

Appendix 2

1. Costs

- i. Costs have been developed for the first three years of operation of Scotland Excel. The cost estimates, set out in table 1 below, are based on information available at this time with regards to the proposed activities of Scotland Excel. It assumes that the key objectives set out in the bid document will form the basis of the Scotland Excel business plan to be delivered.

Appendix 2 - Table 1

Scotland Excel (Outturn prices)	Year 1	Year 2	Year 3
	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
Employee Costs	2,890,816	3,125,974	3,228,670
Property Costs	254,370	254,370	254,370
Supplies and Services	215,960	215,960	215,960
Transport	1,600	1,600	1,600
Administration Costs	292,900	292,900	292,900
Payment to Other Bodies	186,600	186,600	186,600
Total Expenditure	3,842,246	4,077,404	4,180,100
Total Income	-427,800	-402,800	-377,800
Net Expenditure	3,414,446	3,674,604	3,802,300

2. Benefits

- i. The main benefits included within this business case come through increased collaboration across the sector. All of the Councils have now contributed spend information to the Scottish Procurement Directorate's management information and spend analysis system (known as the Spikes Cavell tool) and all of the savings calculations within the business case are based on the spend analysis from thirty-one of the Councils which totals some £4.1 billion per annum.
- ii. The predicted benefits through the collaborative work – circa £35 million by the end of year 3 - have been assessed in three separate waves. The savings associated with each wave are set out in Appendix 2, table 2 attached to this report. For ease of reference, the details included within this report have been summarised at the highest commodity level within the Spikes Cavell tool (Proclass level 1). A more detailed breakdown of the savings details is available at two more detailed levels of analysis –Proclass level 3 (around 80 commodities) and Thomsons (over 1,500 commodities).

- iii. The business case figures shown in Appendix 2, table 2 relate only to activities that relate to category B commodities. No cognisance, at this stage, has been taken of the benefits to be achieved from the key role that Scotland Excel will play in collaboration within the category A and category C commodities or the areas of spend assessed as “not yet analysed in detail”.
- iv. Prudent assumptions have been made around the level of the total spend that can be “influenced” at this stage – the range of influenceable spend is included in the table below at a Proclass level 1. The ranges of savings targets against each commodity identified have also been included within this table for information.
- v. None of the “softer” benefits arising from participation in Scotland Excel have been included for within the business case. These include:
 - Greater numbers of well trained staff, and cost avoidance for individual authorities through establishment of a co-ordinated development programme.
 - Greater knowledge transfer across the sector in a context of learning and development and shared knowledge
 - Better deployment of national procurement policy and greater awareness of best practice across the sector and the consistency in the application of standard procurement processes.
 - Accelerated progress in individual authorities towards achievement of McClelland’s “superior performance” status
 - Improved engagement with and management of suppliers and greater efficiencies and standardisation in local procurement practices.
 - Improved service quality through more effective dialogue between procurement professionals, and service delivery professionals.
 - Stronger links with other sectors through active collaboration and sharing with other sectoral centres of expertise.
- vi. A narrative that shows the key areas that will be investigated to deliver these savings is included in Appendix 2, table 3 which is attached to this report.

- vii. It is recognised that for wave 2 & 3 commodities there is considerable work to be done to in order to deliver these savings. This will include considerable engagement with both client groups and representative national and professional bodies such as Association of Public Service Excellence (APSE) where there are advisory groups in place for a wide range of public services e.g. Construction and Building Maintenance Advisory Group. It is particularly crucial to the success of Scotland Excel in waves 2 & 3 that Councils actively and positively participate in the User Groups and be prepared to take on and drive change within their own authority.
- viii. Within the wave 1 commodities some Councils are already beginning to put forward their views as to how some of the product ranges could be extended to try and capture further spend not already included. Excel will continue to investigate and analyse these areas as well as focus on the need to encourage and stimulate dialogue amongst Councils to identify additional areas where there might be scope for further collaboration and savings. This is an on-going initiative and Excel would expect the benefits to the authorities involved to continue to increase as the organisation matures and gains experience especially in waves 2/3.