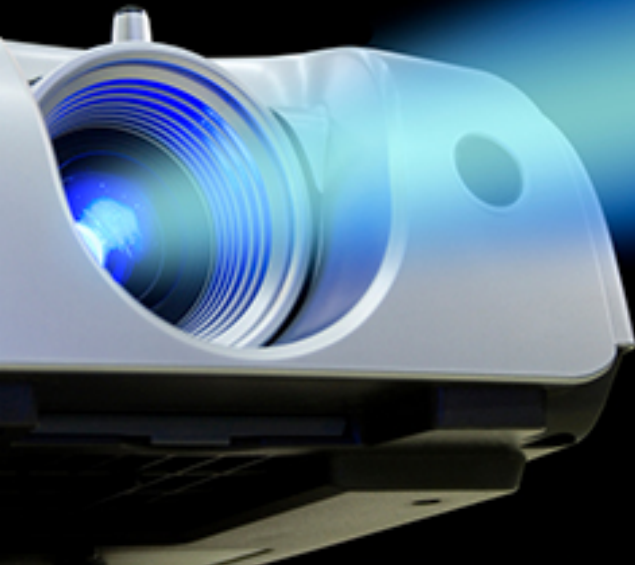




**SCOTLAND  
EXCEL**



**EDUCATION CATEGORY  
STRATEGY DOCUMENT**

MARCH 2018

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## 1 Introduction

This education category strategy describes the current landscape, as well as providing an overview of relevant legislative, policy and economic matters that will help and help shape the development of national education frameworks. This strategy details Scotland Excel's plans for the ongoing management and re-tendering of existing contract in the education 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 legislation in line with the Review of Education and Digital Transformation work-stream
- 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 four education frameworks. During the financial year 2016-17 the

education portfolio represented 5% of total advertised expenditure (£46.5M) on Scotland Excel frameworks:



## Total Value £969m

The current range of education frameworks account for 6% of total actual savings (£2.2M) delivered to councils.

### 3 Current Position

#### 3.1 Education and Office Furniture

This framework has been developed to cover a wide range of furniture suitable for classrooms, dining rooms and flexible learning spaces. Furniture for use in a variety of office environments is also available along with furniture suitable for meeting rooms, reception areas and flexible work spaces. The new framework also included a new lot for pre-5 furniture in order to support the Scottish Government's continued investment in early year's education.

There were 21 suppliers awarded onto the framework, however in August this year Scotland Excel were informed that EME Furniture were entering into liquidation. Councils were informed at the time and it is anticipated that this will have little impact for councils purchasing of the framework as the remaining 20 suppliers are able to provide full geographical and product coverage.

Framework spend to date on the current framework is c. £2.8m, generating savings of £130k.

### **3.2 Education Materials**

The second generation for education materials started on 1 August 2017 and will run until 31 July 2019 with two one year extension periods available after this time until 31 July 2021.

At the development stage the decision was made to incorporate a new “one stop shop” lot that would satisfy the bulk of their requirements and allow councils to direct award rather than having to carry out a mini competition across all 9 product lots.

The high non-core element on this framework has always been considered as a risk due to the number of variations available on products. 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. Regular core product reviews will also be conducted to ensure the framework is meeting councils requirements.

Framework spend to date on the current framework is c. £4.4m, generating savings of £333k.

### **3.3 Library Books, Educational Textbooks and Multi Media Supplies**

#### **3.3.1 Library Books, Educational Textbooks and Multimedia Supplies**

Work began on the re-tender of the library books, educational textbooks and multimedia supplies framework in summer 2017. During the development stages, it was agreed by the UIG that two separate tenders should be conducted to also incorporate e-books and digital publications.

The framework for library books, educational textbooks and multimedia supplies went live on 19 February 2018, with 24 suppliers awarded across 19 product lots. This framework sees the addition of two new lots, Audio Books and Large Print Books.

#### **3.3.2 Digital Publications and Services**

Due to feedback from the UIG, a new area for development in the education portfolio this year was digital publications and services. The scope of the framework includes e-books, e-audiobooks, e-magazines and e-comics with framework spend estimated at £1 million per annum.

The tendering opportunity for this area was published in November with work now underway on finalising the award of this framework. The standstill period was concluded on 10 April, with 5 suppliers awarded across the 4 product lots. The framework became effective from 16 April 2018.

### **3.4 Presentation and Audio Visual Equipment**

This framework was developed to cover a range of presentation and audio visual equipment including installation and commissioning services. The framework launched on 1 April 2015 until 31 March 2018 with the option to extend until 31 March 2019.

In the summer of 2017, TCIB Installations Ltd informed Scotland Excel of their decision to cease trading. Scotland Excel advised councils to direct any future orders to the three remaining suppliers on the framework to ensure continuity of supply and consistency of provision.

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 advancements in technology and the Scottish Government's Digital Transformation programme, discussions will take place with the UIG in the new year to determine if this framework should remain within the education portfolio or if it would be better aligned within the ICT portfolio.

Framework spend to date on the current framework is c. £14.5m, generating savings of £1.1m.

Work is already underway, and engagement with incumbent suppliers has been carried out. Next steps include publishing a Prior Information Notice and engaging with wider marketplace, and consultation with the UIG to ensure the scope is relevant and appropriate.

## **4 Opportunities and Risks**

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

### **4.1 Opportunities**

#### **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 education team to either influence at policy level or to include within future tendering exercises include, expansion to early learning and childcare hours and changes to education within schools.

#### 4.1.2 Review of Education

During the Programme for Government speech, the First Minister made clear that the Education (Scotland) Bill 2018 will be a key piece of legislative change for 2018. As a result the "*Empowering Schools*" consultation was released in November 2017 for stakeholders to comment on.

The purpose of the consultation is to attain views on whether the Scottish Government's proposed changes to education (moving to an empowered school and teach-led system), will improve educational outcomes for young people and how they will work in practice.

Scotland Excel will be contributing to the consultation in order to help influence and direct education policy within public sector procurement.

#### 4.1.3 Digital Transformation Programme

In the Scottish Government's national digital strategy, they have committed to delivering digital public services that meet the needs of the public. Scotland Excel has been closely aligned with the Digital Office in this area, however there is further exploration to be carried out within the Education portfolio.

School children are more technology minded than ever before and as a result the style and curriculum for education is advancing to accommodate for this with classrooms becoming equipped with interactive touch boards, tablets etc. As a result a scoping exercise will need to be conducted on the education frameworks to ensure that they are still fit for purpose and meeting the demands of the end users in line with the digital strategy.



#### 4.1.4 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, furniture, education materials 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. Within existing frameworks, core product reviews will need to be undertaken to ensure that these changing requirements are captured through the framework.

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.

#### 4.1.5 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 education team. The reason behind this was to demonstrate and report clearly where the education frameworks are adding additional value to communities throughout Scotland.

This approach will also be applied to any retenders 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.

#### 4.1.6 Spend Data Repository

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 education 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**

Britain's decision to leave the EU and the weakening of the Sterling has had a significant impact across the education 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.

Discussions on Brexit will continue to form part of the contract management meetings with suppliers to gain a full understanding of what impact it could have on framework pricing allowing Scotland Excel to manage budget holders' expectations appropriately.

### **4.2.2 Review of Education**

While the review of education poses an opportunity to Scotland Excel, there is also an element of risk involved. One of the proposals of the consultation is to establish a Headteacher's Charter which will set out the rights and responsibilities of the headteachers to empower them to be leaders of learning in their schools. This charter will provide headteachers with more autonomy when it comes to spending meaning they may choose to purchase products by their own means instead of through collaborative frameworks. Therefore having an impact on spend and the purpose of the education frameworks.

Scotland Excel will continue to engage with councils and other stakeholders in this area to ensure the benefits of collaborative procurement are realised.

### **4.2.3 Competition from 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 82 awarded suppliers in the education portfolio, ranging from between 3 and 30 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 education 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 education 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 education 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 education 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 education frameworks due to the large number of delivery points especially for food. In order to try

and mitigate this where possible, councils are best to consolidate orders and have reduced deliveries where possible. 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 Metals**

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.

### **5.5 Paper**

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## **6 Future Plans**

Over the next year the focus of the education 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.

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

7 Appendix 1 – Four Year Work Plan

SCOTLAND EXCEL EDUCATION 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	
Digital Publications and Services	01/02/18	2 + 1 + 1	£1m					Contract Management Report					Extension Report				Develop	Develop	Tender	Award
Education and Office Furniture	01/03/17	3 + 1	£9m	Contract Management Report				Extension Report					Develop	Develop	Tender	Award				
Education Materials	01/08/17	2 + 1 + 1	£17.5m			Extension Report				Develop	Develop	Tender	Award						Contract Management Report	
Library Books, Educational Textbooks and Multi Media Supplies	01/02/18	2 + 1 + 1	£14m					Contract Management Report					Extension Report				Develop	Develop	Tender	Award
Presentation and Audio Visual Equipment	01/04/15	3 + 1	£6m	Develop	Develop	Tender	Award			Contract Management Report					Extension Report				Contract Management Report	