



Supply Chain Intelligence Report: Budget Briefing

Executive Briefing
December 2024



Scotland Excel

Supply Chain Intelligence Report: Budget Briefing

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Executive Summary

Market Developments

The increase in National Insurance Contributions for employers and the increase in National Living Wage, announced in the UK budget, will increase employment costs for suppliers delivering public services, creating financial sustainability concerns.

The rate of price increases has slowed in comparison to 2022 and 2023, despite remaining above the target rate of 2% in the 12 months to November 2024. Currently sitting at 2.6%, the inflation rate is expected to hover above 2% till 2029.

Interest rates are slowly reducing, currently at 4.75%, and expected to fall to around 3.70% by the end of 2025.

Record levels of reserves are contributing to a stable outlook for oil prices in 2025, despite the involvement of oil producing countries in ongoing wars.

The increasing frequency of extreme weather events is disrupting supply chains internationally, impacting the availability and quality of natural resources such as potatoes in Scotland.

Social Care

Providers of social care for adults and children have urged the UK Government to provide care providers with financial support to relieve the extra costs attributed to the increase in employer's National Insurance Contributions announced in the budget.

Negotiations to agree the National Care Home Contract fee rate for 2025/26 has been postponed until January to allow for greater clarity around the impacts of the UK and Scottish budget changes.

A new timetable for the National Care Service (Scotland) Bill - Stage 2 is expected in early 2025, following the announcement of the Bill being delayed in November.

Scotland Excel has submitted a report to the Scottish Government with recommendations for improving the commissioning and procurement of holistic whole family support, as part of the Whole Family Wellbeing Fund Programme.

A Scottish Government consultation is open to invite discussion around the Future of Foster Care in Scotland, which will support the delivery of The Promise.

Corporate and Education

Farmers have warned that changes to inheritance tax rules, announced in the UK Government Budget, threaten food security in the UK and has led to industrial action.

The impacts of climate change in the UK and internationally are driving up the price of both home-grown and imported food such as potatoes and wheat.

First case of the HPAI H5N1 Bird Flu outbreak identified in the UK in November. Current risk to poultry assessed as Medium to Low, and Very Low to Public Health and Food Safety. Research is underway to assess the risk of Bird Flu to humans, mammals, and the environment.

Plans to introduce the requirement for safety and security declarations on imports as part of Border Target Operating Model checks have been delayed till 31st January 2025, with further expansion of the legislation postponed with no confirmed implementation date.

The intention to introduce a fee for single-use disposable cups announced by Scottish Government, with exceptions including when a drink is free in hospital, care home, and school settings.

Construction, Transport, and Environment

Construction prices are in a cooling phase which is expected to continue into 2025, with material availability levels stable.

Output in public housing development currently outpacing private housing. This growth is expected to continue, driven by ambitious UK and Scottish Government infrastructure objectives. However, the delivery of UK Government targets expected to fall short by up to 95,000 houses per year due to housing market constraints.

The use of timber in housing and non-domestic construction in Scotland expected to grow as an eco-friendly solution, however timber supply chains are exposed to the impacts of forestry regulation and environmental disruption.

Expansion of the UK Emissions Trading Scheme announced to include shipping, road, and rail transport methods to encourage the decarbonisation of supply chains.

Expansion of Electric Vehicle charging infrastructure in Scotland to continue to grow, with increased collaboration with the private sector to improve commercial viability.

Introduction

This report is the second of two Supply Chain Intelligence updates that have been published in 2024. This report seeks to equip members with information that can support in budget setting and in the navigation of forthcoming supply chain developments. The high-risk drivers of disruption and increasing costs to suppliers have been set out in Appendix 1.

This report will summarise:

- The impacts the UK and Scottish Government policy and funding priorities to local government and suppliers.
- The general economic outlook at the close of 2024 and in advance of the new year.
- The landscape of sectors impacting Scotland Excel's portfolio of frameworks.

Scotland Excel is committed to sharing intelligence that can support planning and the navigation of supply chain challenges in a way that best suits members. In 2025, the Supply Chain Intelligence Report will continue to be shared on a bi-annual basis. An archive of previous reports can be accessed in the [Scotland Excel members' area](#).

UK Government Funding and Policies

UK Government Budget Announcement

The UK Government Budget announcement impacts market productivity and employment, by influencing the costs to trade for businesses. On 30th October 2024, the UK Government autumn budget was announced. A summary of some of the key financial impacts to businesses are summarised below:

	Description	Change(s)	Impact
Employment Allowance	Tax relief	Increased from £5,000 to £10,500.	Additional £5,500 available to businesses with employee costs above threshold, whilst employers with bills below threshold protected from employment cost increases.
Employer's National Insurance	Tax payable	Rate increased from 13.8% to 15%. Wage threshold at which National Insurance is activated reduced from £9,100 to £5,000.	Adds over £700 to the National Insurance costs of a full-time employee on the National Living Wage and over £800 to the cost of an employee on the UK average salary of £29,800.
National Living Wage	Wage rate	Increase by 6.7% in April 2025, from £11.44 to £12.21 per hour.	Improved wages for workers paid the real living wage. Further employment costs for employers in addition to the increase in National Insurance costs.
Fuel Duty	Tax payable	Rate of 52.25p maintained.	Approximate annual savings for drivers of cars (£59), vans (£126), and Heavy Goods Vehicles (£1,079)

Table 1: UK Budget Impacts to Businesses (source: FSB)¹

The impacts of the announced measures will vary between businesses and will mostly be determined by employment factors. The growth in employer National Insurance Contribution (NIC) and the National Living Wage will increase the cost of employing staff for businesses. The reduction in threshold at which National Insurance is activated will incur additional costs to employ staff who did not previously meet the threshold. This change is likely to impact businesses with a high number of part-time workers, as these workers may now require NICs where they previously did not. As businesses adapt to the increasing costs of employing staff, suppliers may pass a portion of the higher costs on to buying organisations.

Employer's National Insurance Contribution Increase

The increase in Employer's NIC announced in the UK budget has raised financial sustainability concerns from employers in the public, private, and third sector. Within the budget, the UK Government announced that public sector employers would be compensated for the higher taxes associated with the measure. It was confirmed that this compensation would be separate and additional to the general funding allocated to the Scottish Government.² Whilst the mechanism for funding this has not yet been announced by the UK Government, it has been reported that the Scottish Government will receive around £300 million.³ Based on the predicted cost of the increase to public sector bodies, this would generate a gap of at least £200 million that is not accounted for within the budget.

Tables 2 and 3 present the expected additional cost to public sector bodies in Scotland generated through the announced changes to employer's NICs. Table 2 presents Scottish Government estimates that were gathered from various public sector organisations, and table 3 presents estimates by the Fraser of Allander Institute (FAI) that were calculated based on the Annual Survey of Hours and Earnings. In both cases, the

¹ [Autumn Budget 2024 - GOV.UK](#), FSB - How the Autumn Budget affects you

² [Scotland's Budget Report - The impact of employer national insurance rise on the public sector in Scotland | FAI](#)

³ [A Budget with an eye on the election but storing up risks | FAI](#)

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total impact to local government is significant and accounts for around 48% of the financial impact to the public sector.

Workforce	Employers NIC Increase in 2025/26 (£ millions)
Local Government	265
NHS boards	191
Police	25
Fire and Rescue Service	5
Prison Service	6
Transport Bodies	12
Scottish Government	10
Other	34
Total	549

Table 2: SG Public Sector Estimates⁴

Workforce	Employers NIC Increase in 2025/26 (£ millions)
Local Government	244
NHS	173
Civil Service	26
Police and Fire Services	25
Other Public Bodies	21
Further Education Colleges	11
Public Corporations	7
Total	509

Table 3: FAI Public Sector Estimates²

These estimates represent only the direct impact of the rate increases to public sector employers, and do not account for the indirect costs associated with the impact of the increased cost to private and third sector suppliers in the procurement and commissioning of goods and services. Scotland Excel has carried out analysis to understand the potential impacts of the NIC increase to suppliers providing Goods, Works, Social Care Services, and Non-Social Care Services to local government. Using tenderer price driver templates that are available for some Scotland Excel frameworks, estimated labour costs for each category were calculated as an approximate percentage of annual spend. Collation of data and the level of information available varies across contracts, the analysis represents an estimated cost of labour for each commodity type. An exact calculation of the increase would require the employment and bill data of all suppliers providing goods and services to local government.

Commodity Type	Approximate Staffing Cost as % of Spend
Social Care Services	75%
Non-Social Care Services	59%
Works	40%
Goods	15%

Table 4: Staffing Costs of Council Spend

This analysis highlights that the staffing costs of service-based suppliers are significantly higher than that of works and goods-based businesses. The impact of the NIC increase to suppliers may lead to increased costs being passed on to customers, or employers cutting jobs to try to remain financially sustainable. This may in turn affect the quantity and quality of service available.

⁴ [National Insurance Contributions: public sector costs - gov.scot](https://gov.scot/national-insurance-contributions-public-sector-costs)

The Scottish Outlook

The UK budget announcement has a direct impact on the Scottish budget due to the fiscal relationship between the Scottish and UK governments. Scotland's funding allocation from the UK government is determined by the Barnett Formula, which seeks to provide the devolved governments with the same per-person funding as the rest of the UK. The spending plans announced in the Autumn budget provided £3.4 billion of funding for the Scottish Government in 2025/26, of which £2.8 billion relates to day-to-day spending.⁵ Alongside the increased level of funding made available to Scotland, the UK budget announcement included some planned investment in Scottish-based projects including⁶:

- £125 million to establish Great British Energy in Aberdeen, establishing clean energy projects.
- £122 million for City and Growth Deals, including continued contribution to Argyll and Bute Growth.
- Funding for Investment Zones and Freeports in Scotland.
- Electrolytic hydrogen projects in Cromarty and Whitelee.

Employee Rights Bill

In October 2024, the UK Government announced an Employee Rights Bill to enhance workers' rights, which will result in 28 individual reforms being brought forward. Consultations on the various aspects of reform are expected to begin in 2025, with implementation occurring no earlier than 2026.⁷ Whilst the bill has been welcomed by unions for providing greater protection to workers from day one of employment, concerns have been raised related to the UK Government's impact assessment that calculates that the reforms could cost businesses up to £5 billion a year. The Federation of Small Businesses has warned that the additional costs and increased regulation may disproportionately affect small businesses.⁸ Scotland Excel will continue to monitor developments in this area and respond to consultations where appropriate.

⁵ [2024 UK Autumn Budget: FAI reaction | FAI](#)

⁶ [A Budget to fix the foundations and deliver change for Scotland - GOV.UK](#)

⁷ [Employment Rights Bill: factsheets - GOV.UK](#)

⁸ [FSB | Make Work Pay a "rushed job" which threatens employment and growth, say small firms](#)

Scottish and Local Government Funding

Scottish Government Budget

The Scottish Budget was announced on 4th December 2024 and outlines the Scottish Government's planned spending for devolved matters including local government, health and social care, education, and housing each year. The Scottish Budget sets out funding and policy priorities and can indicate where growth opportunities can be expected. Scotland Excel will continue to monitor the funding landscape and deviations to the budget, as it is subject to parliament scrutiny over the coming months. Some key funding streams announced include:

- Funding for winter heating payments for older people, although this support will not be available for this winter.
- £200 million to reduce waiting times and delayed discharge and improve NHS capacity.
- £768 million in housing, contributing to the delivery of 8,000 social, mid-market, and low-cost homes.
- £4.9 billion for climate action, including £300 million for the Heat in Buildings Programme.
- £6 million for the delivery of the National Islands Plan.⁹

In addition to funding, other notable measures announced included:

- No cap for council tax increases for 2025/26.
- Allowing councils to retain 50% of additional Non-Domestic Rate revenue raised through use of anti-avoidance powers.
- Increase of threshold for Basic and Intermediate income tax rate by 3.5%, with Higher, Advanced, and Top rates frozen.
- Removal of the two-child benefit cap, although this is not expected to impact during the 2025/26 financial year.

Within the draft budget, no guidance was announced in relation to the additional cost associated with the increase in employer's national insurance contribution.

Local Government Grant Funding

The Scottish Government budget influences the level of funding available to Scottish Local Government each year. The total Local Government settlement arising from the announced budget is £15.035 billion⁹, a real terms increase of 4.7% compared to the 2024/25 budget. COSLA has welcomed this increase but emphasised that it will take many years to restore local government financial sustainability.¹⁰ The Scottish Government engaged with COSLA in drafting the budget and made commitments towards the development of a fiscal framework for local government.¹⁰ This represents an important step forward towards realising the vision of the Verity House Agreement, which seeks to provide local government with fair and flexible funding.

Whilst the Scottish Government grant funding has increased, some of this funding is ring-fenced for specific issues or dedicated to the delivery of specific Scottish Government priorities. As the needs of each council and its population are distinct, this creates challenges for councils in the fair distribution of funding relevant to their distinct communities. An example of this relates to teacher numbers, where some councils are required to employ more teachers than is necessary to teach a reducing number of pupils.¹¹ COSLA has

⁹ [Scottish Budget 2025 to 2026 - gov.scot](https://www.gov.scot/budget/2025-to-2026)

¹⁰ [COSLA Leaders' Response to Scottish Budget | COSLA](#)

¹¹ [2024-State-of-Local-Government-Finance-in-Scotland.pdf](#)

calculated that there is an additional £271 million revenue funding for specific purposes, and additional £289.3 million uncommitted local government core revenue funding, and £48.1 in capital funding.¹²

Council Tax Income Generation

Councils tax income represents the most significant lever available to councils in generating revenue. In 2025/26, councils will not be restricted in their powers to increase council tax rates in their local authorities.¹⁰ This announcement can provide some relief to local government, following the Scottish Government implemented council tax freeze that stalled the growth of council generated income in 2024/25.

The ability of Scottish councils to generate council tax income has been significantly restricted by long-term council tax freezes. A recent survey of council leaders compared the planned increase to council tax rates in Scotland for 2024/25 before the announced freeze, and for 2025/26. The findings highlight that more councils plan to increase council tax by 5-15% in 2025/26 in comparison to 2024/25, and fewer councils plan to raise council tax by less than 5%.¹¹ This emphasises the sharp growth in income that councils must generate to remain financially sustainable.

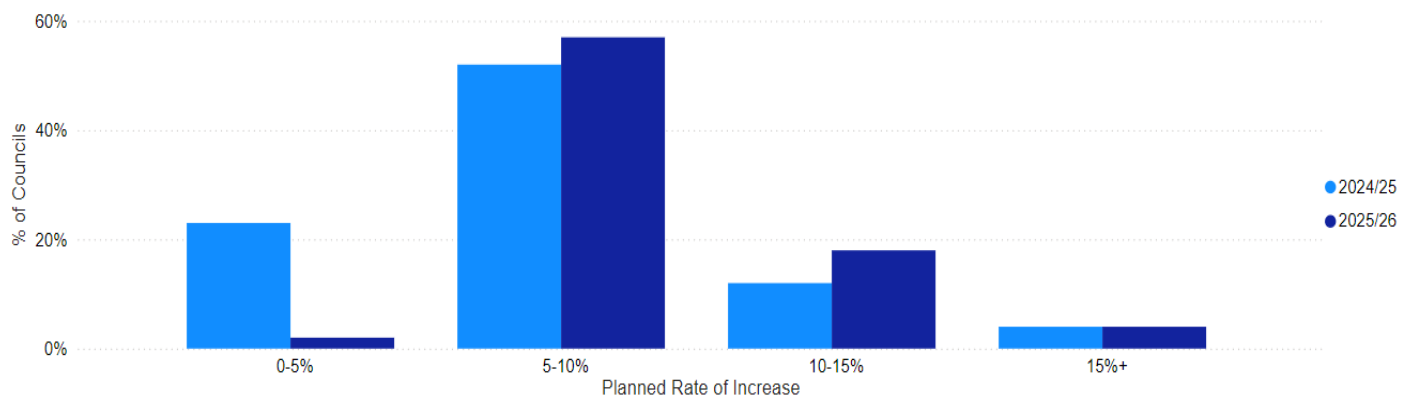


Figure 1: Council Tax Increase Rates¹¹

In line with COSLA's budget commentary that emphasised that it will take many years to recover local government finances in Scotland, further analysis highlights that Scotland generated just 6.6% of the UK's council tax income in 2023/24, despite accounting for 9% of the total population.¹³ This disparity means that Scottish councils have had comparatively less council tax income to balance their budget and to support the continued delivery of essential public services in comparison to those in England and Wales, who have had continuous autonomy of council tax rate setting. This shortfall faced by councils in Scotland equates to £604 per property in comparison to Welsh councils, and £753 relative to those in England.¹⁴

¹² [24-12-04-Budget-Reality-25-26-Final.pdf](#)

¹³ [GERS 2023-24: The results are in! | FAI](#)

¹⁴ [COSLA-Budget-2024-Invest-Locally.pdf](#)

National Savings Project

Councils will continue to reduce their costs using all levers at their disposal. Scotland Excel's Savings Team is working with member councils to identify savings opportunities through various methods including benchmarking spend with suppliers, cost removal, reviewing demand management, adding value, coordinating aggregations and mini-competitions, and conducting product swaps. The identification of National Savings Project opportunities involves reviewing the spend data of Scotland's 32 councils and current procurement contracts – those of Scotland Excel and Crown Commercial Services, alongside Scottish Government and council level arrangements.

In its first year, Scotland Excel's Savings Team has presented savings to councils of £4.8 million, and a further £4.1 million of potential opportunities. To support councils in identifying savings opportunities, a target of £6 million has been set for year 2 of the National Savings Project, an increase of 20% from the first year. To date, 51 Savings Opportunities have been considered, and there are currently 16 opportunities in the Savings Pipeline which have been approved, alongside other opportunities in initial development stages. Some examples of current savings projects include:

- Occupational Health (Collaborative Agreement)
- Mobile Telephony
- Microsoft Licencing
- Fuel Cards
- Telematics
- Payment Transactions
- Debt Resolution
- Printers and Multi-Functional Devices

Uptake of Scotland Excel's Savings Opportunities can support members to reduce procurement costs in the continued delivery of high-quality public services. Scotland Excel will continue to inform members of potential savings leads and engage with members in gathering the required market data that informs the development of Savings Opportunities. Early engagement and involvement with the Savings Team can enhance the identification of budget-saving opportunities for members. However, member councils can opt to participate in Savings Opportunities after their establishment. For further information related to Savings Opportunities, members are encouraged to engage with the Savings Team at SavingsTeam@scotland-excel.org.uk.

Local Government Transformation Programme

The Society of Local Authority Chief Executives (SOLACE) and the Improvement Service continue to lead on a local government transformation programme to develop proposals for future operating models and options for future delivery of council services in Scotland. With councils facing significant budgetary and capacity challenges in the delivery of public services, the Accounts Commission has recently emphasised the importance of reform in local government and called for transformation at both a larger scale and quicker pace. There is recognition that the delivery of transformative change in local government relies on multi-sector collaboration with the Scottish Government and third sector parties.¹⁵

Service redesign presents both opportunities and risks to local government supply chains and procurement activities. Scotland Excel will continue to collaborate with SOLACE, the Improvement Service, and local authority stakeholders to implement transformative change in the priority areas of Waste, Fleet, and Digital.

¹⁵ [Transformation in councils | Audit Scotland](#)

Local Government Pay Award

The local government pay award for 2024/25 has been implemented by council leaders, equating to the higher of £0.67 uplift in hourly rate or 3.6% uplift. This offer was accepted by trade unions Unite and GMB, and rejected by UNISON. Following implementation, COSLA enhanced the non-pay elements of the offer in aspects such as early engagement around future local government funding for future negotiations and introducing a minimum wage rate of £15 per hour.¹⁶ Early engagement for future negotiations could reduce the impact of industrial action that has historically impacted the public sector. UNISON has now recommended that members agree to conclude 2024/25 negotiations and prepare a claim for 2025/26 with the objective of securing an offer in advance of 1st April 2025.

The Scottish Government has announced a Public Sector Pay Policy that sets out the framework for pay for staff in public sector bodies. The policy plans a wage increase of 9% from 2025/26 to 2027/28, above a forecasted inflation rate of 7%.¹⁷ Employers failing to agree a three-year pay deal in line with the policy will be restricted to an uplift of no more than 3% in 2025/26.¹⁷ The policy does not apply to local government, as pay and employment are delegated to local authorities.

Taking into consideration the reduced rate of price increase since 2022 and 2023, alongside forecasted inflation settling near but above the 2% target rate in 2025, Scotland Excel has budgeted for an increase of 3% for the local government pay award in 2025/26.

	2022/23	2023/24	2024/25	2025/26
Actual	5 -10%	5.50%	3.60%	-
Budgeted	3%	6%	3%	3%

Table 5: Scotland Excel Pay Award Budgeting

¹⁶ [Local government pay campaign 2024/25 - UNISON Scotland](#)

¹⁷ [Scottish Budget 2025 to 2026: public sector pay policy - gov.scot](#)

Economic Drivers of Growth and Disruption

Inflation

Inflation rose to 2.6% in November 2024, increasing for the second consecutive month after falling below the Bank of England's (BoE) target rate of 2% in September.¹⁸ Although above the target rate, the inflation rate has reduced by a third in comparison to the same period in 2023 and reduced significantly from 2022.

The Office for Budget Responsibility (OBR) has forecasted that inflation will remain above the target rate of 2% for the next four years. Historical inflation rates and future projections are summarised in Tables 6 and 7. Although the forecasted rate of price increases remains high, the comparatively low rate will be more manageable for suppliers and consumers, and can bring greater price stability to the economy, compared to 2022 and 2023.

	2022	2023	2024
Consumer Price Index - November	10.7%	3.9%	2.6%

Table 6: Historical November Inflation Rate¹⁹

	2024	2025	2026	2027	2028	2029
Consumer Price Index	2.5%	2.6%	2.3%	2.1%	2.1%	2.0%

Table 7: OBR Forecasted Inflation Rate²⁰

The rate of market price increases is influenced by many factors including employment, productivity, and supply chain disruption. As the rate of price increases varies between sectors, Figure 2 highlights movements in the CPI for markets impacting Scotland Excel's portfolio of frameworks and the public sector since November 2023. Following high levels of inflation across the portfolio over recent years, the rate of price increases across these markets is slowing. Some markets have experienced periods of deflation which can provide consumers with purchasing power in the short-term but impact market stability in the long run.

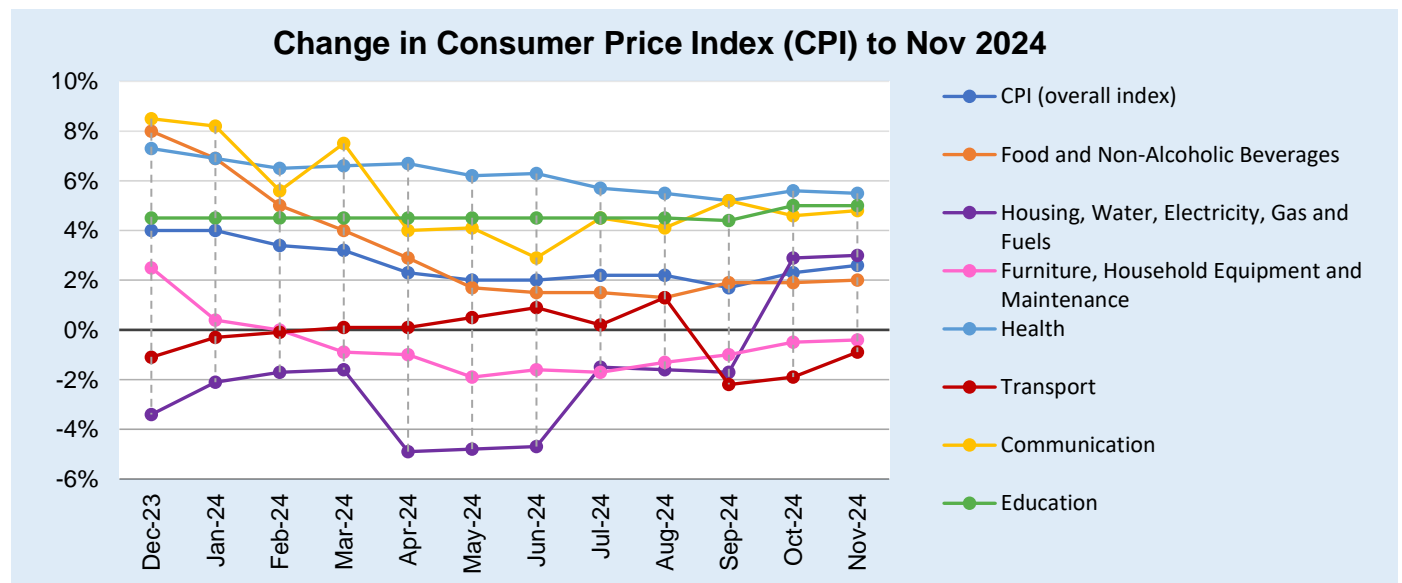


Figure 2: Percentage Change in CPI per Month to Nov 2024²¹

¹⁸ [Monetary Policy Report - August 2024 | Bank of England](#)

¹⁹ [Inflation and price indices - Office for National Statistics \(ons.gov.uk\)](#)

²⁰ [Economic and fiscal outlook – October 2024 - Office for Budget Responsibility](#)

Interest Rates

In November 2024, the interest rate was reduced for the second time in four months to 4.75%, following an initial decrease to 5% in August. This decision was driven by the overall slowing rate of price increases in the UK. Alongside inflation, factors including productivity and employment also contribute to the interest rate level determination.

There is cautious optimism going into 2025 that rates will continue to fall, as the International Monetary Fund recently adjusted the projected real GDP output for the UK in 2024 to 1.1%, up from 0.7%, alongside projections of 1.5% in both 2025 and 2026.²¹ Table 8 outlines the BoE's forecasted average inflation and interest rates in Q4 till 2027. The BoE has projected average interest rates to sit around 3.7% in Q4 2025, a forecast which is echoed by economists predicting that interest rates will fall to 3.75% by November 2025.²² The gradually reducing interest rates can reduce the costs to trade for businesses and encourage consumer spending in the coming years.

	Period			
	Q4 2024	Q4 2025	Q4 2026	Q4 2027
Consumer Price Index	2.4%	2.7%	2.2%	1.8%
Bank of England Interest Rate	4.8%	3.7%	3.7%	3.6%

Table 8: Forecasted Inflation and Interest Rates (Q3 2024 – Q3 2027)²³

Business Outlook

The slower rate of price increases in comparison to recent years and the reduction in interest rates can provide some relief to businesses going into the new year. Between 2023 and 2024, the number of business in Scotland increased for the first time since 2020, by 0.4%.²⁴ The outlook for businesses in Scotland remains mixed, with themes including economic uncertainty, staff availability, and political uncertainty considered major concerns for businesses towards the end of 2024.²⁵ Employee costs and wages were identified as the biggest driver of cost pressures for business since Q1 2023, and 60% of companies expect these costs to increase in the 6 months from August 2024.²⁵ These costs are likely to rise further when the increased National Insurance Contributions impact suppliers from 2025/26.

Scotland Excel has robust supplier management processes in place and will continue to monitor developments to the factors impacting supplier conditions. So far in 2024, Scotland Excel has reviewed 61 change notices from suppliers on frameworks within its portfolio, down from 77 in 2023. These notices include changes to control, termination, assignation, and changes to service by suppliers. Scotland Excel has lotting structures in place and will continue to work with suppliers to minimise disruption to service delivery.

²¹ [United Kingdom and the IMF](#)

²² [UK interest rates to fall to 2.75% by next autumn, Goldman Sachs predicts | Interest rates | The Guardian](#)

²³ [Monetary Policy Report - November 2024 | Bank of England](#)

²⁴ [Businesses in Scotland: 2024 - gov.scot](#)

²⁵ [Scottish-Business-Monitor-Q3-2024.pdf](#)

Oil, Energy, and Fuel

Oil Market Security

Global unrest is raising concerns about oil market security. In the summer update, Scotland Excel outlined the influence of oil-producing nations on supply chain sustainability and oil prices. Ongoing tensions between Israel and Iran are creating fears of disruption to Iranian exports, with Iran being the 7th biggest OPEC producer of oil.²⁶ However, despite the involvement of Iran in the war in the middle east, oil prices have remained fairly stable. In December 2024, crude oil was trading between \$70-75 per barrel, down from \$78 in October.²⁶ The record high level of spare capacity held by OPEC provides the oil market with a buffer against major supply shocks, creating a stable outlook for 2025. Scotland Excel will continue to monitor the oil market outlook, as significant disruption can arise with little warning.

Global oil demand is forecasted to reach 103.9 million barrels per day in 2025, representing slower growth in comparison to recent years. This reduced growth rate is attributed to global economic recovery following the Covid-19 pandemic and the growing demand for clean energy technologies.²⁷

Fuel Prices

Fuel prices are reducing, despite remaining high. During the week commencing 25/11/24, unleaded petrol prices were down by 12.6 pence per litre from the same period in 2023, whilst unleaded diesel prices were down by 14.8 pence per litre.²⁸ In September, the average price of petrol and diesel fell by 6.5%²⁹, contributing to the -2.2% deflation in transport costs in the 12-months to September 2024. This reduction is related to the reducing cost of oil alongside the strengthening pound value, making wholesale fuel cheaper for retailers to purchase. This is supported by the confirmation from the UK Government 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.

The Digital Markets, Competition and Consumers (DMCC) Act has given the Competitions and Markets Authority (CMA) new powers to allow for closer monitoring and reporting of fuel prices in the UK. In their initial report, the CMA identified that consumers paid over £1.6 billion more than they should have in 2023, with fuel margins in UK supermarkets around double levels of 2019.³⁰ The DMCC Act seeks to ensure fairer competition in digital markets and provide consumers with more control and clarity over pricing.

Climate Change and Natural Disasters

Floods in Europe arising from rainfall during Storm Boris highlighted the vulnerability of infrastructure and communities to extreme weather events. Climate change will bring wetter winters, drier summers, increasing sea levels, and more unpredictable weather to Scotland.³¹ This is already taking effect, with Scotland's 10 warmest years on record occurring since 1997. Further, the average rainfall between 2014-2023 was 10% higher than during 1961-1990, with winters 29% wetter.³¹

Recent analysis by the James Hutton Institute identified that the Scottish climate is changing at a faster rate than previously predicted, creating changing seasonal patterns consisting of longer dry periods and heavier

²⁶ [Oil Market Report - December 2024 – Analysis - IEA](#)

²⁷ [Oil Market Report - November 2024 – Analysis - IEA](#)

²⁸ [Weekly road fuel prices - GOV.UK](#)

²⁹ [Fuel prices fall by 6.5p in September saving drivers £3.60 a tank | RAC Drive](#)

³⁰ [CMA report shows drivers still overcharged at fuel pumps across the country | RAC Drive](#)

³¹ [Adaptation to climate change - Climate change - gov.scot](#)

rain in winter, alongside increasing the likelihood of extreme weather events.³² The effects of climate-related weather shifts will impact the quality and availability of Scotland's natural resources, impacting crop yields and increasing water stress. Extreme weather events are already impacting productivity in Scotland, including potato farming.

The Climate Change: Scottish National Adaptation Plan 2024-2029 outlines the actions that the Scottish Government will take to respond to the impacts of climate change from 2024 to 2029.³³ The plan recognises that the impacts of climate adaptation will be wide ranging, and outlines support for communities, public services, and businesses in adapting to climate change and is based around five outcomes:

- Nature Connects
- Communities
- Public Services and Infrastructure
- Economy, Businesses, and Industry
- International Action

Scotland Excel's Market Development team has been established to ensure robust processes are in place to monitor and identify the changing needs of members. Scotland Excel will continue to monitor how climate related developments will impact the needs of local authorities and associate members going forward. Scotland Excel has recently become a member of Adaptation Scotland's Public Sector Climate Adaptation Network and will engage with a network of over 50 public sector bodies to facilitate shared learning and benchmarking progress in climate resilience.

³² [Executive Summary - climate trends-projections-extremes implications for Natural Capital and Policy 12-7-23.pdf](#)

³³ [Climate change: Scottish National Adaptation Plan 2024-2029 - gov.scot](#)

Sectoral Outlook

Construction, Transport, and Environment

Construction Pricing

Construction material price inflation has entered a cooling period, in comparison to high levels of price increases over in 2022 and 2023. The latest price indices published by the Department for Business and Trade indicated a 0.8% fall in building material prices in the 12 months to October 2024.³⁴ The rate of price decreases appears to be slowing, following a decrease of 1.1% in the 12 months to August 2024. Table 9 presents the forecasted percentage change in prices in the 12 months to Q4 2024, an overview of material availability, and the supply chain stress levels of each of the commodities. Prices are expected to remain stable till Q2 2025 for the listed commodities, with good overall material availability and manageable levels of supply chain stress.

Commodity	Forecasted % Change in Price		Material Availability	Supply Chain Stress Level
	Q4 2023 – Q4 2024	Q1 – Q2 2025		
Copper	10.00%	≥ -1% – < -5%	Moderate	Stable
Plasterboard	8.00%	< -1% – <1%	High	Stable
Bricks	6.00%	< -1% – <1%	High	Stable
Lumber	5.00%	< -1% – <1%	High	Stable
Stainless Steel	4.00%	< -1% – <1%	Moderate	Stable
Concrete	1.00%	< -1% – <1%	Moderate	Stable
Cement	-1.00%	< -1% – <1%	Moderate	Low
Steel - Flat	-4.00%	< -1% – <1%	High	Stable
Steel - Rebar	-6.00%	< -1% – <1%	High	Stable
Diesel	-8.00%	≥ -1% – < -5%	Moderate	Low

Table 9: UK Construction Commodity Price Changes, Q3 2024³⁵

Although price increase rates are generally slowing, the long-term effects of prior pricing increases are continuing to impact suppliers. In the 12 months to August 2024, 4,310 construction firms in the UK became insolvent – a 1.1% increase in comparison to the same period in 2023 and a 33.9% increase from pre-Covid levels.³⁵ Construction firms have warned that the effects of measures announced in the UK budget could put firms at further risk of closure. So far in 2024, Scotland Excel has received 5 assignation notices from suppliers within its Construction, Transport, and Environment portfolio, in comparison to 2 in 2023. Scotland Excel has robust supplier management processes in place and will continue to monitor developments to the factors impacting supplier conditions. Scotland Excel has lotting structures in place to mitigate the impacts of supplier challenges and will continue to work with suppliers to minimise disruption to service delivery.

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

³⁵ [Construction Market Insights Europe - November 2024](#)

Housing

The output of public New Housing and Repair and Maintenance both grew in the third quarter of 2024, outpacing private output in both areas.³⁶ This growth is likely to continue, as housing and infrastructure have been announced as priority areas within the UK Budget, Scottish Government Budget and Programme for Government. The Scottish Government announced plans to deliver over 8,000 new social, mid-market, and low-cost properties in its draft budget for 2025/26.

	New Housing	Repair and Maintenance
Private	0.70%	-5.80%
Public	4.50%	5.00%

Table 10: UK Construction Output, Q3 2024³⁶

Significant transformation is required to support the housing sector to deliver government objectives in the current economic and housing climate. Based on current conditions, housing experts have warned that delivery of UK Government target of 1.5 million homes within the current Parliament term is likely to be missed by around 500,000 homes – a shortfall of around 40,000 to 95,000 houses per year.³⁷ This projected shortfall has been attributed to housing market conditions, rather than concerns about the capacity of the sector. Targeted grant funding for social housing has been recommended by experts as a method of generating a stable demand for homes that can support growth in both output and jobs.³⁷

Frameworks within Scotland Excel's Construction portfolio can support members in the delivery of new build housing, and maintenance of existing housing stock. Scotland Excel's New Build Residential Construction framework provides members with a route to procure a range of services in support of the delivery of affordable housing including mixed tenure properties, sheltered housing, and student accommodation. The Property Maintenance and Refurbishment framework can support members in the maintenance and repair of domestic and non-domestic properties.

Timber

The use of timber frames in the construction of non-domestic buildings is expected to grow in Scotland. Approximately 80% of new homes in Scotland are built using a timber frame, and it is anticipated that there will be an increase in the use of timber frames in construction projects relating to education and healthcare.³⁸ Timber is positioned to become a key component of eco-friendly construction due to its lower embodied carbon and lower production energy requirements in comparison to materials such as steel and concrete. A Net Zero Roadmap has been established by Timber Development UK, setting out the route to net zero for the timber industry.³⁹

Timber prices continue to rise, driven by a growth in demand for timber in construction and furniture because it is viewed as a sustainable and environmentally friendly material. Alongside the growth in demand, greater regulation in forestry-related services including caretaking and ensuring environmentally friendly practices is driving up costs and is significantly impacting the sawmilling industry.⁴⁰ These regulations are designed to ensure that only legally and sustainably harvested timber is imported, and to protect domestic sawmills from

³⁶ [Construction output in Great Britain - Office for National Statistics](#)

³⁷ [Savills UK | Delivering 300,000 homes per year in England](#)

³⁸ [Timber is set to grow in the non-domestic market | Project Scotland](#)

³⁹ [Net Zero Roadmap : Timber Development UK](#)

⁴⁰ [At a Glance - C16.100 Sawmilling & Wood Planing in the UK - MyIBISWorld](#)

unfair competition. Post-Brexit changes to seasonal worker regulations are straining labour availability for sawmilling operations, whilst seasonal labour shortages are threatening forestry businesses.

Timber availability is vulnerable to environmental disruption. Scottish timber exports were paused after large bark beetles were identified at a port in Cork, through which logs from the west of Scotland were being transported. Large bark beetles can damage the quality of timber, and impact production volumes. The beetles have caused loss to timber supply chains in central Europe.⁴¹ Scottish Forestry and the UK Forestry Commission have provided guidance to ensure plant health requirements are met and have asked the forestry industry to remain vigilant to signs of infection.⁴²

UK Emissions Trading Scheme

The UK Emissions Trading Scheme (UK ETS) is a mechanism that seeks to reduce carbon emissions throughout supply chains, which was launched in 2021 and applies to UK-based businesses following departure from the European Union. The UK Government has announced the intention to expand its Emissions Trading Scheme to include non-pipeline transport methods including shipping, road or rail.⁴³ The expansion of the scheme to include these transport methods means that businesses with domestic transportation would be required to obtain allowances for every tonne of carbon emitted. Although the expansion of the scheme may result in higher costs for businesses to ensure that the price of fuels is representative of their environmental impact, prices may reduce in the long-term as the UK ETS encourages decarbonisation through the adoption of more environmentally friendly technologies.

Graduated Price Mechanism

The Construction Leadership Forum published a Transformation Action Plan in January 2024 to shape the future of the construction industry in Scotland.⁴⁴ The action plan outlines an outcome-based approach to achieving the vision of reforming construction procurement practices and supply chain management. As part of the action plan, the Scottish Government has worked with industry to introduce a graduated pricing mechanism to promote sustainable pricing within public contracts.

The Scottish Government published guidance outlining a method of calculating the price score of tender submissions that reduces any incentive for suppliers to submit uneconomically low bids but ensures equal treatment.⁴⁵ The guidance, designed for public bodies involved in the planning, procurement, and management of construction contracts, seeks to encourage appropriately commercially modelled tenders which drive greater financial resilience for both suppliers and buying organisations. Although this mechanism could lead to the price of projects increasing, it is anticipated that the overall cost will be lower due to the improved approach to resourcing and managing the delivery of high-quality work.

Scotland Excel has developed a graduated scoring methodology and applied it to the Engineering Technical Consultancy framework awarded in 2021, Building Construction Consultancy in 2022, and a Professional Services framework currently under development.

⁴¹ [Scottish Timber Exports to Ireland Paused Over Bark Beetle Fears | Wood Central](#)

⁴² [Scottish Forestry - Great spruce bark beetle in Scotland, New action to protect against impacts of bark beetle tree pest - GOV.UK](#)

⁴³ [UK ETS scope expansion: maritime sector - GOV.UK](#)

⁴⁴ [The Construction Accord | Construction Leadership Forum](#)

⁴⁵ [Graduated pricing mechanism guidance: CPN 3/2024 - gov.scot](#)

Transport

Electric Vehicles and Charging Points

In the previous report, Scotland Excel reported that electric vehicle purchases were expected to continue to grow in 2024, due to changes in tax taking effect in 2025. As of November 2024, 18.1% of all new cars sold in the UK were electric; some 299,733 vehicles.⁴⁶ However, the uptake of electric vehicles in the construction industry is growing at a slower rate than for cars, currently representing just 5.2% of vans within the sector.⁴⁷

Reliable, affordable, sustainable, and geographically accessible electric vehicle charging infrastructure can incentivise the uptake of electric fleet and construction vehicles. Electric vehicle charging point installation in Scotland is progressing ahead of schedule to meet its commitment of 24,000 public charging points by 2030. 6,000 electric vehicle charging points have now been installed in Scotland, a milestone that was targeted for delivery by 2026.⁴⁸ There has been a significant shift towards collaborative clusters including the North of Scotland, Ayrshire, and the Glasgow City Region to enable the delivery of electric vehicle charging infrastructure across the country.⁴⁹ ZapMap can be used to locate electric vehicle charging points, to allow for journey planning.⁵⁰

Local authorities were initially obliged to offer free to use public chargers to incentivise the early uptake of electrical vehicles.⁵¹ However, the Scottish Futures Trust (SFT) is now working with Transport Scotland, local authorities, and the private sector to deliver an alternative business model for Electric Vehicle infrastructure.⁵² Concession type agreements are a proposed way forward to harness private sector investment and increase the commercial viability of investment in new charging infrastructure. The expansion is supported by the £60m Electric Vehicle Infrastructure Fund (EVIF), where up to £30m of public sector funds will be used to leverage at least the same amount from the private sector.⁵²

The introduction of tariffs for the use of electric vehicle chargers is another method of improving the commercial viability of charging points. As of 24th November 2024, all public charge points of 50kW and above must offer contactless payment either per charge point or charging site.⁵³ This requirement does not apply to electric vehicle charging points that are free to use. However, should these charging points later charge customers for use, contactless payment infrastructure must be installed. Suppliers on Scotland Excel's Electric Vehicle Charging Infrastructure framework are supporting councils in the transition to contactless charging points and Scotland Excel is working with suppliers to roll out their new offerings to members.

Vehicle Plant Hire

The removal of 100% Business Property Relief and Agricultural Relief announced in the UK Government budget has raised concerns about the sustainability of the Vehicle Plant Hire industry. Firms in this industry typically invest in assets and property and hold a low level of cash reserves to meet the additional costs associated with the policy changes.⁵⁴ Combined with the effects of National Insurance changes, the Scottish Plant Owners Association (SPOA) have warned that firms may close as a result of the additional costs of business, and that the industry may decline catastrophically.⁵⁵ With higher costs, there are concerns that future generations will not have sufficient cash to keep the sector afloat.

⁴⁶ [How many EVs are there in the UK - EV market statistics 2024 - Zapmap](#)

⁴⁷ [Increasing Uptake of Electric Vehicles in the Construction Industry – Construction Leadership Council](#)

⁴⁸ [Scotland Surpasses 6,000 Public EV Charge Point Milestone | Scotland Construction News](#)

⁴⁹ [evif-project-pipeline](#)

⁵⁰ [Map of electric charging points for electric cars UK: Zapmap](#)

⁵¹ [Report on Public Electric Vehicle \(EV\) infrastructure in Scotland - Opportunities for Growth | Transport Scotland](#)

⁵² [Net Zero Transport - Workstreams - Scottish Futures Trust](#)

⁵³ [Public Charge Point Regulations 2023 guidance - GOV.UK](#)

⁵⁴ [Inheritance tax changes spell 'death of the plant-hire industry' | Construction News](#)

⁵⁵ [SPOA: UK Budget signals death of Scottish plant hire industry | Scottish Construction Now](#)

Corporate and Education

Food

The rate of price increases for Food and Non-Alcoholic Beverages rose more slowly than the general market in November 2024, increasing by 2.0%.¹⁹ This inflation rate is 0.1% higher from that reported in the 12 months to October and represents a significant reduction in comparison to the 9.2% reported for the same period in 2023. Whilst food prices continue to rise, the significantly slower rate of increase creates more stability for suppliers who have faced persistent market disruption in recent years, relating to the Covid-19 pandemic, Brexit, and extreme weather events.

Although prices are now more stable, market-wide changes such as the increase in Employer's National Insurance Contribution are expected to impact the cost of food production in the near future. Scotland Excel will continue to monitor price movements impacting commodities within its portfolio of frameworks and seek to mitigate the impacts on local authority budgets. Contract management activities in Scotland Excel's portfolio of food frameworks ensures that prices paid are reflective of market movements.

UK Farmer Industrial Action

Changes to inheritance tax announced in the UK Government Budget have led to industrial action being taken by farmers and agricultural workers. From April 2026, inherited farming assets worth more than £1 million will be subject to a 20% tax, meaning that farms will no longer be tax exempt under the new rule. Whilst the UK Government announced that this change would impact 27% of farms, research by the National Farmers Union argues that this would impact around 75% of farms.⁵⁶

Farmers have warned that the tax change threatens the future of family farming, food security, and the delivery of environmental goals. Higher taxes for farmers may result in higher prices for UK produced goods, a greater demand for imported goods, and a weaker demand for UK produced goods domestically and abroad. Whilst there are currently no confirmed plans for future industrial action, further action could threaten the continued delivery of food in the UK related to cereals, dairy, and livestock.

Climate Change Impacts

Food security in the UK is, and will increasingly continue to be, impacted by the effects of climate change globally and in the UK. Challenges faced in the UK and worldwide are driving up the price of home-grown and imported products. Extreme weather has contributed to a slowdown in the harvest of both homegrown and imported crops including potatoes, onions, sugar beet, and wheat. Table 11 provides examples of food products that are vulnerable to climate developments both in the UK and internationally.

Product	UK Self-Sufficiency	Market Conditions
Wheat	97%	25% loss of UK wheat predicted for 2024, due to crop rot and delayed planting.
Rapeseed Oil	63%	UK yields expected to drop by 38% from 2023 to 2024, due to extreme wet weather.
Sugar	54%	Crop rot due to rain and flooding in the UK, and heat and drought in Asia driving up prices.
Onions	47%	Volumes down by 13% in 2023, attributed to wet winter delaying or preventing planting.

Table 11: Product Self-Sufficiency⁵⁷

Food security can be protected through the mitigation of and adaptation to climate change impacts. Whilst some regions may benefit from changing weather patterns associated with climate change, the Met Office

⁵⁶ [An impact analysis of APR reforms on commercial family farms – NFUonline](#)

⁵⁷ [Energy & Climate Intelligence Unit | Climate and food: home and away](#)

has warned that climate change may result in global food shortages.⁵⁸ The UK imports around half of the total food consumed each year, with around half of these food imports relating to products that are not currently grown in the UK.⁵⁷ Experts have emphasised that growing these products in the UK may not be a viable alternative, and would need to be considered alongside the effects of climate change in the UK on existing harvests.

Avian Bird Flu

In line with previous updates, Avian Bird Flu continues to threaten international poultry supply. Whilst the first case of the current HPAI H5N1 outbreak in the UK was confirmed in England on November 17th 2024, there are currently no outbreaks in Scotland.⁵⁹ The Animal & Plant Health Agency (APHA) Interactive Avian Influenza Disease Map⁶⁰ can be used to monitor outbreak zones in the UK, in which suppliers must follow control rules that may disrupt the supply of produce. Table 12 summarises the associated risk levels related to Bird Flu in the UK as of November 2024.

Risk to	Level	Comments	Assessed by
Wild Birds	High	Transmission occurring very often.	UK Government
Poultry	Medium - Low	Depending on consistency of biosecurity application.	UK Government
Public Health	Very Low	Transmission primarily occurs between birds.	UK Health Security Agency
Food Safety	Very Low	When poultry and poultry products are cooked properly.	Food Standards Agency

Table 12: Bird Flu Risk Levels⁶¹

The UK Health Security Agency has assessed the risk to public health related to Bird Flu as very low, despite human and mammal transmission occurring this year. Whilst there remains no evidence of person-to-person transmission of Bird Flu, research is being undertaken by APHA to provide more understanding on transmission and risk to mammals, and protect the health of animals, humans, and the environment.⁶²

Although current evidence does not indicate the risk of a pandemic, human transmission may impact worker health and staffing levels as workers may be unable to work during a period of illness or may be advised to self-isolate to prevent spreading the disease. Scotland Excel will continue to monitor reported outbreaks and take appropriate supply chain management measures if required. Geographical sub lots are applied within frameworks across Scotland Excel's food portfolio to ensure the continued delivery of service for members, whilst also mitigating the likelihood of widespread geographical disruption caused by localised outbreaks.

Post-Brexit Trading Legislation

Around half of UK food imports have EU origin and are now subject to increased health checks and regulation following the UK's departure from the EU. The implementation of trading changes has been phased and include the requirement for 'Not for EU' labelling which will take full effect from 1st July 2025 and the Border Target Operating Model (BTOM), both of which were summarised in the last Supply Chain Intelligence Report.

Plans to extend BTOM checks in October 2024 have been delayed. The BTOM 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. Whilst the BTOM aims to protect UK supply chains against security and biosecurity threats, concerns have been raised that it will weaken the sustainability of food supply chains in the UK and

⁵⁸ [Impacts on food security - Met Office](#)

⁵⁹ [Avian influenza \(bird flu\) outbreaks - gov.scot](#)

⁶⁰ [APHA Interactive Avian Influenza Disease Map](#)

⁶¹ [Bird flu \(avian influenza\): latest situation in England - GOV.UK](#)

⁶² [New wild bird sampling project to improve understanding of bird flu infections - GOV.UK](#)

increase prices. Scotland Excel will continue to monitor developments to post-Brexit trading and share relevant updates with members.

Key Trading Change	Planned Implementation	Delayed Implementation Date
Requirement for Safety and Security declarations on imports from the EU and other territories.	31 st October 2024	31 st January 2025
Use of UK Single Trade Window to remove duplication of pre-arrival datasets including pre-lodged customs declarations.		Unconfirmed

Table 13: BTOM delays⁶³

Paper and Plastic Packaging

Cardboard Packaging and Paper Bag Manufacturing

From 2020 to 2025, total revenue in the Cardboard Packaging and Paper Bag Manufacturing in the UK industry is expected to grow at a compound annual rate of 1.5% to £6.2bn.⁶⁴ In the following five years to 2030 this rate is anticipated to increase to 2.4%, fuelled by the growth of e-commerce and the increasing demand for sustainable packaging solutions.⁶⁴

Charging for Single-Use Disposable Beverage Cups Consultation

There has been a significant increase in single-use disposable cups in Scotland, rising to almost 390 million used in 2021/22, contributing to around 5,400 tonnes of waste each year.⁶⁵ The Circular Economy (Scotland) Act 2024 was given Royal Ascent in August 2024, and provides new powers to require the suppliers of single-use items to charge a minimum amount for these items. The Scottish Government recently closed a consultation related to the introduction of a charge applied to single-use beverage cups, to reduce the environmental impact associated with the items. The proposal from the Scottish Government outlines some exceptions to the charge, including when a drink is free in a hospital or care home, in schools, or provided through a vending machine.

Following the introduction of a 5p charge for single-use plastic bags in 2014, their use subsequently fell by 80% in the first year.⁶⁶ It is anticipated that a charge of 20-25 pence per item would influence the consumer behaviour of 49% of the population.⁶⁵ Through encouraging more sustainable practices and reducing the quantity of single-use cups in circulation, the introduction of the charge will both reduce the litter associated with single-use cups and represents a step towards a more circular economy. The charge will apply regardless of material and would include cups made from biodegradable materials or bio-based plastics. Although these items are considered more environmentally friendly than traditional materials, these products also contribute to litter and generate waste.

It is anticipated that the introduction of the charge would have limited impact to Scotland Excel's Catering Sundries frameworks as the charge would be applied at the point of sale of the drink, rather than cups. The point of sale in schools and care settings will be exempt. Scotland Excel's Catering Sundries framework includes a lot dedicated to Catering Recyclables and allows members to procure catering packaging that uses environmentally friendly and compostable materials.

⁶³ [More Border Target Operating Model \(BTOM\) delays in the UK | Customs Support](#)

⁶⁴ [Products and Markets - C17.210 Cardboard Packaging & Paper Bag Manufacturing in the UK - MyIBISWorld](#)

⁶⁵ [Charging for single-use disposable beverage cups - Scottish Government consultations - Citizen Space](#)

⁶⁶ [Views sought on single-use cup charge - gov.scot](#)

Social Care

Staff and Labour Costs

Employer's National Insurance Contribution

The increase in Employer's NIC announced in the UK budget presents a significant financial challenge for care providers. Non-profit social care organisations in both the adults and children's social care sector have signed a letter from the Coalition of Care & Support Providers in Scotland (CCPS) to urge the UK Government to provide relief for the extra costs that care providers will need to pay. CCPS have estimated that non-profit social care providers will face an additional £30 million in the next financial year as a result of the increase in Employer's National Insurance Contribution and threshold reduction.⁶⁷

Scotland Excel and COSLA have carried out analysis to assess the direct impact of the NIC increase in commissioned social care services. In the next fiscal year, NICs are expected to increase salary costs for the majority of services by between 2.2% and 3.3%. The resulting increase on total contract value is anticipated to range between 1.6% and 2.5%. The actual impact for individual services will vary significantly depending on the individual staffing composition of each service. COSLA is aware of the impact on commissioned services and are seeking to work with both Scottish and UK governments in relation to this.

National Care Home Contract Fee Agreement

An in-year adjustment of the agreed National Care Home Contract (NCHC) nursing rate for 2024/25 was implemented in October, to reflect an agreed pay rise for nursing staff. The rate had previously been agreed before negotiations between nursing unions and the Scottish Government had concluded. Following negotiations, nursing unions accepted a pay rise offer of 5.5% backdated to 1st April 2024. An updated Moratorium of Variation (MOV) has been sent to all local authority members to enable the variation to be implemented with individual providers locally. The residential rate remains unchanged.

The negotiations to agree the NCHC fee rate for 2025/26 have been postponed until January to allow for greater budget certainty, particularly in relation to employers' national insurance changes. As in previous years, Scotland Excel continues 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.

Policy and Legal Developments

National Care Service

On 14th November 2024, the Scottish Government announced a delay to the National Care Service (Scotland) Bill. Stage 2 of the Bill was scheduled to commence on 26th November 2024. However, the Scottish Government has delayed the Bill to take some time to ensure that the bill is representative of the views expressed in response to the Bill.⁶⁸ This delay follows council leaders and trade unions withdrawing support for the Bill.⁶⁹ A new timetable for Stage 2 is expected in the new year. Scotland Excel will continue to work with partners and respond to each stage of the parliamentary process as it arises.

⁶⁷ [Media Release: Over 80 Scottish social care leaders sign letter urging Chancellor to change course on National Insurance | Coalition of Care and Support Providers in Scotland](#)

⁶⁸ [National Care Service: Ministerial statement - gov.scot](#)

⁶⁹ [Councils Withdraw Support for National Care Service Proposals | COSLA](#)

Whole Family Wellbeing Fund (WFWF) Programme

The Promise identified a clear need for early, holistic family support in helping families to stay together, where it is safe to do so. Together with partners from across the sector, the Scottish Government co-produced a Vision and National Principles for Family Support in Scotland, focussed on all families getting the right help, at the right time, for as long as they need it. Programme for Government 2021-22 committed to investing £500m over the lifetime of this Parliament to support the development of holistic, whole family support services in line with the Scottish Government's Vision and National Principles.

Through the WFWF Programme the Scottish Government is exploring how commissioning and procurement can be improved as part of the system change necessary. As part of this work, in June 2024, the Scottish Government commissioned Scotland Excel to research and develop recommendations for improvement in relation to commissioning and procurement of holistic family support. A six-month project was agreed in collaboration with a range of partners which ran from 1st June 2024 until 30th November 2024. A project Steering Group was established to support the work, which included representatives from Children's Services Planning Partnerships, third sector organisations and Health and Social Care Partnerships.

Following engagement with a range of stakeholders and partners, and consultation with the Steering Group, a final report with recommendations for improvements in commissioning and procurement of holistic whole family support was submitted to the Scottish Government on 29th November 2024, and is currently under their consideration with a view to developing implementation plans as appropriate during 2025.

Future of Foster Care Consultation

The Scottish Government has opened a consultation on the vision for the future of foster care. The consultation seeks to invite constructive discussions about the future of foster care and how the existing system can be improved. The consultation seeks to spark discussion related to the following areas:

- A vision for fostering to support the delivery of The Promise
- A flexible approach to fostering to meet the specific and unique needs of children and young people, and the sector and society
- An approach to meet the challenges in the recruitment and retention of foster carers
- Improving the status, recognition, and value given to foster carers⁷⁰

The consultation proposes a flexible fostering approach that builds on existing skills and good practice within the sector, and centres around the experiences of children and young people, families, and foster carers.⁷¹ The consultation will play an important role in the delivery of The Promise in Scotland. Scotland Excel is currently developing a response to the consultation and will liaise with relevant stakeholders. Scotland Excel's Fostering and Continuing Care Services framework plays a vital role in improving the national foster care outlook by ensuring the efficient and effective use of resources for the care, support, and well-being of children in the foster care system. The framework was established to enable local authorities to purchase fostering placements from independent, not for profit organisations as a supplement to their internal provision, in accordance with national legislation and policy, whilst supporting the delivering of The Promise.

⁷⁰ [Future of foster care: consultation - gov.scot](https://www.gov.scot/publications/future-of-foster-care-consultation/pages/10/index.aspx)

⁷¹ [Future of foster care consultation - Scottish Government consultations - Citizen Space](https://www.gov.scot/publications/future-of-foster-care-consultation/pages/10/index.aspx)

Digital and Innovation

Shared Alarm Receiving Centre (ARC) Technology Solution

The Scottish Government's Data Strategy prioritises modernising data connectivity, including phasing out copper lines to be replaced by full fibre and digital communication systems. To support this shift, the Technology Enabled Care Programme introduced the Shared Alarm Receiving Centre (ARC) Technology Solution in 2023 via Scotland Excel's Digital ARC framework. The framework was developed in collaboration with 17 telecare providers, and supports health and social care providers to transition from analogue to digital connections. The solution also supports the health and social care sectors' ambitions around improving use of data, and early intervention and prevention.

To date, 9 ARCs have signed up to the framework, with an additional 2 already using the platform prior to the procurement. Scotland Excel anticipates uptake of this framework to grow as the benefits of the shared ARC approach become increasingly evident.

Cyber Security and Security Operations Centre (SOC)

With more services and operations moving online, the risks of cyber-attacks and data breaches are rising, posing significant threats to the security of organisations and their networks. To address these risks, substantial investment in cybersecurity is required to safeguard digital infrastructure and sensitive data. Access to incident logs plays a critical role in the forensic response to cyber incidents.

Scotland Excel is currently exploring the development of a Security Operations Centre (SOC) framework to help members to monitor Information and Communication Technology networks for potential security threats. This solution will use a security information and incident management tool, enabling users to query and review logs for signs of suspicious activity. The framework is designed to help members meet compliance requirements under General Data Protection Regulation and the Data Protection Act. Scotland Excel will continue to engage with relevant stakeholders and keep members updated on the development of the framework as it progresses.

More Information

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.

Get in touch

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