



**SCOTLAND**  
**EXCEL**



**ROADS CATEGORY**  
**STRATEGY DOCUMENT**

APRIL 2018

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## 1 Introduction

Scotland's councils are responsible for maintaining 24,000 km of classified roads and 26,400km of unclassified roads (Unclassified roads are local roads with no defined destination). Transport Scotland maintains Scotland's trunk roads, a total of 3400 km.

This Roads strategy document describes the current industry landscape and the short to medium term options that Scotland Excel can pursue in developing the portfolio of frameworks that support local councils' needs and helps to input into the national objectives developed by the Scottish Government.

It takes the main themes and links them to future roads related developments, tightening budgetary constraints and local authority service delivery models and the opportunity for different strategic procurement models to help facilitate these changing landscapes.

The key strategic opportunities identified are:

- Increase quality of management information and use it as a tool to maximise council savings and identify new added value opportunities.
- Monitor and support delivery of community benefits and fair work practices and build on existing commercial relationships to increase access of Supported Businesses to public sector procurement.
- Where possible, remove procurement barriers and strengthen sustainability by understanding better the balance between longer term sustainability and the 'short term-ism' approach given increasing budgetary constraints.
- Assess existing roads frameworks and evaluate alternative forms of delivery to future proof the portfolio.
- Ensure indexation is being properly utilised across the portfolio to 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.
- Augment mobilisation in new contract areas to improve knowledge and understanding of councils through targeted framework sessions and promoting appropriate Scotland Excel training courses, such as NEC contracts training.
- Monitor policy and legislation developments, assess impact on category portfolio of imminent changes and continue to represent and communicate with councils appropriately e.g. on outputs of the roads review.
- Support cross organisation work on Serious Organised Crime (SOC).
- Develop roads team capabilities to ensure there are the appropriate skills and resources to manage the portfolio.

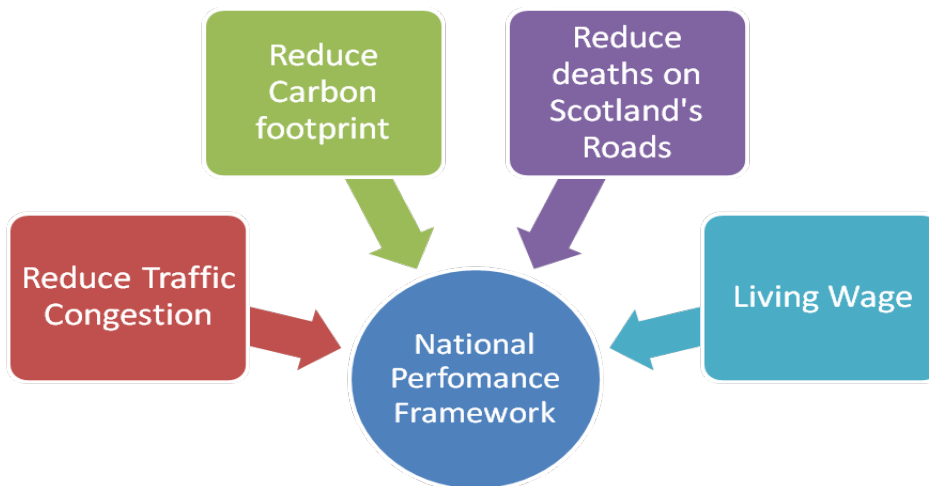
The strategy will be reviewed on an annual basis with an updated strategy produced for 2019.



## 2 Landscape

The latest Scottish Transport Statistics report published by The Scottish Government in 2015 states that the volume of traffic on Scotland's council maintained roads has increased by 22 per cent over the last 20 years. Scotland's roads are the first choice of travel for the vast majority of the population. This means that Scottish Councils must ensure that significant elements of their constrained budgets are allocated to roads maintenance. While 13 authorities increased their spending in recent years, overall council expenditure on roads maintenance continues to decrease, from £302m in 2011/12 to £259m in 2014/15.

To support the requirements of its member councils, Scotland Excel, as a centre of expertise, currently manages a portfolio of seven roads related frameworks. These frameworks along with all public bodies are required to ensure that procurement decisions help to achieve the strategic objectives of the National Performance Framework. The National Indicators from the framework that the Roads commodities directly input into are:



Scotland Excel's frameworks have an input into these indicators by ensuring that at the point of tendering, Tenderers must satisfy criteria that determines if suppliers operate ethically and that they demonstrate their commitments to the environment and to ensuring quality control in producing products or providing services. Scotland Excel monitors suppliers and support the payment of the Scottish living wage to their direct employees. Scotland Excel's frameworks do not directly support the Scottish Government's Road Safety Framework targets but by ensuring products and services supplied meet the appropriate British / European standard we are able to ensure some of the that the key factors that contribute towards fatalities on Scotland's Roads are limited.

A central national objective of the Scottish Government is "creating a more successful country with opportunities for all of Scotland to flourish, through increasing economic growth".

An efficient well maintained transport network that enables the distribution of goods and services across the country quickly and economically is essential in helping to realising this goal. Supporting the transport network requires substantial investment in ongoing roads maintenance.

## 3 Current Position

Scotland Excel has currently seven live frameworks detailed as follows:

Framework	Status	No. of Suppliers	Finish Date (including any extension period)
Bitumen	First year of framework	5	February 2021
Road stone	Last year of framework	13	June 2018
Road maintenance materials	Last year of framework	14	June 2018
Salt for winter maintenance	Last year of framework	7	June 2018
Street lighting materials	Last year of framework	21	May 2018
Street Light Bulk Renewal of Luminaires	Second year of framework	13	July 2020
Signage	Last year of framework	18	November 2018

The seven roads frameworks have a total annual forecasted value of just over £100 million and are forecast to make significant savings over their lifetime.

### 3.1 Roads Frameworks

A brief summary of the products and current performance of these frameworks is shown below.

#### 3.1.1 Bitumen (status finishes February 2021)

This framework has five suppliers appointed to five lots. This framework addresses councils' needs for bulk and packed bitumen plus related products for roads and footway repairs. Current expenditure for this framework to date is £6.5 million. The majority of expenditure for this framework is for penetration binders and surface dressing emulsion.

#### 3.1.2 Roadstone (Extended to Summer 2018)

This framework has thirteen suppliers appointed across four lots. Currently eleven councils are utilising this framework with a spend of £10.4 million with savings of £750k. A key strategy of this framework was "conformance" whereby Councils would migrate across to this framework as their own contract arrangements naturally concluded.

The products supplied under this framework include:

- Coated road stone
- Uncoated roadstone
- Recycled roadstone
- Ready mix concrete

Work is currently underway in consultation with stakeholders to develop and scope the procurement strategy for the next generation of this framework.

#### 3.1.3 Road Maintenance Materials (Extended to Summer 2018)

This framework has fourteen suppliers appointed across seven lots. This framework has attracted spend of over £3.3 million over its lifetime with a reported savings figure of £350k. The framework had been extended for a further two years. It has been noted that there is off contract spend for this category due to a number of suppliers who have not been appointed. The road maintenance related products supplied under this framework include:

- Safety Barriers
- Line Marking
- Traffic Bollards
- Concrete Products, such as kerb stones

Work is currently underway in consultation with stakeholders to develop and scope the procurement strategy for the next generation of this framework.

#### **3.1.4 Salt for winter maintenance (extended to 2018)**

This framework has seven suppliers appointed to six lots. Four lots are in place to address the requirement for bulk delivery of salt to harbours and depots. This framework primarily facilitates the bulk delivery of bulk salt from UK mines to support the councils' roads winter gritting operations. The majority of spend in this framework has been with three bulk products but the logistics of moving large quantities of materials utilising shipping and road hauliers is significant. Another constraint on this framework is the necessity of delivering to schools within a very short window of opportunity due to safety considerations with children. The remaining two lots provide de-icing products and equipment such as spreaders and salt bins. Expenditure on salt has been £27 million to date. It is worth noting that this is a highly restricted market with only three mines operating in the UK.

Work is currently underway in consultation with stakeholders to develop and scope the procurement strategy for the next generation of this framework.

#### **3.1.5 Street lighting materials (extended to 2018)**

All Scottish councils are engaged with this framework and it is attracting significant expenditure. Current expenditure on this framework is £73 million with savings of £2.3 million. It is currently forecast that this framework will attract £100 million+ of expenditure based upon actual spend to date. The key expenditure on this framework is with Lot 8 – LEDS. Councils are in the process of replacing SOX and SON lights with LED lanterns. The savings from LED replacement are significant to councils both in terms of energy efficiency; an LED lantern typically pays for its whole life cost in six years, and maintenance costs, as LED lanterns attract average warranty lengths of twelve years. The seven other lots service councils' needs for lighting columns, non-led lanterns & lamps and cabling products.

Work is currently underway in consultation with stakeholders to develop and scope the procurement strategy for the next generation of this framework.

#### **3.1.6 Street Lighting – Bulk Renewal of Luminaires (status finishes July 2020)**

This framework has 13 suppliers across a single lot. This framework provides councils with a mechanism to replace large volumes of SOX and SON lanterns with LED lanterns. The scope of the framework includes all works required for the bulk replacement of street lighting luminaires. This may include additional, ancillary and enabling works as required. The framework is primarily aimed at the works element only and it is anticipated that the council will provide the bulk of the materials to be used for the works.

The framework supports progression of, "invest to save", energy efficiency programmes. The benefits arising from this framework include reducing energy revenue running costs and meeting national carbon reduction targets. This framework also allows councils to bulk replace lanterns with non LED lanterns.

#### **3.1.7 Signage (Extended to November 2018)**

This framework has 18 suppliers appointed across seven lots covering a variety of internal and external signage and associated posts and equipment. 31 councils are engaged with this framework. The spend across participating authorities was forecasted at an average of £2 million per annum equating to

approximately £8 million over the term of the framework, including the extension period. Scotland Excel has also explored cross sector collaboration during the strategy development phase and as a result the Advanced Procurement for Universities and Colleges (APUC) has also confirmed their participation on this framework.

Work will commence later in the Spring of 2018 to further scope the replacement procurement options in this area.

## **4 Opportunities and Risks**

The wide and diverse nature of the roads portfolio means that there are various risks and opportunities which can impact the portfolio.

### **4.1 Opportunities for Scotland Excel Roads frameworks**

- Scotland Excel's frameworks are truly collaborative which present an opportunity for both councils and suppliers to work together for more successful framework partnerships. Council officers are involved in the development of the frameworks from the earliest stages of the procurement journey.
- Scotland Excel is in a unique position in having all 32 councils as members, with the organisation facilitating co-operation and collaboration across all members.
- Driving compliance through framework requirements with regulations at both EU and national levels.
- Enable customers to purchase easily for direct call off and mini- competitions.
- Flexible frameworks for customers to purchase non listed (core products).
- Contract management is handled centrally on behalf of customers and suppliers.
- Products are required to conform to specifications often at an ISO level.
- Products may be required to be certified by a UKAS accredited facility.
- SME's and Scottish based SME's are encouraged to become suppliers through effective market engagement.
- A key objective for Scotland Excel is to realise savings for our customers with significant validated savings being realised in the roads category.
- Broadening the roads category portfolio to develop complimentary service frameworks that allow access to our bulk supply frameworks.
- Relationships with other collaborative agencies that include Tayside Contracts, Improvement Service, SCOTS lighting group, Scottish Futures Trust and the Ayrshire Roads Alliance.
- Opportunities to revise current frameworks through core product reviews and framework renewals to make frameworks more attractive for both councils and suppliers.
- The use of NEC3 contracts in frameworks such as Street Lighting Bulk Renewals is attractive to councils in terms of framework operation and contractual benefits.

### **4.2 Risks of Scotland Excel Roads frameworks**

- Councils looking to access managed service type frameworks in the future as they move towards more flexible approaches to working practises.
- Lack of engagement with key stakeholders within councils could result in frameworks not offering an optimised solution to customers.
- Customers can often find mini competitions onerous and complicated and report a high degree of frustration in understanding how to properly implement them. Customers have highlighted that mini competitions require a significant amount of resources.
- Ensure Roads Portfolio framework lots are designed to drive best value through consolidated lot structures. For example, Pareto analysis of the current Bitumen framework has shown

80% of the framework value in 20% of the total number of lot items. It is important for the framework lots to include the correct mix of products for the user whilst remaining consolidated enough to allow ease of user for both the user and supplier and to remain attractive to potential tenderers.

- Not seeking technical knowledge of roads maintenance as part of the consultation process when tendering and managing frameworks can result in a lack of understanding of framework operation and product application.
- Lack of market and individual product knowledge can result in lack of knowledge of innovation in the road maintenance industry. The last five years has seen changes in a number of areas in the industry changing the profile of council spend.
- Budget cuts and an ageing workforce is forcing councils to adopt new and innovative approaches to road maintenance including the pooling and flexible use of resources and partnerships between councils and the private sector. To date, East Ayrshire and South Ayrshire Councils have formed the Ayrshire Roads Alliance to pool resources and consolidate purchasing power. North Lanarkshire Council have also entered into a Public Private Partnership with Amey for roads maintenance.
- An emerging risk for the roads portfolio is the managed store solution being adopted by councils. This is where a supplier takes control of council stores and becomes responsible for the supply and management of all related goods to the council. Councils which put this type of arrangement in place no longer have a requirement to purchase from the existing roads frameworks, diminishing the collaborative buying power currently experienced through the Scotland Excel arrangements. To date East Dunbartonshire Council has already migrated to such an agreement, with their bitumen requirements being sourced through this arrangement.

### **4.3 Stakeholder Relations**

Scotland Excel has met face to face with key suppliers for the roads frameworks where practical. Where this has proven impractical teleconference meetings have been held. Suppliers have been engaged according to the segmentation level indicated as necessary for effective contract management. The feedback from suppliers has provided influence into this overarching strategy.

Scotland Excel have been involved in various collaborative events and group meetings including:-

- Roads Expo Scotland
- APSE Scotland Roads & Street Lighting services advisory group
- Various roads related UIG's
- Improvement Service Roads Forum - 'Scotland's Roads 2035'
- Various visits to a number of councils and Tayside Contracts
- SCOTS lighting group meetings

It is worth noting that the products and services provided on these frameworks are, in the main, specialised and require a high degree of input from technical experts and end users in explaining the technical nature of the products and services. Procurement officers will be required to develop a consultative approach with key stakeholders from both suppliers and councils to understand the market and the services and products provided under these frameworks. These relationships should be further developed to foster a consultative approach to shaping future requirement and ensuring that Scotland Excel's contribution continues to be both relevant and adding value to our customers.

The aim here is to improve our stakeholder relations and ensure that, in overall terms, the roads strategy is aligned to our current and future customers' requirements.



#### **4.4 Trends in the market place**

Increasingly councils are seeing partnerships with key suppliers as an attractive solution. These partnerships include managed stores solutions for the council (for example, East Dunbartonshire Council) and the full outsourcing of roads maintenance activities (North Lanarkshire Council). Road maintenance is increasingly being managed in the context of wider infrastructure strategies.

Supply market analysis demonstrates a mature and highly competitive supply base with demand forecasted to increase in the global market over the next five years due to the rise of infrastructure development in emerging economies and in the domestic market here in the UK due to increased investment in roads infrastructure.

#### **4.5 Workforce Matters/Apprenticeships**

Road maintenance services are labour intensive and these are ideal types of operations where creating employment and apprenticeships could be a major advantage to creating sustainable employment. Other areas that could be an opportunity could be in school and college placements and work experience to help develop an understanding of technical and road construction and maintenance skills.

By incorporating workforce matters into the procurement of these goods and services, Scotland Excel can help not just create local jobs, but create careers for young people and help ensure they are well paid and are sustainable into the future.

#### **4.6 Serious Organised Crime**

Although roads and roads related services have not been traditionally an area of the economy that serious organised crime (SOC) has featured particularly heavily, it is vitally important that public money does not fund and support criminal activities. Scotland Excel has engaged with Police Scotland and the Scottish Government on how to prevent suppliers with connections to SOC being awarded onto our frameworks, and we will continue to engage with these bodies going forward on the best methods to deal with this important area.

### **5 Market Pricing**

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 is a diverse range of indices associated to Scotland Excel's collection of roads 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 roads category is stable. In general the roads frameworks perform as strongly on indexation with frameworks maintaining strong price indices.

The extensive core lists on the frameworks mean price negotiations are targeted to high spend items which is not accurately reflected in general commodity market indexation. Any future review of the roads portfolio should take into account the impact on indexation.

A summary of the primary indices within the roads portfolio are 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 roads service contracts, salary increases.

## **5.2 Oil/Diesel**

The price per litre of diesel has fallen by 30% from 143.9p in February 2013 to 101.21p in February 2016. This can be linked to the significant decrease in the cost of oil, which over the same period dropped 71% from \$116.76 per barrel to \$34.06.

The price of diesel and oil could affect goods and services being supplied through many of the roads frameworks. The cost of the goods could decrease and the cost of transportation/delivery could also fall as a result although many suppliers already undertake bulk deliveries, negating the impact of delivery cost reductions.

## **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 mid 2015 following concerns over Brexit. The weakened pound means that it is costing the suppliers more to buy goods from abroad.

## **5.4 Metals**

Overall, prices of metal in the last few years have dropped significantly. 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 Strategic Opportunities - The road forward**

## **6.1 Short term opportunities (24 months)**

Scotland Excel has a number of opportunities that can be implemented over the next twenty four months.

An analysis of the contracts registers for eight councils has highlighted significant expenditure in surface dressing. The value of contracts shown totals £58 million and this excludes a managed solution for North Lanarkshire council. Two contracts have lengths of four and seven years. These contracts do not fall under the current portfolio of frameworks offered by Scotland Excel. An opportunity exists for determining the viability of introducing road service frameworks to the framework portfolio. The Street lighting installation and maintenance framework have suggested that small focused frameworks can be delivered effectively by Scotland Excel.

Analysis of the Scotland Excel Roadstone framework indicated that councils spent a total of £52 million in local agreements (out with the Scotland Excel framework) with the same suppliers appointed to the Scotland Excel framework. Scotland Excel will engage with councils to understand this spend pattern. Scotland Excel may have to implement revisions to this framework or implement changes to procurement processes to capture this off framework spend. A key objective for Scotland Excel is to capture this expenditure within the portfolio by proactively engaging with our stakeholders and in turn encouraging an increase council participation.

#### Goals:

- Increased stakeholder engagement – become the number one choice of councils for roads procurement projects.
- Improve framework usage - ensure that the maximum number of councils that could utilise the Scotland Excel frameworks do so.

#### Actions:

- Develop replacement frameworks for Street Lighting Materials; Road Maintenance Materials; Roadstone and Salt.
- Investigate the potential for a framework for surfacing works with a restricted scope.
- Investigate opportunities for other small focused service frameworks that will complement the existing supply and delivery frameworks.
- Engage with customer account managers and the marketing team to increase council focus and participation on the roads frameworks.
- Ensure frameworks are easily accessible for users.

## **6.2 Medium term opportunities (48 months)**

Managed solutions may provide opportunities for our stakeholders. Two councils have recently elected to outsource the management of their warehousing requirements. It should be noted that this form of service contract could involve issues such as TUPE.

An approved suppliers list where suppliers must only pass a qualification element and submit rates for certain frameworks would enable flexibility for customers for issuing projects for bids through mini competitions (e.g. a Dynamic Purchasing System – DPS type arrangement). An advantage for Scotland Excel would be that we would reduce the level of contract management. This type of solution is currently used by the Ayrshire Roads Alliance and is regarded in local government as very successful. The suppliers are evaluated on a job by job basis and ranked with the highest ranked supplier being offered the work packages first. This solution however relies on a bespoke IT solution.

Customer and supplier engagement is key for successful management of this category. Scotland Excel should continue to engage with suppliers and stakeholders on a regular basis as part of ongoing Contract Management of road frameworks.

#### Goals

- Provide a portfolio of contracts that councils can utilise for all road work activities from procuring goods, storage of goods and services that will apply the goods.

#### Actions

- Determine the number and value of roads contracts tendered by councils over the last 12 months.
- Investigate managed solutions contracts.
- Engage with Councils roads managers to fully understand their future roads strategies.

## **7 Conclusions**

Roads contracts face a very challenging environment because of constrained expenditure by councils versus high expectations from the general public. However, the value of roads service contracts for our councils is significant. A key indication is that where ever a supply contract is placed there may be a complementary service contract being implemented that does not form part of our current portfolio.

It is also worth noting that councils have an ageing workforce and a skills gap may develop as time progresses. Councils are also in the process of disposing of fixed assets meaning that in many cases there is limited storage space. This means frameworks will be required to offer the hire of equipment and scheduled delivery times to allow more frequent deliveries in smaller quantities.

Scotland Excel have a significant role to play in assisting councils meeting their road maintenance and street lighting service deliverables in these challenging times. To ensure that Scotland Excel continues and strengthens its position as the procurement partner of choice for councils, it is important that it has in place the requisite skills and resources required to meet these challenges and opportunities.