasing systems can be kept manageable and to avoid confusing the market place over levels of anticipated business and hence not securing lowest prices.
- 5.5 Whilst the financial savings to the council as projected by Scotland Excel are largely discounted, there is also a danger that some future contracts may result in increased costs to the council, particularly where local SMEs lose business due to contract packaging.
- 5.6 With both Procurement Scotland and Scotland Excel setting up User Group Forums for all of the Cat A & B commodities there is a danger that the council's specific requirements will not be reflected in all specifications or terms of contract, as the council does not have the resources to ensure attendance at all of the forums. Furthermore, even when the council is represented at User Group Forums it is possible that the council's specific requirements will be compromised in some way in order to reach a consensus on procurement commodity strategies, although this is a common outcome of any collaboration.

- 5.7 Should the current practices of ABC in relation to the dissemination of information and documentation not substantially improve, the usefulness of the Frameworks and Contracts to the Central Purchasing Unit and Buyers could potentially be compromised.
- 5.8 The terms for terminating the Agreement are that Member Authorities shall require to give at least one years written notice of their intention to withdraw from Scotland Excel with the said notice period to commence on 1 April following its receipt by the Clerk with the date of expiry of a notice of withdrawal being 31 March of the following year. This means that a review would require to be completed not later than March 2010 should the Council wish to terminate the Agreement after the initial three year term.

6 PERSONNEL/FINANCIAL IMPLICATIONS

- 6.1 There is no direct personnel implications from this proposal.
- 6.2 The replacement of ABC with Scotland Excel includes additional posts within the organisation and this is reflected in the increase of annual contributions to Scotland Excel.

7 LEGAL/POLICY IMPLICATIONS

- 7.1 There are no legal or policy implications arising directly from the contents of this report.
- 7.2 Councillor Hugh Ross would continue to represent the Council on the Scotland Excel Joint Board.

8 CONCLUSIONS

- 8.1 Membership of Scotland Excel would assist the Council in meeting the requirements of the McClelland recommendations and in conjunction with the Corporate Procurement Team would help promote best procurement practice within the Council. It will also enable the Council to realise some financial savings through collaboration, with other time saving benefits also likely to accrue.
- 8.2 Whilst recognising the identified risks involved and taking the project as a whole, membership of Scotland Excel would demonstrate the council's ongoing commitment to collaborative procurement and the National Policy Framework, whilst allowing the interests of the Council and our SMEs to be represented in the project.
- 8.3 Council officers will lobby within the Scottish Local Government Procurement Forum, SE and Procurement Scotland for smaller geographical contract "lots", where local SMEs have an interest in providing the service/commodity in order to offer opportunities for SMEs to compete for Council business.

- 8.4 The sign-up to nationally procured individual contracts and frameworks will be reviewed on the basis of best-value to East Ayrshire Council and to reserve the right to seek alternative provision where National arrangements do not deliver best value.
- 8.5 In order to protect the Council's interests, technical officers will require to be encouraged to participate in as many as the Commodity Forums as possible, where officers have the relevant expertise. Work will be required to ensure that the Council's interests are reflected in Scotland Excel's Contracts/Frameworks and contract information is made fully available to Corporate Procurement and buyers across the departments
- 8.6 Scotland Excel performance will be closely monitor by way of a standing agenda item on the Procurement Working Group.

9 RECOMMENDATIONS

- 9.1 It is therefore recommended that Cabinet:-
- (i) considers the terms of the Scotland Excel proposal seeking the Council's commitment to participate;
 - (ii) notes the advantages and risks associated with participation;
 - (iii) agrees to formally join the Scotland Excel Consortium for an initial three year period;
 - (iv) recommend to Council to nominate Councillor Hugh Ross as the Council's representative to the Scotland Excel Joint Board; and
 - (v) otherwise, notes the contents of this report.

Elizabeth Morton
Depute Chief Executive/Executive Director of Corporate Support

14th March, 2008

LIST OF BACKGROUND PAPERS

- (1) Scotland Excel's Final Model Report.

Members wishing further information should contact David Mitchell, Head of Legal, Procurement & Regulatory Services on Extension 6061

CROSS SECTORAL NATIONAL CONTRACTS – WAVE 1 (To Be Procured by NPCoE)

NPCoE is initially focussing on the defined in-scope Category A areas - wave 1 for the following commodities and services.

- **Corporate Services**
- **IT Hardware**
- **IT Software**
- **Office Equipment**
- **Professional Services**
- **Telecoms**
- **Utilities**

CAT B COMMODITIES & SERVICES (To be Procured by Scotland Excel)

EAST AYRSHIRE COUNCIL SPEND AND SAVINGS ANALYSIS - PROPOSED BY SCOTLAND EXCEL					
Proclass Level 3	Trade Classification (Thomson)	CATEGORY B EXPENDITURE		SAVINGS	
		Influencible Spend	Influencible Through Collaboration %age	Savings % age	Savings
Construction - Buildings	Builders	4,311,836	50	3.0	64,678
Construction - Roads	Civil Engineers	4,454,104	50	3.0	66,812
	Road Surfacing Contractors	1,323,472	50	3.0	19,852
Social Care - Adult Services	Nursing Homes	6,312,461	70	2.0	88,374
	Residential Care Homes	3,736,606	70	2.0	52,312
Social Care Supplies - Equipment	Stairlifts - Mnfrs & Installers	227,803	70	3.0	4,784
Consultancy - Construction	Construction Management	0	50	2.0	0
	Engineers - Consulting	351,333	50	2.0	3,513
	Architects	72,450	50	2.0	724
	Building Consultants	9,385	50	2.0	94
Financial Services - NEC	Leasing Services	667,319	50	2.0	6,673
Financial - Insurance	Insurance - Other	3,425,921	50	3.0	51,389
Utilities - Electricity	Electricity Companies	2,761,738	90	3.7	91,966
Utilities - Gas	Gas Companies	144,863	90	3.7	4,824
Utilities - Heating Oil	Oil Fuel Distributors	1,090,498	50	3.0	16,357
Vehicles - Commercial	Car Dealers	227,056	80	5.0	9,082
	Commercial Vehicle Mnfrs	299,639	80	5.0	11,986
	Commercial Vehicle Dealers	91,198	80	5.0	3,648
	Car Mnfrs	0	80	5.0	0
Vehicles - Fuel	Fuel Dealers	60,506	90	1.5	817
	Petroleum Products - Mnfrs	3,412	90	1.5	46
Vehicles - Heavy Construction Equipment	Plant & Machinery Hire & Leasing	826,543	60	4.3	21,325
	Plant & Machinery Dealers	111,499	60	4.3	2,877
	Machinery - Industrial & Commercial	6,371	60	4.3	164
	Lifting Equipment	132,124	60	4.3	3,409
	Plant & Machinery Mnfrs	0	60	4.3	0
	Road Construction Equipment Mnfrs	0	60	4.3	0

APPENDIX B (2 of 4)

CAT B COMMODITIES & SERVICES (To be Procured by Scotland Excel)

EAST AYRSHIRE COUNCIL SPEND AND SAVINGS ANALYSIS - PROPOSED BY SCOTLAND EXCEL					
		CATEGORY B EXPENDITURE		SAVINGS	
Vehicles - Leasing	Car & Truck Leasing & Contract Hire	459,687	70	2.0	6,436
	Van & Truck Hire	385,450	70	2.0	5,396
	Mini Buses - Hire & Leasing	0	70	2.0	0
	Car Rental	53,077	70	2.0	743
Vehicles - Maintenance	Commercial Vehicle Servicing, Repairs, Parts & Accessories	49,405	70	2.0	692
	Commercial Vehicle Bodybuilders & Repairers	16,084	70	2.0	225
	Garage Services	282,822	70	2.0	3,960
Vehicles - Parts	Tyre Dealers	87,297	70	5.0	3,055
Const Materials - General Materials	Builders' Merchants	355,554	70	3.0	7,467
Const Materials - Electrical	Electrical Wholesalers	540,911	50	3.7	10,007
	Lighting Mnfrs	73,382	50	3.7	1,358
	Lighting Wholesalers	9,920	50	3.7	184
Const Materials - Plumbing	Plumbers' Merchants	659,335	50	3.7	12,198
Const Materials - Timber	Timber Merchants, Importers & Agents	153,766	50	3.7	2,845
Const Materials - Machine & Hand Tools	Machine Tools - Mnfrs & Distributors	0	50	3.0	0
	Tool Merchants	54,890	50	3.0	823
Const Materials - Signage	Signs & Nameplates	215,439	50	2.0	2,154
Facilities Mgmt - Travel	Hotels	743,715	60	2.5	11,156
	Guest Houses	0	60	1.0	0
	Tourist Information	75,457	60	1.0	453
	Railways	0	60	2.0	0
	Travel Agents & Holiday Companies	109,116	60	2.0	1,309
	Tour Operators	59,412	60	2.0	713
Facilities Mgmt - Security	Security Services	841,976	50	1.0	4,210
	Security Equipment Installers	107,361	50	1.0	537
Facilities Mgmt - Advertising	Advertising - Agencies	498,909	50	3.0	7,484
	Advertising - Outdoor	15,497	50	3.0	232
	Advertising Services	2,399	50	3.0	36
Transport - Fleet Management	Vehicle Fleet Management Consultants	0	50	3.0	0
Waste Management - Waste Disposal	Waste Disposal Services	2,688,342	70	2.5	47,046

CAT B COMMODITIES & SERVICES (To be Procured by Scotland Excel)

EAST AYRSHIRE COUNCIL SPEND AND SAVINGS ANALYSIS - PROPOSED BY SCOTLAND EXCEL					
		CATEGORY B EXPENDITURE		SAVINGS	
Waste Management - Equipment	Container Mnfrs	765,206	70	4.0	21,426
	Refuse Compactors	0	70	4.0	0
	Waste Processing Machinery	302,954	70	4.0	8,483
	Plastic Products - Mnfrs	118,856	70	4.0	3,328
Catering - Food & Beverages	Catering Food & Drink Suppliers	515,800	60	2.3	7,118
	Cash & Carry Wholesalers	204,147	60	2.3	2,817
	Dairies	170,973	60	2.3	2,359
	Fruit & Vegetables - Wholesale	190,866	60	2.3	2,634
	Meat - Wholesale	143,654	60	2.3	1,982
	Food Products - Mnfrs	76,079	60	2.3	1,050
	Soft Drinks - Mnfrs	23,187	60	2.3	320
	Greengrocers & Fruit Sellers	0	60	2.3	0
	Butchers	53,110	60	2.3	733
	Supermarkets	13,000	60	2.3	179
	Bakery & Confectionery Supplies	59,749	60	2.3	825
	Frozen Foods - Wholesale	0	60	2.3	0
	Fish Merchants - Wholesale	3,591	60	2.3	50
	Catering - Equipment & Utensils	Catering Supplies	217,398	60	1.7
Catering Equipment		39,975	60	1.7	408
Hotel & Restaurant Equipment		69,661	60	1.7	711
Catering Equipment - Servicing & Repairs		0	60	1.7	0
Scales & Weighing Equipment		31,688	60	1.7	323
Catering - Vending Machines & Dispensers	Water Coolers	37,730	60	2.0	453
	Vending Machines - Sales & Service	47,915	60	2.0	575
Education Supplies - Books Schools	Publishers	229,838	80	2.3	4,229
	Booksellers	108,130	80	2.3	1,990
	Book Publishers	137,426	80	2.3	2,529
	Multimedia & Electronic Book Publishers	53,329	80	2.3	981
Education Supplies - NEC	Educational Equipment & Supplies	540,445	80	2.5	10,809
	Maps, Charts & Globes	46,646	80	2.5	933
Education Supplies - Books Library	Newspaper & Magazine Publishers	105,319	80	3.0	2,528
Education Supplies - Musical Instruments	Musical Instruments & Sheet Music	24,949	80	2.5	499

APPENDIX B (4 of 4)

CAT B COMMODITIES & SERVICES (To be Procured by Scotland Excel)

EAST AYRSHIRE COUNCIL SPEND AND SAVINGS ANALYSIS - PROPOSED BY SCOTLAND EXCEL					
		CATEGORY B EXPENDITURE		SAVINGS	
Education Supplies - Arts & Crafts	Art & Craft Materials	24,314	80	3.0	584
Education Supplies - Furniture	School Furniture & Equipment	29,295	80	3.0	703
Legal Services - Legal Opinion	Solicitors	974,856	60	3.0	17,547
Furniture - Office	Office Furniture & Equipment	267,631	70	4.0	7,494
Furniture - Domestic	Furniture - Retail	23,793	70	4.0	666
Cleaning & Janitorial - Cleaning Materials	Cleaning Materials & Equipment	227,545	70	1.7	2,708
Cleaning & Janitorial - Services	Cleaning Services - Commercial	50,619	70	3.0	1,063
	Hygiene & Cleansing Services	9,364	70	3.0	197
	Blast Cleaning	0	70	3.0	0
Cleaning Services - Washroom Sanitation	Towel Supply & Washroom Services	44,355	50	2.5	554
Medical - Equipment	Disability Equipment - Mnfrs & Suppliers	350,495	60	4.0	8,412
	Mobility Equipment	0	60	4.0	0
Mail Services - Couriers	Delivery Services	119,158	50	2.0	1,192
Mail Services - Postage	Mailing Machines & Equipment	39,194	70	2.0	549
	Post Office Services	77,654	50	1.0	388
Mail Services - Freight	Freight Forwarders	22,277	50	2.0	223
Traffic Management - Traffic Control	Traffic Management Systems	194,647	70	3.0	4,088
Traffic Management - Rock Salt	Salt Suppliers	169,933	80	2.5	3,399
Sports & Playground - Sports Equipment	Sportsground & Gymnasium Equipment	10,329	50	2.0	103
	Fitness Equipment	35,472	50	2.0	355
Clothing - Protective	Safety Equipment & Clothing	168,404	50	3.0	2,526
	Workwear & Protective Equipment	30,718	50	3.0	461
Clothing - Uniforms	Uniforms & Staff Wear	8,588	50	3.0	129
Domestic Goods - NEC	Electrical Goods - Sales	14,671	50	3.0	220
Highway Equipment - Bitumen & Surface Dressing	Asphalt & Macadam Suppliers	0	80	2.5	0
		£46,412,273		Total Projected Savings:-	£792,470

End

APPENDIX C

Scottish Public Procurement
(Established from The McClelland Review)

Key: Blue – Organisations
Orange – Forums/Committees
Yellow – Consultant Advisors

