



SCOTLAND EXCEL 



**CORPORATE CATEGORY
STRATEGY DOCUMENT**

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1 Introduction

This facilities category strategy describes the current landscape, as well as providing an overview of relevant legislative, policy and economic matters that will help shape the development of national facilities frameworks. This strategy details Scotland Excel's plans for the ongoing management and re-tendering of existing contract in the facilities portfolio over the period 2017-18. Consideration is also made for other potential opportunities for the duration of the strategy.

The key strategic opportunities identified are:

- Potential changes to future Scottish Government food legislation for the Nutrition Act for School and the Welfare Scheme (Nursery Milk);
- Building on current frameworks to incorporate the proposed changes from the Scottish Government's Programme for Scotland 2017-18;
- Support the delivery and outcome of the Scottish Government's National Outcomes and Indicators;
- Increase quality of management information through the spend data repository (SDR) platform and use it as a tool to maximise council savings and identify new added value opportunities;
- Monitor and support delivery of community benefits and the Scottish Living Wage;
- Build on indexation to ensure the portfolio can maintain and improve competitive framework pricing;
- Target resources to the active management and promotion of the category benefits to improve framework uptake and minimise risk from other collaborative bodies; and
- Monitor other policy and legislation developments, assess impact on category portfolio of future changes and continue to represent and communicate with councils appropriately

This strategy will be reviewed on an annual basis in order to maintain relevance with changing legislation and policy.

2 Landscape

In order to support the requirements of its member councils, Scotland Excel, as a centre of expertise, manages an existing portfolio of eight facilities frameworks which cover a diverse range of catering

and cleaning commodities. During the financial year 2016-17 the facilities portfolio represented 10% of total advertised expenditure (£100M) on Scotland Excel frameworks:



Total Value £969m

The current range of facilities frameworks account for 19% of total actual savings (£6.5M) for the financial year 2016-17 delivered to councils.

3 Current Position

3.1 Catering Frameworks

The food industry in Scotland is currently worth a value of £15 billion and is therefore an integral part of the Scottish economy. With the Scottish Government looking to double this figure by 2030 as part of the industry led “Ambition 2030” (<http://www.foodanddrink.scot/media/78129/strategy-brochure-smaller-size.pdf>) as well as future proposal on the “Good Food Nation Bill” it is vital that Scotland Excel is involved and influencing policy decisions where possible

3.1.1 Frozen Foods

As the frozen food market within the public sector in Scotland has very little new entrants to market, Scotland Excel decided to approach the market place in a new approach by offering for the first time a supply only element as well as supply and distribution for the third generation framework.

Scotland Excel decided to take this innovative approach as it would allow manufacturers to be able to bid directly for products instead of through a third party distributor, allowing for greater competition and price transparency in the market. This approach would also allow smaller manufacturers who had previously had difficulty getting their products into schools a more transparent route to market.

This approach resulted in four new Scottish small and medium enterprises (SMEs) awarded business as well as an increase from 45% to 72% on the number of sustainably sourced meat and fish products. Clear definitions were also provided for suppliers in relation to “country of origin of Scotland” and “manufactured in Scotland” to ensure for a clearer understanding in the market and more accurate reporting as part of contract management.

Moving forward, if appropriate and with the agreement of the UIG, Scotland Excel may look to take this approach to market within some of the other food frameworks such as groceries and provisions.

3.1.2 Groceries & Provisions

The third generation framework for groceries and provisions started on 1 May 2016 for a four year period until 30 April 2020, with no option to extend past this date.

This framework incorporated a number of enhancements to the previous framework including the inclusions of locally sourced products, greater brand flexibility, an agreed product substitution list and community benefits offered by suppliers on a council by council basis.

With the UK’s decision to leave Brexit coming only two months after the framework went live, Scotland Excel undertook extensive market engagement in order to reject in entirety exceptional price increases from suppliers largely due to the impact on currency. This resulted in cost avoidance to councils of approximately £1.1 million. Lessons have been learned from this exercise and as a result currency exchange is tracked on a monthly basis as well as future tenders incorporating specific clauses regarding currency to protect councils.

As part of the key performance indicators (KPIs) set by Scotland Excel, suppliers were required to further develop the Scottish economy through their supply chain. Part of this included looking at

switching cheese manufacturer from an Irish company to a Scottish based company located in Dumfries resulting in an additional £1.1 million of spend being put back into the local economy.

Framework spend to date is c. £24m, generating savings of £2.3m with a further £218k generated through sole supply rebates.

3.1.3 Meats (Fresh, Prepared & Cooked) incorporating Fresh Fish

The framework for meats commenced on 1 October 2014 and originally ran until 30 September 2016 with two one year extension periods available after this time until 30 September 2018. Following consultation with the UIG, the framework has just entered its second extension period. This framework allows councils and other participating bodies to procure a range of products including beef, lamb, pork, poultry, sausages, burgers, cooked meats and fresh fish.

At the development stage of this framework the decision was made to incorporate a range of protected geographical indicator (PGI) products on the core list in order to allow councils the option to purchase more locally sourced products. Over the current three years of the framework, spend on these product has increased by 86% with overall spend on Scottish produce equating for XX% (EXX) of the framework spend.

Due to the success of the framework, Scotland Excel will be engaging with the market and UIG to look to incorporate PGI and Farm Assured products into a separate lot as well as taking the same approach as the frozen foods framework to incorporate clear definitions of “country of origin” and “manufactured in Scotland” to encourage suppliers to provide these products where possible.

Framework spend to date is c. £17.7m, generating savings of £1.3m.

3.1.4 Milk and Associated Products

Now in its final year, work is well underway with the re-tender of the milk framework. Having gone out to market in September 2017, offers were received from 7 suppliers across 43 geographical lots. Following approval at the Executive Sub Committee in December 2017, all suppliers were successfully awarded onto the framework which has seen an increase in the number of Scottish SMEs from 3 to 5.

Scotland Excel will be working closely with councils and suppliers in the New Year to mobilise the framework ahead of the 1 March start date.

Framework spend to date on the current framework is c. £23.6m.

3.2 Cleaning Frameworks

3.2.1 Catering Sundries

The third generation catering sundries framework commenced on 1 August 2016 and includes a range of products such as disposable cups, tableware, food containers, food packaging, cookware and crockery. It is operational until 31 July 2020 with no option to extend by this date.

With the first full year of management information now being captured, Scotland Excel will conduct a core product review to ensure that the framework is capturing councils changing requirements / buying patterns and to move high volume / spend items onto the core list to achieve best value for money.

Framework spend to date is c. £3.1m, generating savings of £258k.

3.2.2 Janitorial Products

This framework has been developed to cover a wide range of janitorial products including black bin bags, paper towels, washing detergents, paper and chemical products. The framework launched on 1 March 2015 until 28 February 2018 with the option to extend until 28 February 2019.

Councils were contacted in summer 2017 to ascertain the views on extending the framework for the final year. As the framework has been running smoothly with no major issues or concerns raised to date, the decision was taken to extend for the final year. Due to the large number of products and variations available, lessons learned from other Scotland Excel frameworks will be incorporated into the project plan, resulting in work for the new tender beginning early in spring 2018. This is to allow for enough time at the end of the process for schedules and e-catalogues to be available to councils from framework commencement.

Framework spend to date is c. £23.3m, generating savings of £2.8k.

3.2.3 Personal Protective Equipment (PPE)

The third generation for the supply and delivery of personal and protective equipment went live on 1 March 2017 and will run until 28 February 2019 with the option to extend for up to further one year periods until 28 February 2021. Based on market engagement and general feedback, an innovative approach was devised to create “job scenarios” for evaluation purposes where suppliers had to complete a list of fit for purpose PPE for different mainstream council job roles and were scored based upon their suitability of choice. This ensured that only appropriate PPE suppliers would be able to bid for the framework due to the high risk associated with providing the wrong equipment.

The high non-core element on this framework has always been considered as a risk due to the varying PPE requirements of councils and historically, the high volume of mini competitions conducted under this framework. As a result of this, the decision was taken to not produce a standard e-catalogue from suppliers for councils but instead councils would work with suppliers to be provided with a specialist e-catalogue or, preferably, to use direct punch out. Scotland Excel will continue to liaise with councils and suppliers on non-core spend with the assistance of the new internal spend data repository (SDR) system.

Framework spend to date is c. £2.1m, generating savings of £16k.

3.2.4 Washroom Solutions

Having just entered the final year of the framework, Scotland Excel will begin work on the re-tender in the beginning of 2018. The framework is largely service based with councils nominating a contractor to service their washroom facilities, including provisions of free on loan receptacles for collection and removal of sanitary, nappy and medical waste. However, following the Scottish Government’s proposal to provide free sanitary products to all females across Scotland, the UIG will be consulted to determine if the scope of the framework should be extended to incorporate this.

Scotland Excel has also been working with the Scottish Government’s e-commerce team in recent months regarding the changes to legislation for e-invoicing which is due to come into effect for councils in November 2019. The washroom solutions framework has been chosen as a pilot exercise to improve the purchase to pay process as this tends to be a more problematic framework in relation to purchase to pay due to paying quarterly in advance and each unit being billed individually rather than as a consolidated monthly bill.

Framework spend to date is c. £5.4m, generating savings of £2.3m.

4 Opportunities and Risks

The diverse nature of the facilities portfolio means that there are various risks and opportunities which apply to either some or the entire portfolio.

4.1 Opportunities

The facilities portfolio benefits from a mature and established stakeholder group who continue to influence, support and assist with all aspects of development and management of this portfolio, both at local and policy level. Below are some of the further opportunities available to Scotland Excel over the next twelve months.

4.1.1 Programme for Government 2017-18

The Scottish Government's Programme for Government 2017-18 provides a refresh on the agenda of meeting the changing needs of the people of Scotland and the unprecedented challenges ahead, with Scotland Excel being able to play a part in this.

Some of the areas within this for further exploration by the facilities team to either influence at policy level or to include within future tendering exercises include, the challenges on poor public health, expansion to early learning and childcare hours and providing access to free sanitary products to students in schools.

4.1.2 Changes to School Nutrition Act / Obesity Consultation

Tackling obesity has been identified as a priority in the Scottish Governments Programme for Government. As a result the "*Healthier Future – Action and Ambitions on Diet, Activity and Healthy Weight*" consultation was released in October 2017 for stakeholders to comment on. Along with Food Standards Scotland and NHS Health Scotland, Scotland Excel will be inputting to the consultation in order to help influence and direct food policy within public sector procurement.

Following on from the success of Hungry for Success and Better Eating Better Living, Scotland Excel will also be providing expertise on proposed changes to the guidance for the Nutrition Act for Schools in 2018.

4.1.3 Extended Nursery Hours

At present, children of age 3-4 within Scotland are entitled to 600 hours per year (equivalent to around 16 hours per week if delivered during school term time) of early learning and childcare (ELC). However, the Scottish Government has committed to increase ELC to 1,140 hours per child per year by 2020.

This expansion will require substantial increase in the workforce and investment in infrastructure as well as new and innovative models of delivery. It will also create a lot of opportunities for Scotland Excel to assist councils with their delivery.

Scotland Excel currently delivers the majority of frameworks that councils will require to meet their demands such as food, catering sundries, washroom, furniture etc. however there will be areas of new development required. For example, most nurseries are set up with domestic white goods but to cope with the demand of the number of meals to be served, commercial white goods will be required. Provisions will also need to be included within any new tenders to account for new buildings that may require deliveries as well as the opportunity for councils to gain bulk delivery discounts if they choose to use central production units / kitchens.

Scotland Excel will be preparing a positioning paper on this area in the New Year to determine what further added value can be offered to councils on this area.

4.1.4 External Stakeholder Engagement

Over the last ten years Scotland Excel has dramatically changed how we engage with stakeholders. When originally set up, the main communication was largely just with councils and no external influences. However, Scotland Excel has worked hard to be recognised across the different industries as well as engaging and building relationships not only with the supply base but also a number of different bodies within Scotland. Some of these bodies include, Eating City, Food Standards Scotland, National Farmers Union Scotland (NFUS), Quality Meat Scotland (QMS), Scotland Food and Drink, the Scottish Government, Soil Association Scotland and Zero Waste Scotland.

Continuous market engagement will continue to drive stakeholder relationships encouraging the inclusion of Scottish companies in public sector tendering where appropriate.

As well as this, members of the team have also been asked to speak at numerous events to highlight the work being carried out across Scotland especially within the food frameworks. This was even extended across Europe this year when asked to present at the Eating City Summer Campus on food in the public sector in Scotland to delegates from Europe, Africa and America in attendance.

A rigorous renewal programme in 2018 / 19 will ensure stakeholder engagement is maximised and all relevant tools used to encourage best practice and innovation within the market place.

4.1.5 Increased Framework Participation

The utilisation rate from councils across the eight frameworks within the facilities portfolio has always been high, with an average participation rate of 89%. However, the team have strived to increase the uptake across councils further by carrying out significant engagement with both councils and their local supply base (where possible) to try and encourage suppliers to bid via the Scotland Excel frameworks.

In recent months this effort has come to fruition with seven local suppliers being award places on facilities frameworks resulting in councils being able to migrate over from their own existing arrangements to the Scotland Excel arrangements. For the first time in the food portfolio, this has also resulted in Glasgow City Council and Shetland Islands Council being able to participate in the frameworks, with Shetland Islands now having three of their local SMEs participating across the portfolio.

A goal of 94% participation from councils across the eight frameworks will be set for the next twelve month period.

4.1.6 National Outcomes / Indicators

Community benefits are an important part of all frameworks within Scotland Excel. Recently, these have been tied in with the Scottish Government's National Outcomes where appropriate within the facilities team. The reason behind this was to demonstrate and report clearly where the facilities frameworks are adding additional value to communities throughout Scotland.

This approach will also be applied to any tenders within the team over the next twelve months and work will be carried out to encourage suppliers to look at innovative ways of supporting the National Outcomes.

4.1.7 Spend Data Repository (SDR)

Scotland Excel's IT team has been working with SPIKES Cavell to develop a scalable solution for data requirements. Previously, management information was requested from all framework suppliers in an excel format, however, to try and improve the quality of data and to minimise the onus on suppliers, a spend data repository (SDR) was created.

The facilities frameworks are some of the first to be included on the SDR which has helped to not only provide more efficient reporting but also helps with business intelligence tools when providing contract management updates to councils.

4.2 Risks

4.2.1 Brexit and Food

The implications of Brexit for food are potentially enormous regardless of whether a "hard" or "soft" Brexit is agreed. New food legislation will be required to ensure the high quality and standards of food are preserved and do not allow for chlorine chicken and genetically modified foods to enter supply chains. Other areas of potential risk lie within the removal of EU policies such as the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP) and the potential shortages on migrant labour all which can have an impact on the price paid for food.

However, at times of change it is also important to look at the opportunities that could arise from this. With changes to legislation required, Scotland Excel will also have the opportunity to help influence and shape future direction for sustainable public food procurement within Scotland.

4.2.2 Food Prices / Inflation

Britain's decision to leave the EU and the weakening of the Sterling has had a significant impact across the food frameworks in the last 12 months. In the last few months the pound has steadied but the outlook is still unclear until there is a form of clarity on what trade arrangements post-Brexit the UK will be able to successfully negotiate. However, most experts within the food industry

believe that Brexit will have an adverse impact on food costs which has already become apparent in the form of price increases being passed onto consumers.

Following a relatively long period of instability in the dairy market, prices are not at an all-time high due to supply shortages with the price of butter up 72% year-on-year. These shortages and price rises have been caused due to EU wide drop in milk production particularly in the UK with the UK average milk price up 36% year-on-year. Scotland Excel will continue to monitor the market place as well as discuss alternative products where possible with suppliers and councils.

4.2.3 Competition from other Collaborative Bodies

Scotland Excel is unique in its delivery of collaborative frameworks to local authorities and works in partnership with organisations working from different sectors such as Advanced Procurement for Universities and Colleges (APUC), NHS and housing associations.

Extensive engagement is undertaken with councils to ensure that frameworks are fit for purpose and Scotland Excel remains their partner of choice however, considering the current financial restraints, more resource needs to be allocated to the active management and promotion of the category benefits.

4.2.4 Number of Suppliers and Dominant Suppliers

There are 68 awarded suppliers in the facilities portfolio, ranging from between 3 and 21 across the individual frameworks. Basic contract management processes need to involve all of these suppliers which can be time consuming and can strain the resources within the team, taking resource away from delivery of innovative value opportunities such as projects to maximise savings and community benefits.

Within the facilities portfolio there are dominant suppliers who receive the majority of expenditure across frameworks or lots. As a result, Scotland Excel is keen to encourage new players into the marketplace to increase competition and work with councils to use local suppliers where applicable and appropriate.

4.2.5 Financial Challenges for Councils

All councils in Scotland have to 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 facilities 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 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 especially with the introduction of the SDR.

5 Market Prices

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

There are a diverse range of markets associated to Scotland Excel's collection of facilities 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.

A review of all framework market indices will be carried out in the New Year to ensure that the relevant areas are being tracked for the frameworks. However, a summary of the current primary indices within the facilities portfolio are provided below.

5.1 Consumer Price Index (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. Currently CPI is tracking with minimal increases.

5.2 Oil / Diesel

The price of diesel and oil could affect goods and services being supplied through many of the facilities frameworks due to the large number of delivery points especially for food. In order to try and mitigate this where possible, councils tend to consolidate orders and have reduced delivery days through the week. The use of multi-temperature vehicles has also assisted with this with suppliers who operate across frameworks. Over the last couple of years, fuel prices are tracking with minimal increases.

5.3 Exchange rates

Exchange rates provided from the Bank of England are used to track fluctuations in currency. The Pound Sterling experienced a dramatic fall in mid-2016 following Britain's vote to leave the European Union. This has resulted in a turbulent time for suppliers with it costing more to buy goods from abroad and domestic markets. Exchange rates are tracked on a number of facilities frameworks where the suppliers source their goods from abroad.

5.4 Agricultural Price Index

Prices of metal in the last few years have dropped massively. Index Mundi shows that metal prices over the last five years has more than halved, falling year on year from 256.24 in February 2011 to 108.89 in February 2016 (falling year on year based on average February price). This shows the cost of the raw materials has been falling over the last few years however some suppliers say that some of the fall is cancelled out by increases in the cost of manufacturing. Considering steel in particular, the dramatic fall in price is likely due to the oversupply of steel into the market, which is currently around 600m tonnes of steel annually.

6 Future Plans

Over the next year the focus of the facilities category will be to continue to deliver the essential operational frameworks required by councils. Due to the nature of these frameworks, a significant amount of resource is required for price reviews, core product reviews, supplier management and management information analysis. Careful project management will be essential to manage and mitigate any risk.

New framework opportunities could be explored further, however due to the value of these it will be likely that they will be undertaken by the newly formed operational supplies and services team within Scotland Excel. Potential opportunities include fruit and vegetables, bread and rolls and catering machinery.

An outline four year work plan is provided in Appendix 1, this however assumes continued renewal of the existing eight facilities frameworks and identifies key contract milestones for each.

7 Appendix 1 – Four Year Work Plan

SCOTLAND EXCEL FACILITIES CATEGORY FOUR YEAR WORKPLAN																				
Framework	Start Date	Period	Annual Value	Financial Year 2018-19				Financial Year 2019-20				Financial Year 2020-21				Financial Year 2021-22				
				Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Quarter 2 2019/20	Quarter 3 2019/20	Quarter 4 2019/20	Quarter 1 2020/21	Quarter 2 2020/21	Quarter 3 2020/21	Quarter 4 2020/21	Quarter 1 2021/22	Quarter 2 2021/22	Quarter 3 2021/22	Quarter 4 2021/22	
Catering Sundries	01/08/2016	4	£6m		Contract Management Report					Contract Management Report	Develop	Develop	Tender	Award						
Frozen Foods	01/07/2017	2 + 1 + 1	£25m		Extension Report					Extension Report					Develop	Develop	Tender	Award		
Groceries & Provisions	01/05/2016	4	£30m	Contract Management Report				Contract Management Report	Develop	Develop	Tender	Award								
Janitorial Products	01/03/2015	3 + 1	£9m	Develop	Develop	Tender	Award						Contract Management Report				Extension Report			
Meats (Fresh, Prepared & Cooked) inc. Fresh Fish	01/10/2014	2 + 1 + 1	£7m	Develop	Tender	Award				Contract Management Report					Extension Report				Contract Management Report	
Milk & Associated Products	01/03/2018	3 + 1	£9m					Contract Management Report					Extension Report				Develop	Develop	Tender	Award
Personal Protective Equipment	01/03/2017	2 + 1 + 1	£10m	Extension Report				Extension Report					Develop	Develop	Tender	Award				
Washroom Solutions	01/10/2014	3 + 1	£3.5m	Develop	Tender	Award				Contract Management Report					Extension Report				Contract Management Report	