

REPORT TO THE BUSINESS SERVICES COMMITTEE – 10 JANUARY 2019

SCOTLAND EXCEL REVIEW

1 Recommendations

The Business Services Committee is recommended to:

- 1.1 Continue with Scotland Excel membership for financial years 2019/20 and 2020/21;**
- 1.2 Approve the uplift in subscription fee from £156,995 to £159,420 for financial years 2019/2020 and 2020/2021; and**
- 1.3 Request the Head of Commercial and Procurement Services to report to Business Services Committee on a bi-annual basis with a detailed report evidencing the outcomes and benefits received from membership for consideration.**

2 Background

- 2.1 The Scottish Government commissioned John McClelland to undertake an Independent Review of Public Sector Procurement in Scotland during 2007. One of the key recommendations was to establish centres of expertise for each public sector group of organisations across Scotland. One for Health, one for Higher Education and one for all 32 Scottish local authorities. Scotland Excel was subsequently formed as a centre of expertise for local authority procurement across Scotland and came into formal being in 2008.
- 2.2 Every local authority in Scotland has a commitment to procure as much of their needs locally as practical and within procurement law constraints, depending on value. However, there is a very large collective spend commissioned with the same suppliers by all local authorities. There are very similar specialist needs and, as such, there are often limited market places to meet these needs. By bringing the collective spend together, better pricing can be achieved through natural economy of scale in maximising buying leverage. It is also far more efficient to have the co-ordination of this collective procurement through a central source, as opposed to having a scenario of local authorities competing against each other with the same supply chains and duplicating time and effort in doing so.
- 2.3 Each local authority commits an agreed annual subscription for the operational running of Scotland Excel. The fee is on a pro-rata basis, dependent on a number of factors, with size of organisation being the primary one.
- 2.4 Table 1 below shows the actual spend and savings figures over the last 5 years, along with the return on investment (the requisition fee is the annual subscription fee paid to Scotland Excel for the services it provides to Aberdeenshire Council):

Table 1

Year	Actual Spend	Estimated Savings	Requisition Fee	ROI
2013/14	£21,681,266	£1,792,306	£135,624	13.21
2014/15	£21,270,573	£1,533,803	£135,624	11.31
2015/16	£31,703,634	£297,406	£143,137	2.08
2016/17	£30,933,317	£420,056	£156,621	2.68
2017/18	£27,867,257	£314,572	£156,621	2.01

As can be seen from Table 1, the level of savings has almost incrementally decreased from 2013/14 to 2017/18. During 2013/14 and 2014/15, the higher efficiencies were achieved through the ability to rationalise, consolidate and standardise across commodities such as office supplies, educational supplies, and facilities management commodities, such as cleaning materials, which allowed us to impact greatly on supplier margins and oncosts. This report recommends bi-annual reviews whereby consideration can be given to alternative options of contract delivery, should it be deemed that the level of savings and benefits needs to be assessed.

- 2.5 Regarding contract usage, the Scottish Government estimates that each public procurement exercise costs on average £12,000 to complete. Therefore, through participation in Scotland Excel frameworks, cost avoidance can be achieved. Cost avoidance figures over the last 5 years are in Table 2 below:

Table 2

Year (at Q4)	Contract Availability	Contract Participation	Cost Avoidance (at £12k per framework)
2013/14	40	39	£468,000
2014/15	46	44	£60,000
2015/16	46	45	£12,000
2016/17	52	51	£72,000
2017/18	59	57	£72,000

- 2.6. Table 3 below shows local authorities' spend with local Aberdeenshire suppliers on Scotland Excel Frameworks, over the last 5 years:

Table 3

Year (at Q4)	Spend
2013/14	£895,632
2014/15	£1,703,850
2015/16	£3,284,338
2016/17	£2,958,329
2017/18	£2,530,224
Total	£11,372,373

Although Table 1 highlighted an incremental reduction in efficiencies, Table 3 above highlights an incremental increase in the level of business secured by Aberdeenshire companies through Scotland Excel contracts and frameworks, between financial years 2013/14 and 2017/18.

2.7 Community benefits secured through Scotland Excel contracts over the last 2 years are shown in Table 4 below:

Table 4

Year	Community Benefit Type					
	Number of new apprentices	Number of new employees	Number of work placements	Hours of volunteering	Hours of work experience	Monetary value of Other Community Benefits
2017/18	2.5	5.8	1.6	0.5	35	£14,986
2016/17	1	1		10	960	£4,945

2.8 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report, their comments are incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

Item: 20, Page: 215 - This report supports the Council's Joint Procurement Strategy, which includes objectives that contribute to the following Aberdeenshire Council Strategic Priority:-

- Support a strong, sustainable, diverse and successful economy.

2.9 Aberdeenshire Council is represented on the Scotland Excel Sub-Committee for all governance matters by two elected members. The main matters that are discussed through this Sub-Committee are:

- the approval of the annual budget and any review or amendment of the budget;
- approval of the Scotland Excel Strategic Plan;
- the approval of the Annual Operating Plan.

3 Scheme of Governance

3.1 The Committee is entitled to consider this paper in terms of Part 2A C1.1d of the Scheme of Governance, due to the financial implications.

4 Implications and Risk

4.1 An Equality Impact Assessment is not required. Procurement exercises are subject to Equality Impact Assessments where appropriate.

4.2 If the Council chose not to continue with SXL membership, then it is highly likely the advantageous contract costs would not be available, as the collaborative opportunities to maximise buying leverage would not be there. In addition, it is estimated that the Council would have to employ 4 additional members of staff dedicated to procurement activity.

4.3 The requisition costs for financial year 2018/2019 are £156,995. There is a proposed increase to £159,420 for financial years 2019/2020 and 2020/2021.

4.4 There are no identified risks relevant to this matter on a Corporate Level.

Ritchie Johnson, Director of Business Services

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Date 6th December 2018