

Supply Chain Intelligence Report

Executive Briefing

June 2024



Scotland Excel

Supply Chain Intelligence Report

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Executive Summary

Market Developments

The inflation rate has slowed to the target rate of 2% in May 2024, but interest rates remain high at 5.25%.

The Energy Bills Discount Scheme conclusion marking the end of direct financial support for businesses struggling with energy costs.

La Niña weather conditions expected to take effect from late summer 2024, potentially leading to extreme weather events such as flooding and droughts that may disrupt international supply chains.

Oil markets appear resilient to market shocks, due to buffer provided by spare capacity of OPEC.

The Bute House Agreement termination and appointment of John Swinney as Scottish First Minister, potential pending changes to political leadership at a national and UK level with upcoming general election.

The revision of Scottish Net Zero objectives for 2030 and pending changes to the UK Government's strategy for reducing emissions.

The Scottish and UK Government budget announcements impacting businesses and funding priorities.

Social Care

Pay uplift for Adult Social Care, Children's Services, and Early Learning and Childcare staff to £12 per hour from April 2024, however guidance for the implementation of pay uplift in the Children's Social Care Sector is still pending.

Pay claim submitted to the Scottish Government under the Agenda for Change framework.

The prevalence of Modern Slavery in social care raising concerns, with intelligence received in Scottish council areas in 2023.

The Children (Care and Justice) (Scotland) Bill was passed in April 2024.

Funding to support independent living announced for 33 third sector organisations, through the Support in the right Direction programme.

Digital solutions transforming social care services, supported by Scotland Excel's Technology Enabled Care and Digital ARC frameworks.

8% growth in residential rehabilitation bed capacity in Scotland since 2021, Scotland Excel's Residential Rehabilitation framework live from on April 1st 2024.

Corporate and Education

Food price inflation falling to 1.7% in May 2024, the lowest level since November 2021.

Post-Brexit trading legislation taking effect, including 'Not for EU' labelling on prepacked products, and the Border Target Operating Model introducing health certification checks on animal, plant, and food products.

Security of global food supply chains remains vulnerable to international events including attacks on ships in the Red Sea, and international conflict.

Outbreak of Avian Bird Flu in US cattle raising concerns around the impacts of the virus to meat and dairy supplies. Vaccine secured in Europe, and US prepared to make vaccine available amid concerns around human-to-human transmission.

Bluetongue Virus vaccine under development for use in the UK, with the virus expected to impact UK livestock in summer months.

Paper and packaging market pricing beginning to stabilise, overall positive outlook for the market attributed to growing demand for sustainable packaging and prices beginning to stabilise.

Construction, Transport, and Environment

Pricing decreases for commodities including timber, steel, diesel, copper, cement, and lumber. However, price increases continue to impact construction materials such as concrete, pipes and fittings, and windows.

Introduction of the New Build Heat Standard in Scotland prohibiting the installation of oil or gas boilers in new buildings from April 2024.

Carbon Border Adjustment Mechanism proposal from the UK Government to prevent carbon leakage, following the introduction of the European Union Emissions Trading Scheme.

Expansion of the Electric Vehicle market, amid announcement from the Scottish Government of intention to install 24,000 additional charging points by 2030.

24% increase in pothole reports in the UK from 2020 to 2023, with 123,311 reported in Scotland in 2023.

Introduction

This report is the first of two Supply Chain Intelligence updates that will be published in 2024. This report aims to equip members with an array of information that can support the planning for and navigation of forthcoming supply chain challenges. This report will review market developments impacting the delivery of public services and highlight supply chain developments for consideration throughout 2024/25.

Scotland Excel is committed to sharing intelligence that can support planning and the navigation of forthcoming supply chain challenges in a way that best suits members. Thank you to those who provided their valuable feedback through the survey included in the report published in October 2023. Previously published quarterly, the Supply Chain Intelligence Report will be published bi-annually in 2024.

An archive of previous reports can be accessed in the [Scotland Excel members' area](#).

Market Developments

This report begins by presenting market developments that have arisen or continued since Scotland Excel's last Supply Chain Intelligence Report in October 2023. The impacts of these developments to public sector and global supply chains will be explored throughout the report.

The high-risk drivers of disruption and increasing costs to suppliers have been set out in Appendix 1. The sensitivity of sectors to inflation is presented in Appendix 2, in the context of relevant frameworks from Scotland Excel's portfolio.

Inflation and Interest Rates

The United Kingdom (UK) inflation rate fell to the Bank of England's (BoE) target rate of 2% in May 2024, for the first time in almost 3 years. After reaching a high of 11% in 2022, the slowing rate of inflation will provide some relief to businesses and public sector bodies. The BoE has forecasted that the Consumer Price Index will rise in the second half of 2024, before settling around 2%.¹ As the rate of price increases varies between sectors, Figure 1 highlights movements in the CPI for markets impacting the Scotland Excel portfolio of frameworks and the public sector since June 2023.

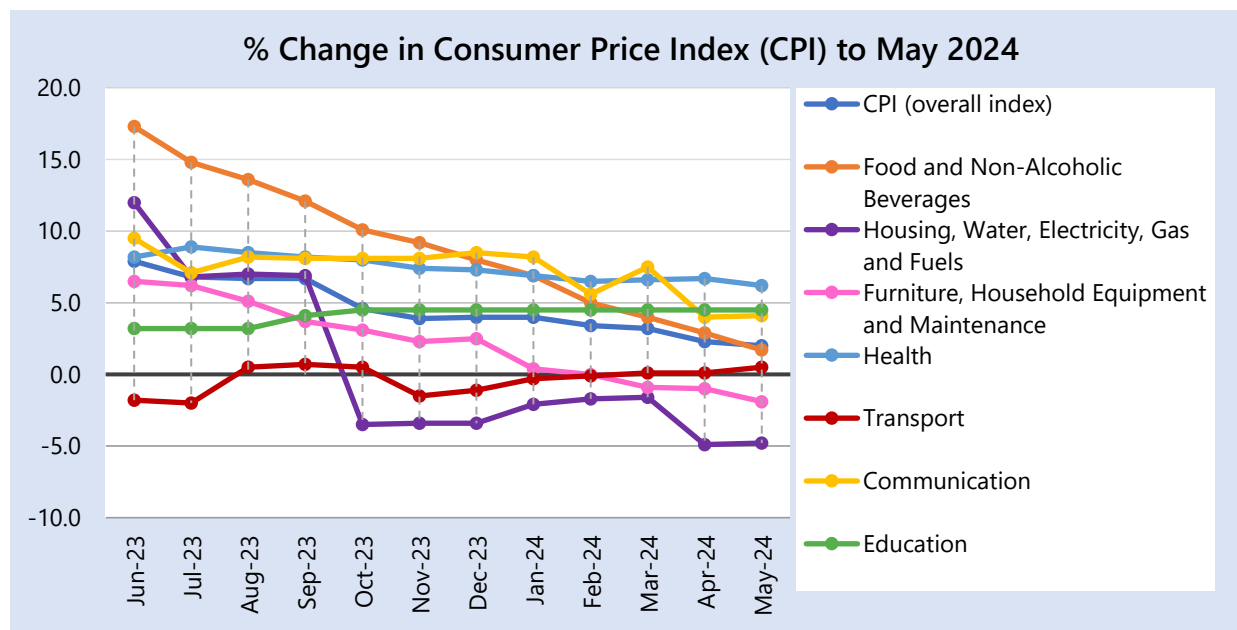


Figure 1: Percentage Change in CPI per Month to May 2024²

Although the rate of price increases has slowed, businesses continue to be impacted by high interest rates. The BoE has held interest rates at an 11-year high of 5.25% and confirmed that interest rates will remain high until inflation stabilises around its target rate of 2%. As the inflation rate currently at its target rate, a decrease in interest

¹ [Monetary Policy Report - May 2024 | Bank of England](#)

² [Inflation and price indices - Office for National Statistics \(ons.gov.uk\)](#)

rates may follow in the coming months should the economic outlook stabilise. Alongside prices, the BoE considers other economic factors in its interest rate decisions, including economic growth and employment in the UK.³ Table 1 outlines the forecasted CPI and interest rates in the second quarter of 2024 to 2027.

	Period			
	Q2 2024	Q2 2025	Q2 2026	Q2 2027
Consumer Price Index	2%	2.6%	1.9%	1.6%
Bank of England Interest Rate	5.2%	4.5%	4%	3.7%

Table 1: Forecasted Consumer Price Index and Interest Rates (Q2 2024 – Q2 2027)¹

Inflated costs and high interest rates are continuing to impact the sustainability of businesses. In the first quarter of 2024, Scottish firms reported that employee, credit, distribution, energy, input, and import costs had all increased from the previous quarter.⁴ Further, around 4.7% of businesses reported earning just enough income to continue operating and re-pay interest accrued on debt.⁵ Over the next six months, 85% of Scottish firms expect total business costs to continue to increase.⁴

The rising costs for businesses contribute to market contraction by increasing financial pressures on businesses, reducing profit margins, and restricting production capacities. As businesses navigate these challenges, a portion of the higher costs may be passed on to consumers. Scotland Excel has robust framework monitoring and supplier management processes in place and will continue to monitor developments in this area. So far in 2024, Scotland Excel has reviewed 35 change notices from suppliers on frameworks within its portfolio. These include changes to control, termination, assignation, and changes to service by suppliers.

Sectoral Landscape

Political Leadership Changes

Humza Yousaf announced his resignation as the Scottish First Minister on April 29th 2024.⁶ The announcement came following the termination of the Bute House Agreement – the power sharing agreement in place between the Scottish National Party and the Scottish Green Party. On 7th May 2024, John Swinney accepted the nomination to become First Minister, stating that his priorities as First Minister will be to eradicate child poverty and boost economic productivity.⁷

³ [Why are interest rates high and when might they fall? | Bank of England](#)

⁴ [Scottish Businesses look to the future after tough start to 2024 | FAI \(fraserofallander.org\)](#)

⁵ [UK Financial Risk Indicators | Monthly Updates | Company Watch](#)

⁶ [First Minister to resign - gov.scot \(www.gov.scot\)](#)

⁷ [John Swinney MSP accepts nomination as First Minister of Scotland - gov.scot \(www.gov.scot\)](#)

On May 22nd 2024, Prime Minister Rishi Sunak announced that a general election will take place on July 4th 2024. The general election will bring further changes to political leadership at both a national and UK level. Whilst the outcome of the election is unknown, changes to leadership could impact policy objectives and funding priorities.

United Kingdom and Scottish Government Budget Announcement

The Scottish Government announced its 2024 – 2025 budget in December 2023, and is now in effect. Key takeaways from the budget include⁸:

- A new 45% tax band for those earning between £75,000 and £125,140.
- An increase of 1% to the top rate of tax, now 48%.
- Non-domestic rates frozen for business premises valued below £51,000.
- 100% rate relief for hospitality businesses on the Scottish islands, up to £110,000.
- Child Payment increasing to £26,70, from £25.
- Additional £550 million funding for NHS Health Boards.

The UK Spring Budget 2024 was announced in March. A summary of the measures implemented in the budget can be found [here](#), key impacts to businesses include⁹:

- Value Added Tax threshold increasing from £85,000 to £90,000.
- Fuel duty frozen for further 12 months at 52.95 pence per litre.
- £7.4 million upskilling fund to help SMEs develop Artificial Intelligence skills.
- National Insurance Contributions (NICs) reduced by 2 pence.
- Self-Employed NICs reduced by 2%.

Council Tax Freeze

The Scottish Government has allocated £144 million to fund a council tax freeze for 2024/25, based on an increase of 5% in council tax rates from 2023/24.^{10,11} As council tax rates are set by local government, the decision of whether to accept the funding from the Scottish Government lay with each council. All 32 local authorities in Scotland have now accepted the council tax funding from the Scottish Government. However, the Convention of Scottish Local Authorities (COSLA) calculated that the funding falls £156 million short of being fully funded, as many councils were expected to increase their council tax rates beyond the funded 5%.¹¹

Council tax income is a revenue generation avenue within the controls of councils, who must continue to deliver key public services within a challenging budget setting environment. Therefore, the decision to freeze council tax rates restricts the ability of councils to increase their own funding. COSLA has described the council tax freeze

⁸ [Scottish Budget: 2024 to 2025 - gov.scot \(www.gov.scot\)](https://www.gov.scot/budget/2024-to-2025)

⁹ [Spring Budget 2024: Small Business Need-to-Know | FSB, The Federation of Small Businesses](#)

¹⁰ [Scottish Budget 2024-25: initial reaction | FAI \(fraserofallander.org\)](#)

¹¹ [COSLA releases Budget Reality document, following Scottish budget announcement | COSLA](#)

as a missed opportunity to unlock the potential of councils, as the funding could have been allocated to tackling high-priority issues in communities, schools, and for families.¹²

Local Government Transformation

The Society of Local Authority Chief Executives (SOLACE) and the Improvement Service are leading on a local government transformation programme to help reshape the delivery of council services.¹³ This programme builds on a report published in October 2022 that proposed a new approach for the future operating model of local authorities¹⁴ and will focus on 6 key areas that can help to unlock transformation across services:

- Unlocking community action.
- Enable a functioning, trusted local and central government relationship.
- Design for people's needs.
- Create digital, design and technology-enabled transformation.
- A focus on people through a public sector plc that tackles inequality at the root in order to improve everyone's life chances.
- Lead council and cross-sector partnerships with a focus on outcomes.

The transformation of services in key delivery areas can present both opportunities and risks to local government supply chains and procurement activities, that must be carefully managed with strategic foresight. Transformative change requires innovative solutions and adaptations to service delivery, and supply chains must be equipped to deliver these changes. Waste, Fleet, and Digital have been identified as three priority sub-group areas and Scotland Excel will play a key role in identifying opportunity and collaborating with local authority stakeholders to implement transformative change.

Scottish Government Procurement Strategy 2024 – 2028

The Scottish Government announced its Procurement Strategy 2024 – 2028. The outcomes of the strategy are aligned to the outcomes of the Public Procurement Strategy for Scotland 2023 – 2028¹⁵ and seek to deliver procurement that is:

- Good for businesses and employees
- Good for society
- Good for places and communities
- Open and connected.¹⁶

¹² [Scottish budget shows little focus on prevention and tackling poverty, says COSLA | COSLA](#)

¹³ [Solace/IS Transformation Programme | Improvement Service](#)

¹⁴ [Delivering a future for Scottish local authorities \(improvementservice.org.uk\)](#)

¹⁵ [Public procurement strategy: 2023 to 2028 - gov.scot \(www.gov.scot\)](#)

¹⁶ [The Scottish Government Procurement Strategy April 2024 – March 2028 - \(www.gov.scot\)](#)

A harmonised approach to public procurement by Scottish public sector bodies can increase the accessibility of supply chains to suppliers and provide increased clarity around the benefits and requirements of participation. Scotland Excel is currently exploring the segmentation of frameworks to outline the economic, social, and environmental priorities incorporated within its portfolio of frameworks. A segmented approach to service delivery can enable member organisations and suppliers to have an enhanced understanding of the benefits of using Scotland Excel frameworks, and how framework usage contributes to national objectives.

Industrial Action

COSLA submitted a pay offer for Scottish local authority workers on May 23rd 2024, which included a 2.2% uplift from April 1st 2024, and a further 2% uplift from October 1st 2024.¹⁷ Local government unions have rejected the offer, stating that it does not reflect the essential services provided by council and school workers. Members and suppliers should prepare for potential disruption from industrial action in schools and councils, as trade unions Unison and Unite have both warned that members will be balloted about potential industrial action in the coming weeks.¹⁸

The pay offer made by COSLA included a proposal to establish protocol for future settlement negotiations.¹⁷ An agreement of negotiation protocols would streamline negotiation processes and may reduce future disruption from settlement disputes in the coming years.

Oil, Energy, and Fuel Prices

Oil Price Uncertainty

Oil producing nations have a strong influence over supply chain sustainability and oil price stability. The impacts of the ongoing war in Gaza and Israel to oil and gas supply chains have been limited so far, due to low levels of involvement of oil producing countries. However, oil markets are facing uncertainty surrounding the election of a new Iranian president, following a helicopter crash that killed President Ebrahim Raisi on May 19th 2024. The first round of the election is scheduled for June 28th 2024.

Iran is the third largest producer of oil in the Organisation of the Petroleum Exporting Countries (OPEC), producing 3.2 million barrels of oil every day.¹⁹ Experts do not expect changes to leadership in Iran to lead to changes in oil policy in Iran, but the shock highlights the sensitivity of oil exports to geopolitical developments in the Middle East. Despite these risks, oil markets have remained resilient to recent geopolitical developments. Experts suggest that the market stability comes from the significant

¹⁷ [New Pay Offer for Scotland's Council Workforce | COSLA](#)

¹⁸ [Local government workers vote overwhelmingly to reject pay offer - UNISON Scotland](#)

¹⁹ [Oil eases on worries about US inflation, interest rates | Reuters](#)

spare capacity held by OPEC which provides the oil market with a buffer against supply shocks.

Petrol and Diesel Prices

The UK Government confirmed that the 5 pence per litre fuel duty cut on both petrol and diesel that was introduced in 2022 will be maintained for 2024/25. This duty cut was first introduced in response to the energy crisis and maintains a reduced cost of petrol and diesel fuelled travel. Although fuel prices in the UK are currently lower than during the crisis, the UK has the highest average diesel prices in Europe and petrol prices remain above the European average. Figure 2 outlines the petrol and diesel pricing in the UK and Europe, as of May 2024.

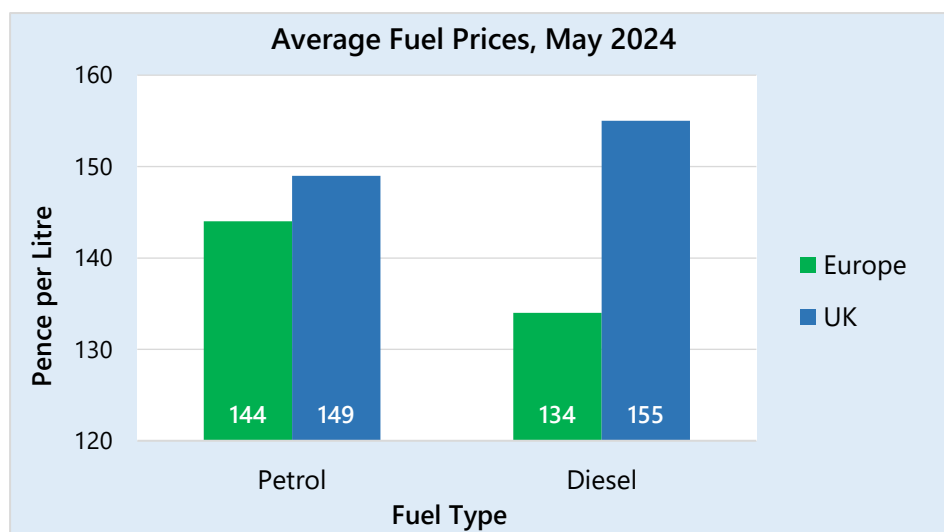


Figure 2: Average Fuel Prices per Litre, May 2024²⁰

In areas with more competitive fuel markets, such as in Northern Ireland, the average price of petrol and diesel is cheaper in comparison with the rest of the UK – by 6 pence and 10 pence per litre respectively. With the fuel duty cut in place, the RAC has stated that there is ‘no good reason’ that fuel costs in Great Britain remain high.²⁰ There is some optimism for fairer prices and more clarity around fuel prices for consumers in the near future, following The Digital Markets, Competition and Consumers (DMCC) Act receiving Royal Assent on May 24th 2024. This act will provide the Competitions and Markets Authority (CMA) with new powers that will allow for closer monitoring and reporting of fuel prices in the UK. The DMCC Act seeks to ensure fairer competition in digital markets and provide consumers with more control and clarity over pricing.

²⁰ [UK has dubious honour of having the most expensive diesel in Europe | RAC Drive](#)

Energy Prices

The Energy Bills Discount Scheme concluded on March 31st 2024, marking the end of direct financial support for businesses struggling with energy costs. With no indication of further support for businesses from the UK Government, Table 2 outlines the expected average annual gas and electricity bills for businesses in 2024, categorised by business size.

Business Size	Average Annual Gas Bill	Average Electricity Bill
Micro Business	£1,013	£2,895
Small Business	£2,046	£6,062
Medium Business	£4,231	£12,636
Large Business	£5,663	£14,770

Table 2: Projected Gas and Electricity Costs for Businesses in 2024²¹

Climate Change and Natural Disasters

El Niño and La Niña

2023 was the warmest year on record, with temperatures 0.17°C warmer than in the previous warmest year of 2016.²² The high temperatures were driven by El Niño conditions - a climate event that is declared when sea temperatures in the eastern Pacific Ocean rise 0.5°C above the long-term average.²³ The recent El Niño weather event has ended and weather conditions are expected to switch to a cooling phase from late summer 2024, known as La Niña.²⁴

La Niña is characterised by cooler and drier conditions in the tropical eastern Pacific, leading to periods of cooler than average sea surface temperature in the equatorial Pacific Ocean. Although La Niña refers to cooling temperatures, the phenomenon will not result in a pause in long-term climate changes as the planet will continue to warm due to heat-trapping greenhouse gases.²⁴ The World Meteorological Organisation of the UN has warned that there is a 60% chance of La Niña occurring between July and September, and a 70% chance between August and October.²⁴

The WMO have warned that it is too early to predict the strength and duration of La Niña.²⁴ However, the swing from El Niño to La Niña is expected to drive extreme weather events including hurricanes, flooding in Canada and North America, and drought conditions in South America. The global food supply chain is particularly susceptible to the impacts of significant weather events. The La Niña predictions have the potential have a detrimental impact on food production and security internationally.

²¹ [UK business energy statistics 2024 | Uswitch.com](#)

²² [2023: The warmest year on record globally - Met Office](#)

²³ [What are El Niño and La Niña? - Met Office](#)

²⁴ [La Niña switch expected to fuel extreme weather later this year \(ft.com\)](#)

Climate Change Adaptation

Adaptation to the effects of climate change will support the sustainability of supply chains and limit climate-related disruption going forward. Some potential consequences of climate change to supply chains that buyers and suppliers should prepare for include damage to infrastructure, drought impacting water supplies, changes to the productivity of agriculture and aquaculture, and the increased risk of localised and coastal flooding.²⁵ Within the Scottish Government's draft National Adaptation Plan (2024 – 2029), the Scottish Government has committed to investing £42 million per year and an additional £150 million for flood resilience.²⁶ Scotland Excel has submitted a response to The Scottish Government's Consultation on Climate Change – National Adaptation Plan 2024 – 2029.

Cross-sectoral work is underway to gauge the impacts of climate change to local authorities in Scotland. Climate Ready South East Scotland is a project that will involve an assessment of the climate risks and opportunities faced by local authority areas in the South East of Scotland.²⁷ The project is being run in partnership with The City of Edinburgh Council, East Lothian Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council.

Journey Towards Net Zero

Net Zero Target Revision

The Scottish Government has removed the statutory target of reducing emissions by 75% by 2030²⁸, following an assessment by The Climate Change Committee that judged the target to be unachievable.²⁹ Whilst the objective of reducing carbon emissions to net zero by 2045 will remain in place, the Scottish Government has announced a new package of climate action measures. New measures include the delivery of 24,000 additional electric vehicle charging points by 2030, developing an integrated ticket system for all forms of public transport, and the roll out of methane suppressing food products.²⁸

The achievement of the Scottish Government's net zero objectives may be further impacted by changes to the UK-wide net zero objectives. The UK Government has been ordered by the High Court to develop a new strategy outlining its climate policies and proposals for reducing emissions, after deeming the current strategy unlawful.³⁰ Although distinct, the achievement of UK and Scottish net zero objectives are dependent on each other.³¹ Therefore, future amendments to UK objectives may impact the feasibility of Scottish net zero objectives.

²⁵ [Adaptation Scotland: 15 key consequences](#)

²⁶ [Climate change - national adaptation plan 2024 to 2029: consultation - gov.scot \(www.gov.scot\)](#)

²⁷ [About | Climate Ready South East Scotland \(climatereadyses.org.uk\)](#)

²⁸ [Stepping up action to net zero - gov.scot \(www.gov.scot\)](#)

²⁹ [Scotland's 2030 climate goals are no longer credible - Climate Change Committee \(theccc.org.uk\)](#)

³⁰ [UK government's climate action plan is unlawful, High Court rules \(ft.com\)](#)

³¹ [Fiscal Sustainability Perspectives: Climate Change | Scottish Fiscal Commission](#)

Local and national zero objectives present new opportunities for Scottish suppliers to innovate and contribute to the reduction of emissions. As a Centre of Procurement Expertise in Scotland, Scotland Excel recognises pivotal role that public sector supply chains play in the journey towards Net Zero Emissions by 2045. Scotland Excel will continue to monitor developments in this area and engage with stakeholders to best support members in the journey towards net zero. Actions outlined in Scotland Excel's Net Zero Strategy include a revision of the organisation's Sustainable Procurement Policy which will refresh the processes in place to support these changes.

Fuel Duty

The 5 pence cut in fuel duty on petrol and diesel has been maintained for another year, keeping the rate at 52.95 per litre.⁹ Although the reduced cost of travel will provide logistical and cost benefits, research suggests that the fuel duty freezes and cuts have contributed to carbon emissions in the UK increasing by 7% from 2010 to 2023.³² Carbon Brief has warned that the fuel duty cut fails to incentivise the use of fuel-efficient modes of transport.³³ No measures to reduce tax barriers to electric vehicle charging were mentioned in the budget announcement.

³² [Analysis: Fuel-duty freezes have increased UK CO2 emissions by up to 7% - Carbon Brief](#)

³³ [UK spring budget 2024: Key climate and energy announcements - Carbon Brief](#)

Construction, Transport, and Environment

Construction

Building and Construction Materials

Following a prolonged period of increased pricing within the construction sector, the latest price indices published by the Department for Business and Trade show that general building materials fell on average by 3.1% in the 12 months to April 2024.³⁴ In addition, repair and maintenance has seen a 1% reduction in materials pricing.³⁴ Although consumer confidence is increasing, supply chains challenges are expected to continue to impact the construction sector.

Table 3 highlights the percentage change in prices in the 12 months to Q1 2024, forecasted price changes, an overview of material availability, and the supply chain stress levels of each of the commodities. In addition to the commodities listed in Table 3, timber pricing has reduced in comparison to the same period last year.³⁵ Whilst the pricing of many of the listed commodities has decreased, price stability in this market is still some way from being achieved. The prices of other materials have increased significantly, including pipes and fittings pricing increasing by 19.3%, and metal doors and windows pricing increasing by 17.7% in the 12 months to April 2024.³⁶

Commodity	% Change in Price		Material Availability	Supply Chain Stress Level
	Q1 2023 - Q1 2024	Q2 2024 - Q3 2024 (forecast)		
Steel - Flat	-19.00%	≥ -1% – < -5%	Moderate	Moderate
Steel - Rebar	-16.00%	≥ -1% – < -5%	Moderate	Moderate
Diesel	-13.00%	≥ 1% – < 5%	Low	Moderate
Copper	-10.00%	≥ 1% – < 5%	Moderate	Moderate
Lumber	-8.00%	≥ -1% – < -5%	Moderate	Moderate
Stainless Steel	-7.00%	< -1% – < 1%	High	Low
Cement	-2.00%	≥ -1% – < -5%	Moderate	Moderate
Plasterboard	2.00%	≥ -1% – < -5%	Moderate	Low
Bricks	5.00%	≥ -1% – < -5%	Moderate	Moderate
Concrete	10.00%	≥ -1% – < -5%	Moderate	Moderate

Table 3: UK Construction Commodity Price Changes³⁷

Building and construction material commodity pricing is an area that Scotland Excel will monitor closely through contract management of the Property Maintenance and Refurbishment framework along with the new Construction Materials and New Build Residential Construction frameworks. Although the fluctuations in prices outlined in Table 3 may impact the pricing of commodities within Scotland Excel's construction

³⁴ [Latest building materials and components statistics | BCIS](#)

³⁵ [Timber Price Indices - Forest Research](#)

³⁶ [Construction building materials: commentary May 2024 - GOV.UK \(www.gov.uk\)](#)

³⁷ [Linesight Construction Market Insights Report Europe March 2024](#)

portfolio, framework monitoring is tied to indices that track overall market developments, rather than relying on individual commodity prices.

Carbon Border Adjustment Mechanism

The UK Government has announced the intention to introduce a Carbon Border Adjustment Mechanism (CBAM) by 2027.³⁸ The CBAM seeks to prevent carbon leakage, which occurs when manufacturers transfer the production of carbon-intensive materials to countries with more lenient emission and climate change regulations.³⁹ The CBAM will impose a fee on carbon-intensive materials imported to the UK, determined by comparing the carbon price in the country of its origin to the carbon production price in the UK. This measure seeks to ensure equal treatment of domestic and imported goods, and to prevent carbon leakage curtailing global efforts to reduce carbon emissions.⁴⁰

Under the UK CBAM proposal, commodities such as aluminium, cement, fertiliser, glass, iron, and steel will be subject to a charge based on embedded carbon. Due to the net environmental benefit of using scrap products, the scope of the CBAM does not extend to scrap aluminium, glass, iron or steel.³⁹ The confirmed list of products that will be subject to charges was included in a UK Government consultation that ran from March 21st 2024 to June 13th 2024.⁴¹ The outcomes of this consultation are yet to be announced.

The introduction of the CBAM follows a similar mechanism coming into force in the European Union (EU) in 2023, known as the EU Emissions Trading Scheme (EU ETS). Manufacturers recognise that a united international approach is required to tackle carbon leakage, with 70% of manufacturers of the opinion that the UK CBAM should be aligned to the EU ETS.⁴² The introduction of this measure is supported by 73% of UK manufacturers, who will benefit from increased competitiveness as the availability of cheaper imported products for buyers decreases.⁴¹

The introduction of the UK CBAM may increase costs for businesses that import raw materials covered by the measure. To avoid these increased costs, businesses may streamline supply chains to source low-cost materials with lower carbon footprint. The measure may lead to higher costs for buyers and suppliers in the short term, as businesses adjust to sustainable practices that may drive down prices in the long-term. In forecasting the potential pricing implications of the measure, UK based suppliers can monitor the impacts of the EU measure to pricing for EU based suppliers. Scotland Excel will monitor developments in this area and provide members with updates on the progress of the measure as it unfolds.

³⁸ [Factsheet: UK Carbon Border Adjustment Mechanism - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/factsheet-uk-carbon-border-adjustment-mechanism)

³⁹ [The carbon border adjustment mechanism \(CBAM\): where are we now? | Norton Rose Fulbright](#)

⁴⁰ [Consultation on UK Carbon Border Adjustment Mechanism \("CBAM"\) | Insights | Mayer Brown](#)

⁴¹ [Consultation on the introduction of a UK carbon border adjustment mechanism - GOV.UK](#)

⁴² [UK businesses overwhelmingly back carbon border tax - E3G](#)

Heat Pumps

New Build Heat Standard

From April 2024, all new homes and buildings in Scotland must install climate-friendly heating systems.⁴³ Under the New Build Heat Standard, the installation of oil or gas boilers in new buildings is prohibited and new buildings must use low carbon alternatives such as heat pumps or district heat networks.

The New Build Heat Standard is driving considerable growth in the demand of heat pumps and for suitably skilled heat pump engineers.⁴⁴ It is forecasted that the growth in the demand for heat pumps will contribute to reducing prices of heat pumps in 2024, whilst suppliers are expected to experience growth in sales that may further drive down prices.⁴⁵ The transition to sustainable heating solutions will require specialists who will play a key role in meeting the target installation rate in Scotland.

Whilst the transition to more energy efficient heating is imperative in the achievement of the Scottish Government's objective of reaching Net Zero Emissions by 2045, Audit Scotland has warned that heat pumps must be installed into Scottish homes "at a much faster rate".⁴⁶ The report outlined that substantial growth in the fitment of heat pumps is required to achieve the target of 25,000 per year, with 5,000 certified installations taking place in 2022.⁴⁷

Clean Heating and Energy Efficiency Grants

In April 2024, the Scottish Government announced £11 million in grant funding for public sector bodies to accelerate the decarbonisation of public sector buildings.⁴⁷ Grant funding has been confirmed for the following projects in local authorities:

Local Authority	Grant Award	Grant Funded Project
Fife Council	£2,404,911	Installation of air-to-water heat pumps and water source heat pumps, and reduction in heat demand at St Andrew's RC High School and Beacon Leisure.
Perth and Kinross Council	£324,546	Upgrading the heating supply through the installation of two air source heat pumps and installing a building management system at Auchtergaven Primary School.
North Lanarkshire Council	£2,345,176	Retrofit, redesign, extension, and redevelopment of Strathclyde Watersports Centre.
Dumfries and Galloway Council	£2,500,000	Replacement of the existing gas system at Dumfries Ice Bowl with an environmentally friendly water source heat pump that uses recovered heat from the refrigeration system.

Table 4: Local Authority Grant Funding⁴⁷

⁴³ [New Build Heat Standard: factsheet - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/factsheets/new-build-heat-standard/pages/1-introduction-to-the-standard.aspx)

⁴⁴ [Scotland's new-build heat standards come into force - Heating and Ventilation News](https://www.heatingandventilationnews.co.uk/news/scotland-s-new-build-heat-standards-come-into-force/)

⁴⁵ [Heat pump installations to triple in 2024 with costs dropping to as little as £500 | Homebuilding](https://www.homebuilding.co.uk/news/heat-pump-installations-to-triple-in-2024-with-costs-dropping-to-as-little-as-500/)

⁴⁶ [Heat pumps needed at 'much faster rate' - watchdog - BBC News](https://www.bbc.com/news/uk-scotland-67444444)

⁴⁷ [Clean heating and energy efficiency grants to get to Net Zero - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/clean-heating-and-energy-efficiency-grants/pages/1-introduction.aspx)

Transport

Electric Vehicles

As highlighted in previous reports, the electric vehicle (EV) market is continuing to see rapid expansion. This growth is expected to continue, with the number of global EV sales this year expected to increase by 20% from 2023.⁴⁸ The main drivers for this growth are EV supply chain investment, policy support, and a reduction in the price of electric vehicles and batteries.⁴⁹

To meet the growing demand for EVs, it is imperative that enough EV charging points are installed. The Scottish Government has announced the intention to publish a route map for the delivery of an additional 24,000 EV charging points by 2030 this year.²⁸ Scotland Excel will monitor developments in this area and its potential impact for local authority members. Scotland Excel's Electric Vehicle Charging Infrastructure framework provides councils with access to a range of works, products, and services including the supply, installation, and maintenance of EV charging equipment.

Supply Chain Dynamics

The Society of Motor Manufacturers and Traders has mapped Great Britain's EV supply chain and found that the UK has one of the most diverse and varied vehicle production sectors globally, that produces almost all of the components required to manufacture zero emission vehicles.⁵⁰ However, there are some concerns that the EV market may become oversupplied due to over manufacturing that could outpace consumer demand.⁵¹ This may present an opportunity for the public sector to benefit from shorter lead times and discounted pricing within the EV market.

Policy Support

The UK Government has implemented policies to promote EV adoption including road tax exemptions, expensive car supplement exemptions, and grants available for installing a home charging point. Recent data suggests that EVs are becoming more cost-effective to own and operate than equivalent petrol cars, due to tax exemption and lower fuel costs.⁵² However, changes to road tax for EVs will take effect from April 2025 which will level the costs of owning EVs with low emission diesel and petrol cars, as several of the road tax and expensive vehicle exemptions will no longer be available.

The impending changes to the costs of ownership of EVs may drive higher EV sales in 2024 as consumers seek to benefit from existing policy support before it expires,

⁴⁸ [Global EV Outlook 2024 – Analysis - IEA](#)

⁴⁹ [EV sales to hit 'record' 17 million in 2024 - National Technology](#)

⁵⁰ [Race to Zero: Powering Up Britain's EV Supply Chain - SMMT](#)

⁵¹ [Electric Vehicle Boom Hits a Wall of Consumer Ambivalence \(forbes.com\)](#)

⁵² [Electric Car vs Petrol Car: Cost Comparison In 2024 | Pod Point \(pod-point.com\)](#)

alongside greater demand for EVs due to the UK Government's planned ban on petrol car sales in 2035.

Fleet Conversion

Despite being a global leader in this area, the UK is still in the foundational stages of its EV conversion. This is highlighted in the UK's fleet industry, where only 1% of vans and lorry vehicles are electric, most of these being Large Goods Vehicles (LGVs).⁵³ This slow uptake is attributed to the high cost to convert a fleet to electric, as well as a lack of availability of vehicles and lack of long-distance charging infrastructure. Experts have advised that the ratio of electric fleet is unlikely to increase until battery capacity, charging times and charging availability has improved.⁵⁴

Scotland Excel will continue to work with its key stakeholders to support their fleet decarbonisation through its vehicle purchase partnership with Crown Commercial Service and the Scotland Excel Heavy Vehicles frameworks.

Road Maintenance

Potholes and poor road quality can disrupt national supply chains, causing damage to vehicles including damaged tyres and suspensions. There were 123,311 potholes reported in Scotland in 2023.⁵⁴ The most impacted road in Scotland was Great Western Road in Glasgow, which had 1,451 reports of potholes in 2023. Potholes are caused by environmental factors including rain, ice, snow, and temperatures. As extreme weather events are forecasted to continue, it is anticipated the quality of roads in the UK will be impacted.

Pothole reports in the UK increased by 24% from 2020 to 2023, whilst council payouts decreased by 13% over the same period. Between 2010/11 and 2022/23, councils reduced their expenditure on roads by 9%.⁵⁵ COSLA has warned that the Scottish budget announcement will increase the pressure on road maintenance due to ringfencing and directed funding impacting the ability of councils to direct their expenditure to improving the long-term quality of their roads.⁵⁶

Road Maintenance is included within the lotting structure of Scotland Excel's upcoming Construction Materials framework, commencing June 1st 2024. The Road Maintenance lot will provide members with access to materials including pedestrian safety barriers, concrete products, and traffic management items. In addition, the Scotland Excel Roadstone and Bitumen frameworks continue to support key road maintenance activities for local authorities.

⁵³ [Lack of electric vehicles creates supply chain challenges \(foodmanufacture.co.uk\)](https://www.foodmanufacture.co.uk/news/2024/06/04/lack-of-electric-vehicles-creates-supply-chain-challenges)

⁵⁴ [Britain's roads in the pitts: Almost 1 million potholes reported in 2023 \(confused.com\)](https://www.confused.com/news/britains-roads-in-the-pitts-almost-1-million-potholes-reported-in-2023)

⁵⁵ [Reports | Benchmarking \(improvementservice.org.uk\)](https://www.improvementservice.org.uk/reports/benchmarking)

⁵⁶ [Call for action as number of potholes soars by 50 per cent in a year | The Herald](https://www.heraldscotland.com/news/2024/06/04/call-for-action-as-number-of-potholes-soars-by-50-per-cent-in-a-year/)

Corporate and Education

Food

The rate of price increases for Food and Non-Alcoholic Beverages has slowed to the lowest rate since November 2021, following 14 consecutive monthly decreases in food inflation. Food and Non-Alcoholic Beverage prices increased by 1.7% in the 12 months to May 2024, down from 2.9% in April.⁵⁷ Lower food prices were a key driver in the inflation rate reaching its target level of 2% in May 2024. The annual inflation rate for most food products eased in the first quarter of 2024, with the price increase rate for products such as bread, cereals, and meat decreasing the most.

Falling inflation does not mean that prices are coming down, but that they are rising more slowly. Although food prices continue to rise, the slowing rate of price increases creates a more manageable market environment for both buyers and suppliers. Scotland Excel will continue to monitor price movements impacting commodities within its portfolio of frameworks and mitigate the impacts of increasing market prices. Contract management activities in Scotland Excel's portfolio of food frameworks ensures that prices paid are reflective of market developments. Utilisation of Scotland Excel's upcoming Fresh Fruit & Vegetables framework is expected to provide members with savings of 10% against market prices.

Post-Brexit Trading Legislation

'Not for EU' Labelling

From 1st October 2023, the Windsor Framework 'Green Lane' has allowed businesses from Great Britain to move prepacked products and certain loose goods to Northern Ireland. As part of this arrangement, known as the Northern Ireland Retail Movement Scheme (NIRMS), the UK Government has introduced new labelling requirements to ensure goods traded under the NIRMS do not continue onwards to the EU. Under the NIRMS, some food products will require individual product labels with the words 'Not for EU'.⁵⁸ From October 2023 to July 2025, labelling requirements for some food products will be introduced through three phases, as outlined in Table 5.

The introduction of the labelling requirement aims to reduce the volume of checks on British products entering Northern Ireland. Products traded under the NIRMS will not require multiple export health certificates or for an EU address to be listed on individual products. Instead, products traded under the NIRMS will use a single General Certificate and allow an address from the UK, the Channel Islands, and the Isle of Man.⁵⁸

The UK Government has pledged to provide financial support to help businesses with the costs of implementing the labelling change. Suppliers have been advised to retain

⁵⁷ [Consumer price inflation, UK - Office for National Statistics](#)

⁵⁸ [Labelling for products moving to retail premises in Northern Ireland under the NIRMS - GOV.UK](#)

all evidence of costs associated with the labelling change from October 1st 2023, as payments may be made retrospectively.⁵⁸ However, businesses will not receive support in funding the labelling change for phases 2 and 3.

Phase	From	Products Requiring Individual Labels
1	01 October 2023	All meat products and some dairy products moving from Great Britain to Northern Ireland.
2	01 October 2024	All milk and dairy products moving from Great Britain to Northern Ireland. All meat and dairy products in Great Britain.
3	01 July 2025	Composite products, fruit, vegetables, and fish moving from Great Britain to Northern Ireland. Composite products, fruit, vegetables, and fish in Great Britain.

Table 5: 'Not for EU' Labelling Phases⁵⁸

The Border Target Operating Model

From 31st January 2024, the Border Target Operating Model (BTOM) has introduced health certification checks on imports of medium risk animal products, plants, plant products, and high-risk food of non-animal origin from the EU. The BTOM has three milestones, which take place from January 2024 to October 2024.⁵⁹ Table 6 outlines the key changes to trading for suppliers associated with each milestone of the BTOM.

Milestone	From	Key Trading Changes
1	01 January 2024	Health certification checks on imports of medium risk animal products, plants, plant products, and high risk good and feed of non-animal origin from the EU.
2	30 April 2024	Documentary and risk-based identity and physical checks of medium risk animal products, plants, plant products, and high risk good and feed of non-animal origin from the EU. Existing inspections of high-risk plants and plant products from the EU will move to Border Control Posts. Simplification of imports from non-EU countries begins, including removal of health certification and routine checks on low-risk animal products, plans, plant products from outside of the EU. Reduction in physical and identity check levels on medium-risk animal products from non-EU countries.
3	31 October 2024	Requirement for Safety and Security declarations on imports from the EU and other territories. Use of UK Single Trade Window to remove duplication of pre-arrival datasets including pre-lodged customs declarations.

Table 6: BTOM Milestones⁵⁹

⁵⁹ [The Border Target Operating Model: August 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/the-border-target-operating-model-august-2023)

The implementation of the BTOM aims to better protect UK supply chains against security and biosecurity threats. However, the Cold Chain Federation have warned that the BTOM will weaken the sustainability of UK food supply chains and increase the price of food for consumers who will absorb some of the increased costs of trade for suppliers.⁶⁰ Scotland Excel has robust price monitoring in place with specific framework pricing windows and will monitor the impacts of the BTOM through contract management meetings with suppliers.

The additional trading requirements may also act as a barrier to trade for EU and international businesses looking to export goods to the UK, who may face increased costs of up to £1,000 per multi-consignment lorry entering the UK.⁶¹ As well as cost implications, experts have voiced concerns around the safety of temperature-controlled foods at Border Control Posts, with an expected increase in food wastage caused by with the delays and disruption caused by the BTOM.

The Institute of Export and International Trade has created a [video](#) outlining the impacts of the BTOM to various food products.

Global Food Insecurity

Food insecurity relates to a lack of consistent access to food of an adequate quantity or quality to meet essential dietary requirements. Local, national, and international events impacting food supply chains and trade determine the security of global food supplies. For example, the impacts of the near halt of grain production in Ukraine has worsened the food security of people worldwide.⁶²

Another event contributing to the intensification of global food insecurity and price hikes is the attack of ships in the Red Sea, which have led to the rerouting of supply lines and higher transportation costs. 15% of global maritime trade has been impacted by the attacks, as shipping companies have been forced to reroute shipments to avoid high-risk conflict areas.⁶² Businesses are exploring alternative forms of transport, including air and rail, amid concerns that continued disruption in the Red Sea will contribute to global food insecurity and price increases.

Climate and Environmental Disruption

Avian Bird Flu

Avian Bird Flu continues to pose a threat to the supply of poultry worldwide. Between 2 December 2023 and March 2024, there were 227 cases of Highly Pathogenic Avian Influenza (HPAI) A (H5) reported in domestic birds and 414 cases in wild birds across 26 countries in Europe.⁶³ The current risk to poultry from HPAI H5 in Great Britain has been assessed as low.⁶⁴ Between 1st October 2023 and 26th April 2024, the UK

⁶⁰ [Post-Brexit Border Controls Will Jeopardise Food Supply Chain - Cold Chain Federation](#)

⁶¹ [Challenges of UK's Border Target Operating Model for European Exporters \(kathrynread.com\)](#)

⁶² [Feeding the future: Food supply chain trends 2024 | BSI America \(bsigroup.com\)](#)

⁶³ [Avian influenza overview December 2023–March 2024 \(europa.eu\)](#)

⁶⁴ [UPDATE: Avian Influenza viruses in kept animals and wild mammals \(countryside-alliance.org\)](#)

Government has confirmed 4 cases of HPAI in England and 2 cases in Scotland.⁶⁵ However, HPAI viruses are still circulating in wild birds in Great Britain. Bird keepers have been advised to remain vigilant for signs of disease to protect the health and welfare of their birds.

An outbreak of Bird Flu in cattle in the United States (US) has raised concerns around the impacts of the virus to meat and dairy supplies, and to the health of mammals. The virus has spread to 36 cattle herds in nine states in the US and has been discovered in samples of retail milk.⁶⁶ Although the current evidence does not indicate the risk of a pandemic, scientists have called for investigations into the spread of the virus into cows and its potential mutations. The European Commission has secured over 40 million doses of a vaccine against bird flu over the next four years which will be administered to people with high levels of exposure to the virus, including farm workers and veterinarians.⁶⁷ The first batches of two vaccines could be available in the US within weeks if widescale human-to-human transmission occurred.⁶⁶

Bluetongue Virus

The UK Government have warned that Bluetongue Virus is likely to infect UK livestock, as the temperature warms over the summer months and the risk of infected biting midges blowing over from northern Europe increases.⁶⁸ This warning follows the confirmation of 126 cases within cattle and sheep in England.⁶⁹ A vaccine for the virus has been given emergency approval in the Netherlands, where there have been more than 6,000 confirmed cases of a new strain, known as BTV-3. The development of a BTV-3 vaccine for use in the UK is underway.

Bluetongue Virus is a virus spread by insects that affects animals such as cattle, goats, deer, and sheep. The disease can cause problems with swallowing, lameness, and stiffness, affecting animal welfare in turn leading to a reduction in milk yields. Bluetongue Virus within sheep herds creates the risk of a 30% loss of stock, however the mortality rate of cattle is lower.⁶⁹ The virus has not been found to affect human health or food safety.

Flooding

Record breaking levels of rain have impacted the UK over the past few months, resulting in flooded fields and crops, and an increased risk to the health of livestock.⁷⁰ The flooding is likely to impact both the availability and quality of produce in the UK. Potato farmers have experienced delays in crop growth and production because the ground has been too wet for machinery to operate.⁷¹

The National Farmers Union (NFU) has warned that the flooding is linked to climate change and will threaten the sustainability food production in the UK.⁷⁰ As a result, the

⁶⁵ [Bird flu \(avian influenza\): latest situation in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/bird-flu-avian-influenza-latest-situation-in-england)

⁶⁶ [Bird flu outbreak in US cattle sparks fears over next global health crisis \(ft.com\)](https://www.ft.com/content/2024/06/10/bird-flu-outbreak-us-cattle)

⁶⁷ [EU secures 40mn doses of bird flu vaccine as cases rise \(ft.com\)](https://www.ft.com/content/2024/06/10/eu-secures-40mn-doses-of-bird-flu-vaccine)

⁶⁸ [Bluetongue virus – Latest situation: End of the seasonal low vector period - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/bluetongue-virus-latest-situation-end-of-the-seasonal-low-vector-period)

⁶⁹ [Bluetongue farm virus warning for sheep and cattle as midges blown into UK - BBC News](https://www.bbc.com/news/health-68888888)

⁷⁰ [Food security threatened by extreme flooding, farmers warn - BBC News](https://www.bbc.com/news/uk-68888888)

⁷¹ [Potato farmers warn of potential shortages and price rises - BBC News](https://www.bbc.com/news/uk-68888888)

UK is expected to become more reliant on imports in 2024 and possibly beyond, due to reduced yields of crops including wheat.⁷² The NFU has called on the UK Government to support farmers impacted by the extreme weather.

Paper and Plastic Packaging

Paper and Cardboard

Paper and cardboard packaging manufacturing in the UK is growing, with revenue in this market expected to increase by 1.4% from 2024 to 2029.⁷³ This growth has been driven by the increasing demand for sustainable packaging solutions and the growth of online retailing. Following steep price increases from 2020 to 2023, the manufacturing costs of paper have started to ease and stabilise in 2024. However, the benefits of the market stabilisation are not expected to impact suppliers till the second half of the year. The outlook for the paper market in 2024 is promising, with expected developments including:

- E-commerce growth driving demand for packaging materials.
- Improved use of paper bags and lightweight paper packaging.
- Suppliers applying resource efficient uses of cardboard.
- Innovation to manufacture paper packaging that preserves food for longer.⁷⁴

The Plastic Packaging Tax

Suppliers manufacturing or importing over 10 tonnes of plastic packaging in the UK will experience an increase the Plastic Packaging Tax (PPT), which was first introduced on 1st April 2022.⁷⁵ The tax incentivises the use of recycled plastics in packaging and supports the UK Government's objective of eliminating avoidable plastic waste by 2042.⁷⁶

The PPT rate has increased each year since its implementation in 2022, as outlined in Table 7. From April 1st 2024, the rate of the PPT has increased from £210.82 per tonne to £217.85 per tonne for all plastic packaging containing less than 30% recycled plastic. This tax increase provides a real-terms price incentive for the use of recycled plastic.

Date	Plastic Packaging Tax Rate (per tonne)	Increase from Prior Year
1 st April 2022	£200	-
1 st April 2023	£210.82	5.4%
1 st April 2024	£217.85	3.3%

Table 7: Annual Plastic Packaging Tax Rate Increase⁷⁶

⁷² [Farmers warn 'crisis is building' as record rainfall reduces UK food production | The Guardian](#)

⁷³ [At a Glance - C17.210 Cardboard Packaging & Paper Bag Manufacturing in the UK - MyIBISWorld](#)

⁷⁴ [Expert predictions for biggest 2024 trends in paper and packaging sector - \(spnews.com\)](#)

⁷⁵ [Plastic Packaging Tax: steps to take - GOV.UK \(www.gov.uk\)](#)

⁷⁶ [Increase to Plastic Packaging Tax rates from 1 April 2024 - GOV.UK \(www.gov.uk\)](#)

Net Zero Plastic Economy

The global plastics system contributes over 1 gigatonnes per annum of carbon dioxide – the equivalent of the total combined emissions of the UK, German, and French economy.⁷⁷ Without intervention, these emissions could rise to between 4 and 5 gigatonnes per annum.⁷⁷ With a lack of effective recycling, most plastics result in landfill, incinerated, or mismanaged which has resulted in the pollution of terrestrial and marine ecosystems. Researchers at the University of Oxford have launched a roadmap for a circular carbon plastic economy. The roadmap includes four target scenarios:

- Reducing future plastics demand by 50%.
- Changing the way plastics are manufactured to replace the use of fossil fuels.
- Maximising the recycling of recoverable plastics.
- Integrating plastic manufacturing and recycling with renewable power and minimising other negative environmental impacts of plastic manufacturing.

⁷⁷ [Oxford scientists launch roadmap for circular carbon plastics economy | University of Oxford](#)

Social Care

Staff and Labour Costs

Pay Uplift Commitment

As highlighted in the October 2023 report, the Scottish Government committed to paying social care and childcare staff £12 an hour from April 1st 2024.⁷⁸ This uplift covers all staff working in Adult Social Care, Children's Services and Early Learning and Childcare. It is the first time that such a pay uplift includes staff working in the children's social care sector. The pay uplift impacts Scotland Excel's annual fee review process that takes place across its social care portfolio each financial year.

Correspondence detailing the guidance and implementation of the Adult Social Care Pay Uplift was received on February 26th 2024 and updated fees were communicated by Scotland Excel to stakeholders. The updated fees take effect from April 2024, in line with the funding from the Scottish Government. The pay uplift confirmed a standard national percentage uplift of 10.09% to 86.9% of the full contract value for non-residential contracts, resulting in a contract uplift of 8.77%. For residential contracts, the increase applies to 71.8% of the full contract value, resulting in a contract uplift of 7.24%.

Guidance surrounding the implementation of the pay uplift within the Childrens Social Care sector is still to be agreed. It is expected that a similar implementation approach to the Adult Social Care sector pay uplift will be implemented, based on applying national weightings to contract values. Guidance will be communicated to Scotland Excel and stakeholders upon confirmation of the implementation approach from the Scottish Government and COSLA leaders.

Agenda For Change

Public sector unions have submitted a joint pay claim to the Scottish Government for all workers within the Agenda for Change (AfC) pay system.⁷⁹ As of June 2024, the AfC has not been agreed. The submitted pay claim requests a pay uplift that reflects cost-of-living financial pressures and that resolves the historic erosion of wages that did not increase in line with inflation. The claim also seeks to secure a fully funded proposal to deliver on areas within the AfC Pay Modernisation paper that does not divert from the core funding uplift, and a commitment to discuss the areas of the AfC Pay Modernisation paper where the consensus could not be reached in previous claims.⁷⁹

The AfC pay uplift impacts the delivery of the National Care Home Contract, as the nurse pay rate is aligned to the AfC band 5 level. As part of the AfC 2023/24 pay deal it was agreed that NHS staff would receive a reduction of 30 minutes per week to their working week with no loss of pay and protected learning time at work. This change

⁷⁸ [Pay uplift commitment for Social Care and Childcare Staff - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/pay-uplift-commitment-for-social-care-and-childcare-staff/pages/1-1.aspx)

⁷⁹ [NHS Scotland pay campaign 2024/25 - UNISON Scotland \(unison-scotland.org\)](https://www.unison-scotland.org.uk/news/nhs-scotland-pay-campaign-2024-25)

came into effect on April 1st 2024. As the working week of NHS nurses has reduced without a pay cut, their pay rate has effectively increased. However, this terms and conditions pay adjustment cannot be implemented within the National Care Home Contract.

The disparity in pay adjustments between NHS and care home nurses may worsen staffing challenges. In addition, the AfC pay award will not fund increased care home costs, unlike pay increases in Adult Social Care. These challenges may prompt a shift away from the existing pay banding arrangements for nursing staff in care homes, towards smaller and more affordable pay increases for care home nurses.

National Care Home Contract Fee Agreement

Annual negotiations that occur to agree fee rates for the National Care Home Contract (NCHC) have concluded for 2024/25. Scotland Excel continue to take a lead role in the negotiations which take place between Scottish Care on behalf of care providers, and COSLA alongside representation from local authorities and Health and Social Care Partnerships. Following negotiations, members of Scottish Care accepted an uplift of 6.76% to NCHC nursing placement fees and 8.3% for residential placement fees. A full uplift to nursing rates is outstanding and will be discussed once pay negotiations between NHS Scotland and RCN union have concluded.

To reflect the true cost of care within NCHC fees, an additional cost line has been added to reflect the Apprenticeship Levy costs that medium and large sized organisations must pay. The Apprenticeship Levy is a UK Government employment tax that is paid by all employers in the UK with an annual wage bill of over £3 million.⁸⁰ Although care providers with a wage bill less than £3 million are not required to pay the tax, the additional cost line has been added to all NCHC placements to provide supplementary funding to smaller care providers that do not benefit from the economies of scale that larger organisations experience.

Modern Slavery in Social Care

Financial and staffing pressures make the care sector a target for Modern Slavery. However, the prevalence of Modern Slavery within the care system is currently unknown. Unofficial figures identified at least 800 potential victims of Modern Slavery in care homes or people's residences, in the UK in 2023.⁸¹ In the 12 months to October 2023, intelligence was received of potential labour exploitation occurring in care homes in Edinburgh, Lothian, Falkirk, Glasgow and Ayrshire.⁸²

Most cases identified are related to documentation and immigration offences. The process of recruiting victims can involve fraud, coercion, cultural hierarchy, and debt bondage. Key elements of exploitation may also involve control over where victims

⁸⁰ [Apprenticeship Levy | What it is and who pays it \(apprenticeships.scot\)](https://www.apprenticeships.scot/)

⁸¹ [Modern slavery in social care surging since visa rules eased | Social care | The Guardian](https://www.theguardian.com/social-care/2023/october/12/modern-slavery-social-care)

⁸² [Scottish Modern Slavery Roundtable: Resources Available - Scottish Care](https://www.scottishcare.org.uk/resources/modern-slavery-roundtable)

live, control of wages and bank accounts, and restricting human interaction. There is little information known about the recruitment agencies and the facilitators of Modern Slavery. There is also a low level of incident reporting related to the risks to care home residents from the exploitation of untrained and unvetted workers.

The Care Inspectorate is reviewing its Modern Slavery scrutiny methodology, training practices, and is working with partners to determine responsibilities and expectations in relation to Modern Slavery.⁸³ Scotland Excel will continue to monitor developments in this area. All service providers within Scotland Excel's portfolio of frameworks must provide a declaration in relation to Child Labour or Trafficking in Human Beings in the Standard Procurement Documentation.

Policy and Legal Developments

The Promise Scotland Plan 24-30

February 2024 marked the four-year anniversary of The Promise, a pledge to review and reform children's care services in Scotland by 2030. Plan 24-30 of The Promise will launch on June 20th 2024 and will outline the progress so far and key stages in the journey to 2030.⁸⁴ Scotland Excel will continue to support the work of The Promise through its children's social care frameworks as Plan 24-30 unfolds.

Children (Care and Justice) (Scotland) Bill

As outlined in the October 2023 report, The Children (Care and Justice) Scotland Bill makes several changes to the law relating to the care of children and the involvement of children in the criminal justice system. The changes relate to the children's hearings system and various parts of the criminal justice system which includes courts that hear cases relating to children and the places where children can be detained. The Bill was passed on Thursday 25th April 2024, with 71 votes in favour of the bill and 49 against it.⁸⁵ Scotland Excel has engaged with relevant stakeholders throughout the progression of the Bill.

Residential Rehab Rapid Capacity Programme

Scotland Excel's Residential Rehab framework went live on April 1st 2024, funded by The Scottish Government. This framework supports the national mission announced in 2021 by the Scottish Government to reduce harm and deaths related to the problematic use of alcohol and drugs. One of the five priorities of the national mission

⁸³ [Public Board 08022023 Web.pdf \(careinspectorate.com\)](#)

⁸⁴ [Devising Plan 24-30 together: Creating a dynamic plan of action \(thepromise.scot\)](#)

⁸⁵ [Stage 3 | Scottish Parliament Website](#)

is to increase the capacity and improve access to residential rehabilitation in Scotland.⁸⁶

The Scottish Government established a Residential Rehabilitation Rapid Capacity Programme fund to improve access to residential rehabilitation and treble the number of publicly funded places by 2026. In March 2023, the Scottish Government announced an allocation of £5m per year until 2026 to support access to residential rehabilitation.⁸⁷ The availability of additional funding has facilitated an increase in the demand for services and can improve the sustainability of providers through an increased percentage of publicly funded places.

Since 2021, there has been an estimated 8% increase in residential rehabilitation bed capacity in Scotland, accompanied by an increase in publicly funded placements.⁸⁸ Although this increase is encouraging, it is important to address barriers impacting the number of referrals to residential rehabilitation services. These barriers include:

- Lack of funding to purchase rehabilitation placements.
- Limited awareness about the availability of public funding for placements.
- Long waiting times for detoxification.
- Doubts around clinical governance arrangements in rehabilitation centres.
- Concerns about post-rehab support and aftercare.

Digital and Innovation

Shared Alarm Receiving Centre Technology Solution

Data connectivity is a key focus area within the Scottish Government's Data Strategy, launched in 2021.⁸⁹ In the journey towards enhanced data connectivity, there has been an industry-led initiative to retire copper lines in favour of full fibre and modern communication systems. One of the priorities of the strategy is to ensure that no one is left behind in the shift to digital networks. However, the transition from existing analogue services comes with challenges. Many Internet Service Providers (ISP) have introduced Internet Protocol-based digital phone services that require a broadband connection, potentially posing challenges for users with older alarm or telecare monitoring systems.

Scotland Excel's Digital ARC framework contract for the provision of the Shared Alarm Receiving Centre (ARC) Technology Solution went live in 2023, and many of the early adopters have since started the mobilisation process. Supported by the Scottish Government Technology Enabled Care Programme, the Shared ARC Technology Solution was developed in collaboration with a group of 17 early adopter telecare service providers. This single-source framework is the first of its kind in Europe and will assist members in the transition from analogue to digital connections. The Shared ARC Platform establishes a unique platform for innovation and supports the Health

⁸⁶ [National mission - Alcohol and drugs - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/national-mission-alcohol-and-drugs/pages/1-2-introduction-and-what-we-will-do-together.aspx)

⁸⁷ [National drugs mission funds: guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/national-drugs-mission-funds-guidance/pages/1-2-introduction.aspx)

⁸⁸ [Evaluation of the Scottish Government Residential Rehabilitation programme - PHS](https://www.gov.scot/publications/evaluation-of-the-scottish-government-residential-rehabilitation-programme/pages/1-2-introduction.aspx)

⁸⁹ [Digital - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/digital/pages/1-2-introduction.aspx)

and Social Care sectors' ambitions around improved use of data, and early intervention and prevention.

Cyber Security and Security Operations Centre

Cyber-attacks are of growing prevalence in the public sector. Increased digitalisation brings heightened risks of cyber-attacks and data breaches, which threaten the security of organisations and their networks. Significant investment is required in robust cybersecurity measures to protect digital infrastructure and data.

Access to incident logs is an important part of the forensic response to cyber incidents. Gloucester City Council was reprimanded by the Information Commissioner's Office in September 2023 for their response to a cyber-attack, which comprised a lack of appropriate incident logging and system monitoring.⁹⁰ Centralised incident logging and the implementation of a Security Operations Centre (SOC) were highlighted as lessons learned in the findings of the response to the SEPA cyber-attack that took place in December 2020.⁹¹

Scotland Excel is currently exploring the development of a SOC framework, to provide members with a solution for monitoring ICT networks for suspicious or adverse incidents affecting the security of devices, users, and the environment. The solution will be centred around a Security Information and Event Management (SIEM) tool which will provide users with access to query and review logs. This framework aims to provide members with access to services that will support them to meet obligations under GDPR and the Data Protection Act. Scotland Excel will continue to engage with relevant stakeholders in the development of this framework and keep members informed of its development of as it progresses.

Enhancing Social Care Services

The Scottish Government has announced additional funding of £9.2 million to support independent living.⁹² The funding builds on a £2 billion investment in social care and integration, announced as part of the Scottish Budget 2024/25. From April 1st 2024, the £9.2 million funding is to be shared among 33 third sector organisations across three years, through the Support in the Right Direction (SiRD) programme. The SiRD fund is managed by Inspiring Scotland and supports the provision of the Scottish Government's Self-Directed Support (SDS) Improvement Plan 2023-27, by enabling individuals to have choice and control over their social care support.

The funding will help to improve the care experience of individuals by providing independent support, information, advice, and advocacy to individuals receiving care and their carers. This support will assist individuals to partake in all attributes of life whilst living independently. There are several third sector organisations providing

⁹⁰ [Gloucester City Council | ICO](#)

⁹¹ [sepas-response-and-recovery-from-a-major-cyber-attack.pdf](#)

⁹² [Enhancing social care services - gov.scot \(www.gov.scot\)](#)

services within Scotland Excel's portfolio of frameworks, 4 of which are named within the funded organisation list by the Scottish Government. This funding can help to create positive impacts and support third sector organisations to overcome challenges impacting the continued delivery of services.

Scheduled to go live in July 2024, Scotland Excel's Technology Enabled Care framework will provide members with access to technology that can transform the way people engage in and control their own healthcare, empowering them to manage their care in a way that is right for them. The framework will provide members with a mechanism to procure solutions including digital dispersed alarms, alarm triggers, health and care peripherals, smoke alarms, GPS devices with ancillary monitoring and phones, and key storage compartments.

Third Sector Care Engagement

In an ongoing commitment to engage with Third Sector providers, Scotland Excel regularly engages with the Coalition of Care and Support Providers in Scotland (CCPS), an organisation representing 90 entities involved in social care. Scotland Excel collaborates closely with CCPS, culminating in a joint solutions workshop held in February 2024. Key items addressed during the workshop included the process for rates and uplifts, management information, person-centred outcomes, user-friendly systems, and the judicious use of frameworks by local authorities. Following the workshop, a report was furnished to Scotland Excel offering insights gleaned from a member-exclusive session, which noted areas of concern and challenge surrounding the commissioning and procurement of social care services.

A report is to be issued by CCPS to the Scottish Government which outlines several commitments made by Scotland Excel to social care providers. Amongst these commitments, Scotland Excel acknowledges the potential for further engagement and the importance of ongoing discussion to refine and enrich communication across various channels, including email, in-person meetings, and online resources. Scotland Excel is dedicated to establishing regular provider forums to facilitate practice reviews and consideration for improvement. This collaborative effort proved mutually beneficial for both parties, resulting in a shared agreement on the way forward.

Summary and Conclusion

The information set out for each commodity provides a broad overview, with the outlined pressures also being felt in the remainder of the Scotland Excel portfolio. For details specific to any of Scotland Excel's frameworks please contact us at contactus@scotland-excel.org.uk. A full register of the frameworks made available by Scotland Excel can be accessed [here](#).

Previous reports can be accessed in the [Scotland Excel members' area](#).

Appendix

Appendix 1 – Risk Factors Affecting Supply Chain Resilience

Risk Factor	Description	Examples of Impacts to Suppliers
War and International Conflict	Disruption or commodity price fluctuations caused by increasing international tensions, conflict, and war.	Volatility in the availability and price of commodities including oil, crude oil, microchips, and semiconductors.
		Higher input costs for fuel contributing to increasing commodity prices impacting key supply chains including food.
		Supply chain delays due to re-routing required to avoid high-risk geographical areas.
Departure from the European Union	Disruption, delays, and high costs associated with the United Kingdom's departure from the European Union.	Changes to custom checks and paperwork leading to increasing waiting times at borders and higher costs to suppliers.
		Disruption due to uncertainty surrounding new trading regulations.
		Recruitment challenges stemming from the reduced ability of suppliers to recruit workers from outside of the United Kingdom.
Climate Change and Extreme Weather Events	Disruption caused by extreme weather events and the impacts of climate change.	Extreme weather events such as droughts and flooding impacting the production, manufacturing, and supply of products.
		Disruption to logistics caused by the impacts of extreme weather events, including a potential reduction in the frequency in the transportation of goods.
		Environmental damage and extreme weather conditions impacting facilities and the capacity of suppliers to operate.
Policy Objectives	Policy objectives create high demand for goods and services in policy areas.	Cross-sector innovation required to achieve objectives.
		Potential higher costs to production for suppliers to ensure compliance with policy objectives.
		Skills shortages delaying the delivery of objectives.
Employment	Disputes between employees and employers regarding wage rates and working conditions threaten the continuous delivery of goods and services.	Labour shortages in service delivery areas as suppliers face challenges in attracting and retaining staff.
		Higher costs for suppliers as wage rate increases are agreed.
		Industrial action disrupting service delivery and causing backlogs.
Global Market Sustainability	The sustainability of global markets is reliant on the resilience of local, national, and international supply chains around the world.	Local and national emergencies impacting the availability and price of commodities throughout international supply chains.
		Supplier failure in one geographical location impacting the demand of goods and services internationally.
		Varying trading, financial, or emission legislation acting as a barrier to entry to certain markets for suppliers.
Budget Constraints	Financial constraints impact both purchasing patterns and the capacity of suppliers to meet the demand for goods and services.	Restricted spending within supply chains impacting the sustainability of suppliers.
		Suppliers face challenging decisions and trade-offs to maintain low costs for consumers.
		Growing pressure on buyer-supplier relationships as the effects of price increases are felt throughout supply chains.
Human and Animal Viruses	Air-borne viruses threaten the health and sustainability of workforces, and the livelihood of livestock.	Disruption and shortages in the supply of food.
		Increase in costs for suppliers as preventative and mitigating measures taken to reduce potential disruption.
		Lockdowns and temporary stoppages to production delaying the delivery of goods and services.

Appendix 2 – Industry Inflation Exposure and Relevant Frameworks

IBISWorld Sector Title	Relevant Scotland Excel Frameworks	Inflation Exposure*
Agriculture, forestry, and fishing	Widespread across food frameworks.	High
Manufacturing	Widespread across frameworks.	Moderate
Electricity, gas, steam, and air conditioning supply	Widespread across frameworks.	Very high
Water supply, sewerage, waste management and remediation activities	<ul style="list-style-type: none"> Organic Waste Residual and Recyclable Waste Janitorial Products 	Moderate
Construction	<ul style="list-style-type: none"> New Build Residential Energy Efficiency Contractors Construction Materials Property Maintenance and Repair 	High
Wholesale and retail trade	<ul style="list-style-type: none"> Groceries and Provisions Catering Sundries 	Moderate
Transportation and storage	Widespread across frameworks.	Moderate
Information and communication	<ul style="list-style-type: none"> Audio Visual Digital Publications and Services Education Materials 	High
Administrative and support service activities	<ul style="list-style-type: none"> Social Care Agency Workers Teacher Booking Vehicle and Plant Hire 	Moderate
Arts, entertainment, and recreation	<ul style="list-style-type: none"> Bikeability Scotland 	Low
Other service activities	<ul style="list-style-type: none"> Pest Control 	High
Accommodation and food service activities	<ul style="list-style-type: none"> Catering Sundries Commercial Catering Equipment Community Meals Repair and Maintenance of Catering Equipment 	Moderate
Financial and Insurance activities	<ul style="list-style-type: none"> Online School Payments Security Services and Cash Collection Sherriff Officers 	Moderate
Real estate activities	<ul style="list-style-type: none"> Not applicable 	Low
Professional, scientific, and technical activities	<ul style="list-style-type: none"> Building Construction Consultancy Engineering and Technical Consultancy 	Very High
Education	Widespread across corporate frameworks.	Low
Human health and social work activities	Widespread across social care frameworks.	High
Mining and quarrying	<ul style="list-style-type: none"> Bitumen Products Roadstone Materials Salt for Winter Road Maintenance 	Low

Source: IBIS World, February 2024

*The industry tracker identifies sectors at risk of inflation. Industry Inflation Exposure is measured as the absolute average weighted deviation of constituent CPIH industry inflation elements from the Bank of England's target rate of 2%. The Industry Inflation Exposure rating does not capture the sensitivity of sectors to factors such as changes in consumer behaviour due to inflation.

Get in touch

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