



CONSTRUCTION CATEGORY STRATEGY DOCUMENT

APRIL 2018

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1 Introduction

This construction category strategy describes the current industry landscape, as well as providing an overview of relevant legislative, policy and economic matters that will impact and help shape the development of national construction frameworks. This strategy details Scotland Excel's plans for the ongoing management and re-tendering of existing contracts in the construction portfolio and the development of new frameworks over the period 2018-2021. Consideration is also given to other opportunities for the Construction Team over the same period.

The key strategic opportunities identified are:

- Monitor policy and legislation developments, assess the impact of imminent changes and continue to represent and communicate with councils appropriately.
- Monitor and support delivery of community benefits and build on existing commercial relationships to increase access of supported businesses to public sector procurement.
- Identify and develop a strategy for community engagement.
- Improve sustainability benefits in the development of new and re-development of existing frameworks working in partnership with Zero Waste Scotland.
- Increase housing association contract uptake through close working with Scotland Excel's Housing Team.
- Target resources to improve framework uptake and minimise risk from other collaborative bodies.
- Augment mobilisation in new contract areas to improve knowledge and understanding of councils through targeted framework sessions.
- Improve the effectiveness of price indexation processes to ensure the portfolio can maintain and improve competitive framework pricing.
- Support cross organisation work on serious organised crime.
- Realign project timelines to smooth construction team resource requirements.
- Implement a new data management strategy to increase the level of efficiency and accuracy in the processing of management information, commercial evaluations, benchmarking exercises, core product reviews and price variation analysis.
- Develop construction team capabilities to ensure there are the appropriate skills and resources to manage and build on the current portfolio.

The strategy will be reviewed on an annual basis to maintain relevance with changing legislation and other relevant factors.

2 Landscape

The construction industry is an integral part of the Scottish economy. According to [Construction Scotland](#), construction generates £21.4bn of the Gross Domestic Product (GDP). Construction infrastructure reaches across the length and breadth of society and the nation itself.

To support the requirements of its member councils and associate members Scotland Excel, as a centre of expertise, manages an existing portfolio of 12 construction frameworks which cover a diverse range of trades, products and services.

Construction frameworks account for 38% (£372m) of the overall value of Scotland Excel's existing £976m contract portfolio.

The current range of construction frameworks account for £7.4m of savings delivered to member councils and associate members.

In addition to the existing 12 construction frameworks, Scotland Excel is currently developing a new framework for the provision of gas boiler maintenance which will further increase the total annual value of the construction portfolio.

Scotland Excel is also pursuing funding options to enable the development of three new arrangements, for new build housing, electric vehicle charging and district heating, which would increase the portfolio value significantly.

3 Current Position

3.1 Trades Portfolio

The trades portfolio comprises four individual frameworks for:

- Trade Materials
- Building and Timber Materials
- Plumbing and Heating Materials
- Electrical Materials

The four frameworks cover a wide range of trades materials utilised by local authorities and associate members. The nature of the trades products means that a very large range of small items are required with issues around brand preference and the need for brand specific replacement parts that contribute to issues around large core product lists and high non-core spend. The significant number of line items in each contract requires a range of highly resource intensive contract tasks such as data cleansing, core product review and price variation processes. Methods to reduce the labour-intensive

nature of these tasks through options such as automatic annual price variation in line with indexation are being considered.

The trade materials framework amalgamated three previously established frameworks to allow councils to purchase their trade tools, ironmongery and paint and sundries requirements. A streamlined approach was adopted in the new strategy which reduced the number of lots from nine to four which should make for easier use. Several key suppliers are party to more than one of the trades frameworks however most of the suppliers remain specialist in each field. Despite this there may be further scope to further streamline the trades portfolio which will be considered during renewal.

Opportunities to extend the scope of the trades frameworks will also be considered at renewal such as inclusion of installation and other services to build on the materials offering.

Emphasis for all new trades procurement strategies will include sustainability, including ethical sourcing and enhanced community benefits.

3.2 Service-Related Frameworks

3.2.1 Asbestos

The second-generation asbestos framework commenced on 1 April 2015 and includes asbestos surveys, removal & disposal services and analytical services. The framework will expire on 31 October 2018, with development work on the new framework underway.

The new development work will focus on several areas such as improving the specification with emphasis on expanding the core list of items. Current descriptions and coding in the schedules will be reviewed with a view to being less restrictive. Increasing the supply base out-with the Central Belt is a key aim of the renewal and may encourage further buy in.

The reactive demand for services can result in capacity issues across the sector and the changing nature of works once an investigation has been undertaken can result in payment disputes between suppliers and purchasers if not pro-actively managed. Pricing on the current framework has been regularly reviewed, however Scotland Excel hopes to bring even further clarity and transparency in the replacement framework, including in terms of the number of samples included in costs.

The upcoming changes to the HSE (Health and Safety Executive) Analysts' guide (currently in draft) will be considered going forward and any significant policy changes considered in the procurement strategy. Enhancements to sustainability including appropriate community benefits will be encouraged and prioritised within the new strategy. Engagements with the NHS and Housing

Associations are already underway and these should see the coverage and spend increase, going forward.

3.2.2 Buildings Related Engineering Consultancy (BREC)

The BREC framework was developed to cover a range of commonly purchased building related consultancy services covering civil, structural, mechanical and electrical engineering. The framework currently runs from 1 October 2015 until 31 September 2018 and contains the option to extend until 31 September 2019.

Uptake on this framework has been low and there have been several reviews to investigate the low participation and promote uptake. The planned increase in public housing could result in greater use of the BREC framework.

A full review and validity assessment will be conducted in 2018/19 to determine whether:

1. The framework can be set up more effectively to reach a larger user base.
2. This is an area which is not suited to a national framework agreement and therefore the framework should not be continued.
3. It would be appropriate to simplify the solution to accommodate the current user base as a lower value contract within Scotland Excel's Operational Services and Supplies Team.

3.2.3 Demolition Services

The demolition services framework was launched on 4 January 2017 comprising three lots: demolition services under £50,000; demolition services above £50,000; and emergency demolition services. Spend under the framework was forecast at £16m per annum however uptake was initially slow. The contract will be subject to review to and further mobilisation to ensure increased uptake.

3.2.4 Domestic Gas Boiler Maintenance (in development)

Domestic gas boiler maintenance is a new contract opportunity for Scotland Excel and is scheduled to be awarded in September 2018. This framework will support council requirements for maintaining Gas Safe certification in all domestic properties and for ensuring that all systems are functioning effectively.

The framework is being developed with a relatively small number of interested Scotland Excel members therefore a significant investment in mobilisation will be required in the first year to support the roll out of the framework to a wider audience. Standard terms, templates and supporting documentation will be developed to support users in calling off from the contract.

This is likely to be an area of interest to housing association members therefore a close link between the Construction Team and Housing Team will be maintained.

3.2.5 Energy Efficiency Contractors

Energy efficiency contractors (EEC) framework launched 1 May 2017 with a substantial number of councils indicating that they would be using the framework from the outset. The framework will run until 31 April 2019 with a possible extension until 31 April 2021.

HEEPS Area Based Schemes (HEEPS: ABS) is a significant funding source worth between £45 and £60m per annum from Scottish Government to enable councils to provide energy efficiency programmes primarily targeting fuel poor households in the private sector and solid wall insulation measures.

A further key driver for the framework is the Energy Efficiency Standard for Social Housing (EESH) and as a result Scotland Excel has recently had several registered social landlords who have become associate members or enquired to become associate members on the back of this framework

The EEC framework is expected to reach a spend of £100m in year one of the framework rising to £150m in year 2. Mini-competitions appear to be the primary method for call offs under the framework. In the next 12 months Scotland Excel will monitor (including cross checking against PCS notices) and support mini competitions along with improving methods for data collection.

Ongoing mobilisation support will continue to be made available to those councils and housing associations adopting the framework.

3.2.6 Engineering and Technical Consultancy

The engineering and technical consultancy services framework enables councils to award work packages to consultants appointed to the framework providing a wide range of civil engineering services and project management. The framework launched 18 March 2017 and expires 17 March 2021.

The new framework has been generally well received with activity and spend levels high. To further improve the ease of use of the framework and assist in better work package development, a review of the supporting templates and documentation will be conducted in 2018 with improved versions rolled out at the annual UIG and published online.

Insurance liability levels continue to be monitored, with consultants seeking caps on liability levels. Some councils have responded to this and have issued their mini-competition work package data with caps however those who issue their opportunities without this often face difficulty where their preferred consultant responds with adjusted insurance proposals which can lead to lengthy

negotiations and delays. To support councils to improve this process Scotland Excel will conduct analysis on the use of caps in projects to date and the rationale behind use to collate examples of appropriate use and produce a best practice guide for framework users.

3.2.7 Outdoor Play Equipment and Artificial Surfaces

Outdoor play equipment and artificial surfaces is in its first generation commencing on 1 May 2017. The framework will run for an initial period of two years with two extension options of up to one year each. The framework provides a mechanism to procure a broad scope of works, design services and supply arrangements for outdoor play equipment, safer surfaces, outdoor gym equipment, multi-use games areas, artificial surfaces and wheeled sport areas.

Initial uptake of the framework has been relatively slow; however the number of mini-competitions being conducted has been increasing. A significant amount of resource has already been invested in the mobilisation of this framework due to its complexity (multiple terms and conditions and required mini-competitions) and to ensure the success of the framework a significant investment in ongoing mobilisation and contract management is required going forward. This will involve undertaking a mapping exercise of mini-competitions and cross referencing these against PCS adverts to enable spend validation.

To simplify the mini-competition and award processes Scotland Excel will be developing standard templates and accompanying documentation to improve ease of use. A catalogue will also be created for the supply of equipment lot to encourage utilisation from small users such as schools.

Further benefit to users will be achieved in 2018 through the creation of a regular contract management group and dedicated knowledge hub site. This will enable Scotland Excel and framework users to share identified funding streams to help users access funding and increase contract usage. Scotland Excel and framework users will also be able to share policy and legislative changes as well as examples of good practice and good news stories. Scotland Excel will seek to increase the profile of the framework by reporting on the success of projects completed by early adopters of the arrangement.

To identify, prioritise and effectively work with the large number of stakeholder in this area, a communications/stakeholder engagement plan will be developed.

3.2.8 Security Services and Equipment

The security framework covers security services (manned guarding and events stewarding) and security equipment (CCTV, alarm systems, sprinkler systems etc.). The current framework will be extended to full term and will expire in March 2019.

Spend on the current framework has been weighted heavily towards security services with security equipment spend significantly less than initially anticipated. The development work on the new arrangement will seek to address this by reviewing products and lots currently included for equipment and amending the lotting structure and scope to ensure changes in requirement and technology are reflected. A lot for open space CCTV will be considered alongside a review of appropriate terms and conditions. It is likely that the new generation framework will utilise the NEC standard terms and conditions.

These measures should improve uptake on equipment lots however it is recognised that spend in this area will always be limited due to the nature of these products often being rolled up into larger capital projects.

A tailored approach to the services re-development will be taken to ensure that key quality aspects are considered and council policy is supported, for example, councils continue to have the option to pay workers the living wage and the price variation processes are streamlined to annual increases in minimum wage/living wage. Specific KPIs and quality measures will be included to help minimise quality issues and concerns and greater visibility around operating costs will be sought.

The project plan for the development of the replacement framework has been designed to enable detailed consultation with key stakeholders and for an open procedure to be utilised. Key stakeholders such as Zero Waste Scotland will work with Scotland Excel to maximise the benefit to users by considering design for de-construction, use and re-use of precious metals and options around re-manufacturing. Scotland Excel will also engage closely with the DETER Group (Police Scotland) to ensure that appropriate provisions are included in the tender documentation and the contract management strategy as the services element of the framework has been deemed high risk in terms of being affected by serious organised crime.

Appropriate vetting of technical and evaluation panel members will take place to ensure no conflicts of interest arise.

The mobilisation of the new generation framework will also ensure that the scope of services and equipment available is clearly set out, particularly in respect of safety equipment such as fire alarms and sprinklers as this appears to not always understood to be part of the current scope.

3.2.9 Domestic Furniture and Furnishings

The Domestic Furniture and Furnishings framework provides councils with a mechanism to procure a comprehensive range of domestic furniture and furnishings to enable people to live independently or to be supported in temporary accommodation via the Scottish Welfare Fund. The framework is split

into two lots for new and reuse furniture. The framework has proved strong in terms of spend, and has been exceptional on the community benefits it delivers. It has won both UK and Scotland GO Awards for sustainable procurement.

The framework will run for an initial two-year period with two one-year extension options. Contract management activity will focus on ensuring delivery against commitments made to use supported businesses and working to maintain and further develop the early success of the third sector organisations operating on the reuse lot.

4. Opportunities and Risks

The wide and diverse nature of the construction portfolio means that there are various policy considerations, risks and opportunities which apply to some or the entire portfolio.

4.1 New Development Opportunities

In recent years the construction team has built on the established goods portfolio (largely trades) and introduced some significant services and works contracts, moving into areas of actual construction activity rather than just supply of construction relation products and services. To further build on this work and keep pace with our competitors Scotland Excel must further develop the construction portfolio to ensure our offering meets council demand. New potential development areas have been identified for further exploration:

- New build housing
- District heating
- Electric vehicle charging

Should funding be made available for these opportunities to be developed a dedicated Low Carbon Team would be created to deliver and manage the new opportunities as well as manage the existing framework for energy efficiency contractors.

4.1.1 New Build Housing

The Scottish Government has set a target to deliver at least 50,000 homes by 2021, backed by over £3 billion in funding. To deliver this ambitious house building programme the local government and affordable housing sector will be required to undertake considerable procurement activity. Elected members and housing associations have called for a national solution to be implemented as currently much of the sector undertakes an individual procurement exercise for each new housing project.

It is considered that a national procurement will generate significant operational efficiencies, particularly around the technical specification of the homes, as well as mitigating potential bottlenecks

within the procurement process. A national procurement approach would also facilitate monitoring and reporting of additional benefits delivered through the new build program, including the social value added.

Currently no Scottish national framework for the provision of new build housing is available however the London Housing Consortium are in the process of establishing a framework for the Scottish Procurement Alliance (SPA) which is expected to be available in 2018.

Development work will be undertaken in conjunction with Scottish councils and crafted specifically to reflect their needs and policy aims resulting in benefits such as:

- An opportunity to make costs savings.
- Efficiency savings through development of a single national framework in place of separate council and housing association procurement activity.
- A collaborative approach to deliver, monitor and report sustainable and community procurement benefits such as local jobs, apprenticeships and SME opportunities.
- A collaborative approach to support positive workforce practices such as payment of the Scottish Living Wage and avoidance of zero hour contracts.
- Creating transparency and consistency within the construction market through a national procurement framework paves the way for strategies which deliver new methods of construction, innovation and service improvements.
- Standard documentation and route to market, including terms and conditions and technical specifications, can provide substantial efficiency gains in terms of speed to market for buyers and substantially reduce bidding costs for contractors which eventually flow through to clients.
- Centralised monitoring of construction contractors' capacity, capability and financial stability.

The project is estimated to take up to 16 months to deliver and has been included in the team plan in Appendix 1 as starting from April 2018.

4.1.2 District Heating

In 2015, the Scottish Government published its Heat Policy Statement¹, which sets out a framework for “achieving a resilient heat system which transitions to be an affordable low carbon heat system

¹ <http://www.gov.scot/Publications/2015/06/6679>

for households, organisations and industry”. The phased approach envisaged in the Heat Policy Statement, firstly involved “reducing the need for heat for example through better insulated buildings”. Scotland Excel has supported the Scottish Government in this first phase through the establishment in April 2017 of a national framework for energy efficiency contractors which is quickly establishing itself as the primary procurement means by which Scotland’s councils spend their funding allocated under the Home Energy Efficiency Programme for Scotland.

The second phase of the Heat Policy Statement seeks to establish an “efficient heat supply, such as development of the district heating sector”. Scotland Excel is keen to ensure an effective procurement solution is developed to support increased use of district heating systems.

Should Scotland Excel receive funding to deliver this project the benefits potential involved would include:

- Encouraging innovative climate change solutions;
- Cost savings;
- Procurement efficiency savings through development of a single national framework in place of separate council and housing association activity;
- Centralised monitoring of construction contractors’ capacity, capability and financial stability;
- Fast track engagement with key stakeholders on the back of Scotland Excel delivering the recent EEC framework, which involves many of the likely suppliers that will be interested in developing district heating proposals; and
- Connections and synergies with the contract management of the EEC framework.

The project is estimated to take 24 months to deliver and will be included within the team plan once suitable resource has been identified.

4.1.3 Electric Vehicle Charging

In September 2017, the Scottish Government announced in its Programme for Scotland 2017-2018² its intention to phase out the use of petrol and diesel vehicles on Scottish roads by 2032, eight years ahead of the rest of the United Kingdom. This activity is to be supported by pilot projects to expand the use of electric vehicles as well as an innovation fund to encourage wider climate change solutions, such as how to more effectively and efficiently charge electric vehicles in densely populated areas.

² <https://news.gov.scot/news/scotland-a-low-carbon-leader>

The Scottish Government also outlined a strategy to “massively expand” the current electric vehicle charging point infrastructure, including plans to make the A9, Scotland’s first fully electric enabled road.

In addition, the Scottish Government’s Programme for Scotland signalled its intent to implement ultra-low emissions zones in Scotland’s four biggest cities with the first to be in Glasgow by the end of 2018.

Given this background and the Scottish Government’s declared intent to significantly expand electric vehicle charging point infrastructure, Scotland needs an innovative national procurement strategy that can drive forward the necessary expansion during this critical transition phase.

Should Scotland Excel receive funding to deliver this project the benefits potential involved would include:

- Provide a nationwide charging network;
- Encourage the public to switch from diesel/ petrol vehicles to electric vehicles earlier than 2032;
- Reduce carbon emissions;
- Reduce the number of pollution zones and ensure compliance with safety standards;
- Encourage innovative climate change solutions;
- Costs savings; and
- Efficiency savings through development of a single national framework in place of separate council activity.

The project is estimated to take 18 months to deliver and will be included in the team plan once suitable resource has been identified.

4.2 Legislation and Policy Updates

In recent years, significant policy changes and targets have been set in relation to energy efficiency, fuel poverty and carbon reduction. Amongst the changes has been the government’s Clean Growth Strategy- Leading the way to a low carbon future published in October 2017. The strategy is focussed on the fourth and fifth carbon budgets (covering the periods 2023-2027 and 2028-2032) with a requirement to drive a significant acceleration in the pace of decarbonisation. To keep abreast of policy decisions made to support the given targets the Construction Team will work closely with local authorities and APSE to determine future contract requirements. The successful implementation of frameworks of new build housing (with energy efficiency considerations), district heating and electric vehicle charging should support local authorities to meet their targets.

The Scottish Government has required all local authorities to produce a Local Heat & Energy Efficiency Strategy (LHEES) covering a period of 15-20 years. These are expected to be published early in the 2018-2019 financial year and will be carefully analysed to ensure that the Construction Team is continuing to offer contracts which support local authorities to meet their targets.

The Grenfell tower disaster in 2017 is likely to result in significant recommendations in relation to fire safety and use of external cladding. The Construction Team will ensure that all recommendations are appropriately reflected in relevant contracts and will seek to ensure that required products and services are included in tender re-development activity as far as possible.

The Scottish Government's Construction Procurement Manual is no longer up to date and is due for review. Once the new document is published the Construction Team will carefully review and update practice as necessary. The Construction Team will seek to support the Head of Procurement in building relationships with the new Scottish Government Head of Construction Procurement and Commercial Policy, Jonathan Moore, and will continue to take an active role in the Construction Review Delivery Group. The Construction Team will ensure that procurement strategies consider the recommendations of the Procurement Review and support their implementation where possible.

Scotland Excel will continue to monitor and liaise with Scottish Government and Local Authorities with respect to the Strategic Housing Investment Plans (SHIPs). The plan reinforces the local authority as the strategic housing authority, the importance of the outcomes and targets set out in the LHS (Local Housing Strategy), and informs Scottish Government housing investment decisions. It is expected that SHIPs will be directly informed by the LHS and developed in consultation with key stakeholders. SHIPs will be the key documents for identifying strategic housing projects to assist the achievement of the 50,000 new houses to be built over the next 5 years.

The Construction Team will also continue to further develop its procurement sustainability processes ensuring environmental, social and economic outcomes are embedded in all strategies and at the forefront of any construction activity.

4.3 Increase in Service Contracts and Move Towards Works

The construction team has transformed from primarily a category which delivers frameworks covering the supply and delivery of goods to one with a majority service-related portfolio with some elements of works. Moving forward the new development areas proposed are works focused.

The development work, specialist knowledge, timescales and specialist support required to effectively develop and manage these frameworks is different to those for products based arrangements.

Additional stakeholder engagement is required as often construction services are procured within the council service departments, who have little previous engagement with Scotland Excel, as opposed to procurement departments. Additional work and support around use of industry standard construction terms is also resource intensive.

The risk profile of the changing portfolio is also different. The health and safety, financial and reputational risk associated with these much higher profile arrangements is far greater. Financial risk poses a major risk for Scotland Excel. Unlike most products based contracts with multiple suppliers and payment in arrears the financial risk associated with a supplier failure on a sizable service or works contract is very significant. Scotland Excel will need to access skilled financial expertise to effectively monitor these arrangements on behalf of members. The recent demise of the UK's second largest construction company Carillion highlights the extent of the risk associated with contractor failure mid project.

The increase in service and works contracts does however provide the opportunity for Scotland Excel to undertake innovative procurement approaches and lead the sector in further embedding sustainability into contracts through actions such as incorporating the Living Wage.

4.4 Financial Challenges Facing Councils

All councils in Scotland must make tough decisions in order to reduce their spending as a result of budget cuts meaning they are looking for innovative ways to deliver services and save money. This increases the difficulty of public procurement as objectives not impacting the bottom line, such as community benefits and workforce matters, still need to be considered and met.

This has a particular impact on trade contracts where higher volumes of non-core spend mean that councils are not necessarily achieving best value which could be gained through the purchase of agreed core products. High non-core spend can result from councils failing to accurately identify core items during tender development, poor data being received from suppliers, brand preference and maverick spending within councils.

Frameworks are created with a clause which allows for a core product review to be carried out whilst the framework is live, in order to bring new items onto the core list in order to secure fixed and transparent pricing on the items however lack of technical panel input and poor data quality has reduced the effectiveness of these reviews. Targeting resource to increasing core expenditure and identifying efficiencies is an area of added value Scotland Excel may be able to offer in this area.

4.5 Competition from Other Collaborative Bodies

Scotland Excel is unique in its delivery of a wide range collaborative frameworks to Scottish councils and working in partnership with organisations working from different sectors such as Advanced Procurement for Universities and Colleges (APUC), NHS and housing associations. There are also some category-specific procurement organisations such as the London Housing Consortium (LHC) and their Scottish operation Scottish Procurement Alliance (SPA) and Procurement for Housing.

These organisations provide several contracts which cover the same scope as some Scotland Excel contracts and extend into Scotland Excel's identified growth areas.

Extensive engagement is undertaken with councils to ensure that frameworks are fit for purpose and Scotland Excel remains their partner of choice.

4.6 Managed Stores

Some councils have opted for a managed store solution where a supplier takes control of council stores and becomes responsible for the supply and management of all related goods to the council. This type of service has been discussed at various trade UIGs with differing opinions on how this would or could work across councils due to different operating models. The Construction Team will continue to monitor this situation closely and gauge the appetite within councils for any opportunities, going forward.

4.7 Insurance and Liability Levels

The consultancy related frameworks within the portfolio contain uncapped liability and high indemnity limits to account for the potentially high risk and high value works to be undertaken through them. Due to the bespoke nature of the work to be called off from the framework councils are required to evaluate their insurance requirements on an individual basis however failure to do this has resulted in disputes and some discontent within the supply base.

An exercise to review use of caps and produce a best practice guide for users for engineering & technical consultancy, if successful, will be considered for extension across the relevant areas of the portfolio.

4.8 Serious Organised Crime (SOC)

An obstacle for Scotland Excel is the development of frameworks in areas which have been identified as having connections to serious organised crime, such as demolition and security. Scotland Excel has engaged with Police Scotland and the Scottish Government for advice on how to prevent suppliers with connections to SOC being awarded onto our frameworks. This task is relatively straightforward where a licensing regime is established however in other areas, such as demolition, a solution has yet

to be identified. Scotland Excel will continue to work closely with colleagues in DETER (Police Scotland) and legal to minimise the associated risk.

4.9 Community Engagement

Scotland Excel has a track record of undertaking detailed and successful consultation exercises with users of services and the wider public within the Social Care Team however consultation in respect of construction contracts has been generally limited to suppliers, supplier representative bodies and purchasers. In some of the team's newer development areas engagement has been much wider (e.g. play equipment) however this has not been typical.

In 2018 the Construction Team will assess current and future work areas with a view to highlighting appropriate opportunities for engagement with bodies which represent communities and/or users of services. A report will be produced setting out these opportunities along with a strategy for undertaking engagement.

4.10 Trades Portfolio Opportunities for Synergy

The Construction Team trades portfolio consists of:

- Building & timber materials
- Trade materials (and power tools)
- Electrical materials
- Plumbing & heating materials

A number of key suppliers overlap across the trades portfolio with suppliers therefore required to liaise with multiple contract owners for contract management meetings, supplier feedback, mobilisations, price increase negotiations etc. The team has already taken steps to minimise duplication for suppliers in terms of requests for insurance documents but will explore options for further synergy to minimise the cost to suppliers of doing business with Scotland Excel. An option to be considered is the introduction of an account manager style role for key suppliers who participate in multiple contracts.

4.11 Contract Planning

A four year work plan for the Construction Team is set out in Appendix 1 with tendering activity highlighted in yellow. A substantial resource requirement has been identified for the financial year 2020 with five frameworks at some stage of development or evaluation simultaneously including the highest value and risk frameworks for demolition, energy efficiency contracts, engineering & technical

consultancy and playground equipment. This bottleneck is followed by a period in 2021 with only one renewal for trade materials.

The impact of this potential bottleneck in terms of Scotland Excel procurement, legal and administrative resource along with external resource from councils is considerable. To smooth resource requirements and reduce pressure points the use of differing future contract lengths, rather than the standard four years, will be adopted.

5 Market Prices

For Scotland Excel's purposes, indexation provides a statistical method to compare the percentage change in market prices against the percentage change of framework prices for each of its frameworks.

There is a diverse range of markets associated to Scotland Excel's collection of construction frameworks, with a focus on inflation, diesel and exchange rates. As the markets for each framework are not closely linked they all display differing trends.

Overall Scotland Excel indexation for the construction category is -0.4% which is calculated by taking the total percentage difference between the Market Index and Contract Index for each live contract and multiplying it by reported expenditure. In general, the trade frameworks do not perform as strongly as other areas on indexation, as extensive core lists on the frameworks mean price negotiations are targeted to high spend items which is not accurately reflected in indexation. Any future review of the trade portfolio should take into account the impact on indexation and options to include the accuracy of indexation such as lot specific index tracking.

A summary of the primary indices within the construction portfolio are below.

5.1 CPI

CPI is tracked for a number of frameworks within the category and is used to show changes in the rate of inflation. The CPI calculates the average price increase as a percentage for a basket of 700 different goods and services which are changed to reflect society's buying habits. An increase in inflation may indicate an increase in supplier overhead costs or, particularly important to the construction service contracts, salary increases. In the period October 2016 to October 2017 CPI has risen by 3%

5.2 Oil/Diesel

The price per litre of diesel has fallen by 8.1% from 131.08p in October 2014 to 120.42p in October 2017. This can be linked to the significant decrease in the cost of oil, which over the same period

dropped 71% from \$85.06 per barrel to \$55.5. Although prices have been trending upwards recently the price remains lower than in 2014.

The price of diesel and oil could affect goods and services being supplied through many of the construction frameworks.

5.3 Exchange rates

Exchange rates provided from the Bank of England are used to track fluctuations in currency and the Pound Sterling experienced a fall in June 2016 after the Brexit referendum decided the UK would leave the European Union. The weakened pound means that it is costing suppliers more to buy goods from abroad. Exchange rates are tracked on a number of construction frameworks where the suppliers source their goods from abroad such as the trade frameworks.

5.4 Metals

Prices of metal in the last few years have dropped significantly. Index Mundi shows that metal prices over the last five years has fallen from 183.4 in October 2012 to 154 in October 2017. This shows the cost of the raw materials has been falling over the last few years to a low of \$113.6 dollars before the Brexit referendum and rising since that time. Some suppliers say that some of the fall is cancelled out by increases in the cost of manufacturing.

6 Appendix 1 – Four Year Work Plan

SCOTLAND EXCEL CONSTRUCTION CATEGORY FOUR YEAR WORKPLAN																
Framework	Financial Year 2018-2019				Financial Year 2019-2020				Financial Year 2020-2021				Financial Year 2021-2022			
	Quarter 1 Apr - June	Quarter 2 Jul - Sept	Quarter 3 Oct - Dec	Quarter 4 Jan - Mar	Quarter 1 Apr - June	Quarter 2 Jul - Sept	Quarter 3 Oct - Dec	Quarter 4 Jan - Mar	Quarter 1 Apr - June	Quarter 2 Jul - Sept	Quarter 3 Oct - Dec	Quarter 4 Jan - Mar	Quarter 1 Apr - June	Quarter 2 Jul - Sept	Quarter 3 Oct - Dec	Quarter 4 Jan - Mar
Asbestos	Develop	Tender	Award				Contract Management Report		Extension Report		Contract Management Report		Extension Report		Develop	Develop
Domestic Gas Boiler Maintenance	Tender	Award				Contract Management Report			Extension Report	Contract Management Report			Extension Report			Develop
Building & Timber Materials	Develop	Develop	Tender	Award				Contract Management Report				Contract Management Report	Extension Report			
Building Related Engineering Consultancy	Extension Report		Develop	Develop	Tender	Award				Contract Management Report		Extension Report		Contract Management Report		
Demolition Services	Extension Report				Extension Report		Develop	Develop	Tender	Award				Contract Management Report		
Domestic Furniture		Extension Report				Extension Report		Develop	Develop	Tender	Award				Contract Management Report	
Electrical Materials			Extension Report		Develop	Develop	Tender	Award				Contract Management Report		Extension Report		Contract Management Report
Energy Efficiency Contractors			Extension Report		Contract Management Report		Extension Report		Develop	Develop	Tender	Tender	Award			
Engineering & Technical Consultancy	Contract Management Report				Contract Management Report				Develop	Develop	Tender	Award				Contract Management Report
Outdoor Play& Artificial Surfaces	Contract Management Report		Extension Report		Contract Management Report		Extension Report		Develop	Develop	Tender	Award				Contract Management Report
Plumbing & Heating Materials	Extension Report		Contract Management Report	Develop	Develop	Tender	Award				Contract Management Report		Extension Report		Contract Management Report	
Power Tools (Lot 1 Trade Materials)	Tender	Award			Contract Management Report	Extension Report			Contract Management Report	Extension Report						End
Security Services & Equipment	Develop	Develop	Tender	Award				Contract Management Report				Contract Management Report				
Trade Materials					Contract Management Report	Extension Report			Contract Management Report	Extension Report			Develop	Develop	Tender	Award
District Heating (TBC)																
Electric Vehicle Charging (TBC)																
New Build Housing	Develop	Develop	Develop	Develop	Tender	Award					Contract Management Report				Contract Management Report	